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AUDIT OF
THE MOROCCO AGRONOMIC INSTITUTE
PROJECT NO. 608-0160

Audit Report No. 7-608-89-02-N

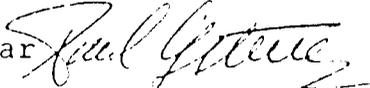
November 30, 1988

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

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November 30, 1988

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WEST AFRICA

MEMORANDUM FOR Charles W. Johnson, Director, USAID/Morocco
FROM Paul Armstrong, RIG/A/Dakar 
SUBJECT Audit of Morocco Agronomic Institute,
Project 608-0160, (Audit Report No.
7-608-89-02-N)

Attached is a copy of the report on subject audit. The certified public accounting firm of Price Waterhouse, Casablanca, Morocco, prepared the report.

The purpose of the audit was (1) to verify the allowability of local currency costs submitted by the contractor from project inception to April 1988, (2) to review and evaluate the project's system of internal controls, and (3) to determine whether the project was in compliance with applicable laws and regulations.

The auditors concluded that the contractor in some instances had no support for costs claimed and incurred some disallowable expenditures.

The auditors also uncovered several weaknesses with internal control procedures and found that the Contractor was not always in compliance with local laws and regulations.

The report contains 15 recommendations which we have summarized into three, for ease of tracking, implementation and resolution. They will be included in the office of the Inspector General's audit recommendation follow-up system:

Recommendation No. 1

We recommend that the Director, USAID/Morocco, question the local currency equivalent of approximately \$8,022 for which the Contractor had no support and disallow the local currency equivalent of about \$4,724 representing unauthorized expenditures.

Recommendation No. 2

We recommend that the Director, USAID/Morocco, strengthen project internal controls by requiring the contractor to (a) segregate accounting and administrative duties; (b) match purchase order, receiving report and invoice before each payment; (c) make payments on the basis of final rather than proforma invoices; (d) cancel payment documents immediately after payment (to avoid double payments); (e) undertake price studies to obtain the best prices available; (f) have payees sign their payment/reimbursement vouchers to avoid double payments or disputes; (g) perform a reconciliation between the accounting and physical inventory of non-expendable property; (h) establish checks over payments to project employees for professional use of their personal cars or telephones; (i) register all project bank accounts and property in the name of the project and not individuals; (j) establish a system that combines authorization and expenditure approval.

Recommendation No. 3

We recommend that the Director, USAID/Morocco, ensure project compliance with Moroccan laws by requiring the contractor to: (a) file payroll taxes and social security returns for Moroccan and resident project employees; (b) discontinue the payment of value-added-tax (TVA), as the project is tax-exempt; (c) register with local authorities.

The contents of the report were discussed with the USAID/Morocco Controller prior to issuance.

Please provide written comments within 30 days of any information related to actions planned or taken to implement the recommendations.



AUDIT OF THE AGRONOMIC INSTITUTE PROJECT
No. 608-C160 RELATING TO THE CONTRACT
BETWEEN THE INSTITUT AGRONOMIQUE ET
VETERINAIRE HASSAN II AND THE
UNIVERSITY OF MINNESOTA

Period from June 16, 1980
to April 30, 1988



AUDIT OF THE AGRONOMIC INSTITUTE PROJECT
No. 608-0160 RELATING TO THE CONTRACT
BETWEEN THE INSTITUT AGRONOMIQUE ET
VETERINAIRE HASSAN II AND THE UNIVERSITY
OF MINNESOTA

ACRONYMS

USAID	United States Agency for International Development
IAV	Institut Agronomique et Vétérinaire Hassan II
UOM	University of Minnesota
TVA	Value added tax
RIG/A/D	Regional Inspector General - Audit - Dakar

AUDIT OF THE AGRONOMIC INSTITUTE PROJECT
No. 608-0160 RELATING TO THE CONTRACT
BETWEEN THE INSTITUT AGRONOMIQUE ET
VETERINAIRE HASSAN II AND THE
UNIVERSITY OF MINNESOTA



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Section I - Transmittal letter and
Executive Summary

Price Waterhouse



July 14, 1988

Mr. Paul E. Armstrong
Regional Inspector General for Audit
U.S. Agency for International Development
Dakar
Senegal

Dear Mr. Armstrong,

This report presents the results of our audit of the Agronomic Institute Project No. 608-0160 relating to the contract between the Institut Agronomique et Vétérinaire Hassan II (IAV) and University of Minnesota (UOM) for the period from June 16, 1980 to April 30, 1988.

A. Background

In 1980, USAID and the Government of Morocco signed an agreement for the third phase of the Agronomic Institute Project. The purpose of the project is to strengthen IAV by training high level teachers and scientists to help promote agriculture in Morocco.

To help achieve project purposes, the Government of Morocco through IAV signed a host country contract with UOM. Under the contract UOM is to provide to IAV training, technical assistance and commodities. Most project activities will be completed in April 1990. Two additional years will be necessary, however, to allow some participants to complete their training thus bringing the project completion date to 1992.

A significant portion of the expenses are incurred locally in Moroccan Dirhams. From June 16, 1980 to April 30, 1988, the project reported expenditures amounting to about 14.5 million Moroccan Dirhams or the equivalent of about US\$ 1.8 million at the current exchange rate.



B. Audit objective and scope

The objective of the audit was

- (1) to verify the allowability of local currency costs submitted by the contractor for the period from June 16, 1980 to April 30, 1988 ;
- (2) to review and evaluate the project's system of internal controls, and
- (3) to determine whether the project has complied with applicable laws and regulations.

The audit was conducted in accordance with generally accepted U.S. Government audit standards as set forth by the Controller General in the General Accounting Office "Yellow Book" and the USAID Inspector General Guidelines for Financial and Compliance Audits of AID-financed Agreements and accordingly included such tests of the accounting records and such other auditing procedures which we considered necessary in the circumstances.

The results of our work are included in the following three reports :

- . Report on Statements of Expenditure
- . Report on Internal Accounting Control
- . Report on Compliance with Agreement Terms and Applicable Laws and Regulations.

C. Audit procedures

Our audit procedures included the following :

- i reading and familiarizing ourselves with the grant agreement and related documents between USAID and the Government of Morocco, and the contract between IAV and UOM ;
- ii holding entrance conferences with USAID/Morocco officials and the contractor to obtain their views and discuss their concerns ;



- iii obtaining summary statements of local currency costs incurred by category of expenditure from the contractor to test the reasonableness, allowability and allocability of expenditure ;
- iv carrying out tests to determine if funds and or commodities are being properly accounted for and used as directed by the contract or other applicable program documents ;
- v being alert to situations or transactions that could be indicative of fraud, abuse and illegal expenditures and acts ;
- vi examining the accounting records of the project from its inception to the date of the audit to determine if expenditures incurred are allowable, reasonable and relevant to project activities. The audit scope included sufficient tests to determine whether the project has adequately documented expenditures ;
- vii reviewing and evaluating the project's system of internal accounting controls. Performing tests to determine the extent to which established procedures and controls are functioning as intended ;
- viii determining whether the project has complied with applicable laws and regulations, the grant agreement and the contract.

For vi, vii and viii above, we bore in mind the results of the pre-audit survey performed by the office of the RIG/A/D, identifying the potential problems.

At this stage, it should be noted that, for the purposes of this report, all amounts in Moroccan Dirhams have been translated into US dollars at the currently prevailing average exchange rate of US\$ 1 = DH 8. It must be pointed out that over the period examined, the exchange rate of the Moroccan Dirham against the US dollar has fluctuated considerably ; consequently, the US dollar amounts are approximate equivalents.

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D. Results of audit

I. Statements of Expenditure

Our audit of the statement of expenditure for the period from June 16, 1980 to April 30, 1988 revealed the following :

- (1) There were several instances where the Project could not produce supporting documentation for costs claimed.

We recommend that the total of such unsupported costs of DH 64 174 (approximately US\$ 8 022) be questioned pending the provision of the relevant documentation by the contractor.

- (2) The Project does not ensure strict compliance with USAID regulations.

We recommend that such expenses amounting to DH 37 788 (approximately US\$ 4 724) be disallowed.

The expenditure vouchers were not numbered consecutively from the start of the project. Furthermore, the numbering system was not consistent on a year to year basis. As a result, statistical sampling was not feasible for the audit universe ; judgemental sampling techniques were therefore applied as the alternative for the testing of expenditure.

Of the DH 14.5 million (approximately US\$ 1.8 million) expenses incurred between June 16, 1980 and April 30, 1988 we performed our tests on DH 10.6 million (approximately US\$ 1.33 million), i.e. 72%. Our detailed findings are presented in the " Report on Statements of Expenditure - Findings" section of this report on pages 10-12.

II. Internal controls

Our review and evaluation of the project's internal accounting controls highlighted the following :

- (1) There is no adequate segregation of accounting and administrative duties/responsibilities. Review of transactions by UOM has not been evidenced during at least the past 18 months ;



- (2) The Project lacks a system for linking together purchase order, receiving report and invoice to back up expenditure;
- (3) Checks are often paid to vendors based solely on proforma invoices ;
- (4) Paid suppliers' invoices are not marked as such ;
- (5) The contractor did not systematically make price studies to obtain the best prices ;
- (6) Expenditure/reimbursement vouchers are not always signed by the payee ;
- (7) The Project does not reconcile the physical inventory of non-expendable property with the inventory per the accounting records ;
- (8) Controls are occasionally not complied with for reimbursing Project employees for use of their personal car and long distance telephone calls made for Project purposes,
- (9) Two cars belonging to the Project are registered in the name of a former employee of the Project. In addition, the Project's bank account is in the name of the Project chief of party.
- (10) The Project chief of party is the sole signatory required to effect releases from the Project bank account.

III. Compliance with Agreement and Contract terms and applicable laws and regulations

Our study of the Agreement and Contract terms and applicable laws and regulations revealed the following :

- (1) The project does not deduct any salary taxes and social security contribution from the salaries of local employees and other foreigners resident in Morocco and employed by the Project.
- (2) The Project does not always provide its suppliers with a value added tax (TVA) exemption certificate.



(3) UOM has never been registered with the Moroccan authorities as a non-profit organization.

+ + +

At the exit conference on July 14, 1988, the contents of this report were fully discussed with officials of the Contractor in the presence of, among others, USAID Morocco Chief of Project, Agriculture Division, Mr. Robert Hellyer, RIC/A/D representative, Mr. Oumarou Dia, USAID Morocco Deputy Controller, Mrs. Pamela Callan. The Contractor's comments are incorporated in this report.

We would like to take this opportunity to thank the Project Chief of Party and his staff for the assistance extended to us in connection with our examination.

Should you wish to have additional information on the contents of this report, please do not hesitate to contact Mr. Hampe Ghazarossian.

Very truly yours,

Price Waterhouse



Section II - Report on Statements of Expenditure

REPORT ON STATEMENTS OF EXPENDITURE

A. AUDITORS' OPINION



We have examined the statements of expenditure of the Agronomic Institute Project No. 608-0160 (the Project) for the period from June 1, 1980 to April 30, 1988.

Costs claimed, costs questioned and costs disallowed are summarized on schedule A on page 28 of this report.

Our examination was made in accordance with the Guidelines for Financial and Compliance Audits of AID-financed Agreements, and the provisions of the standards for Audit of Governmental Organizations, Programs, Activities and Functions (1981 Revision) promulgated by the Comptroller General, which pertain to financial and compliance audits.

Our examination was made primarily for the purpose of expressing an opinion on the statement of costs claimed, summarized in schedule A, and included such tests of the accounting records, and such other auditing procedures as we considered necessary in the circumstances.

The costs claimed were tested against the provisions of the Contract between IAV and UOM. Therefore, Schedule A is not intended to present either the financial results of operations of IAV or the financial position of the Project in conformity with generally accepted accounting principles.

In our opinion, subject to the resolution of the questioned costs and except for the disallowed costs, Schedule A gives a true and fair representation of the expenditures incurred in relation to the Project for the period from June 1, 1980 to April 30, 1988.

Schedule A shows DH 64 174 (approximately US\$ 8 022) of questioned costs and DH 37 788 (approximately US\$ 4 724) of disallowed costs. These costs are discussed in the following "Findings and Recommendations" section on pages 10 to 12.

Price Waterhouse

July 14, 1988
Casablanca

REPORT ON STATEMENTS OF EXPENDITURE



B. FINDINGS

FINDING No. 1 : LACK OF SUPPORTING DOCUMENTATION

Condition :

No documentation was provided to support charges to the Project in respect of the following :

I. Technical assistance

	DH	
. Travel and transportation : resident staff		
Apr 17, 1986 voucher 323	4 239	
Jan 1987	<u>9 061</u>	13 300
. Travel and transportation : TDY staff		
June 1980 to Sept 1984		5 369
. Other direct costs		
Oct 1984 voucher 202	1 391	
March 1985 voucher 249	3 942	
March 1985 voucher 253	6 300	
June 1985 voucher 289	1 068	
Dec 1987 voucher 1-10	990	
March 1988 voucher 1-06	<u>2 841</u>	<u>16 532</u>
Total technical assistance	35 201	US\$ 4 400

II. Participant training

	DH	
. Third cycle participants - tuition fees		
June 1980 to Sept 1984		6 615
. Faculty participants : English language		
tuition and fees 1983/84		2 078
. Faculty participants : Maintenance and		
Program costs		
Oct 1985 voucher 217	5 600	
March 1987 voucher 3-01	<u>10 070</u>	15 670
. Research collaboration		
Apr 1988 voucher 3-20	<u>4 610</u>	
Total participant training	28 973	US\$ 3 622
Total questioned costs	64 174	US\$ 8 022



Criteria

Only costs necessarily incurred on the Project should be charged to it. In order to meet this criteria, the contractor should provide supporting documentation for all costs claimed.

Causes

Due care is not taken by the contractor to ensure that Project personnel support all their expenditure returns with appropriate documentation and that such supporting documents are properly safeguarded.

Effect

There is a potential for excessive billing to USAID because costs claimed may not be substantiated with supporting documents.

Recommendation

We recommend that the total unsupported costs of DH 64 171 (approximately US\$ 8 022) should be questioned pending the provision by the contractor of adequate supporting documentation.

Contractor comment

The Contractor believes that adequate documentation is available and that they will furnish them on a timely basis to USAID/Morocco

FINDING No. 2 DISALLOWABLE EXPENSES OF PROJECT PERSONNEL

Condition

Professional staff have been reimbursed for expenditures which are disallowed, as follows :



I. Technical assistance

		DH	
. Travel and transportation resident staff			
Aug 1987 double payment of			
car maintenance invoice		10 100	
. Other direct costs			
Nov 19, 1985 voucher 327			
graduation reception	4 000		
Dec 12, 1985 voucher 342 gift			
to customs	2 214		
July 16, 1986 voucher 420			
graduation reception	3 535		
Nov 1987 voucher 1-01 dinners	2 195		
Feb 1988 voucher 1-24 lunches	8 000		
March 1988 voucher 1-46 private			
telephone bills	<u>7 744</u>	27 688	

Total		37 788	US\$ 4 7
		=====	===

Criteria

USAID regulations do not allow expenditure for entertainment or gifts to authorities.

Cause

The Administrative Officer does not undertake a sufficiently detailed review of expenditures claimed by Project personnel.

Effect

Disallowable expenditure by Project personnel have been claimed by the contractor.

Recommendation

We recommend that USAID should disallow all the costs detailed above amounting to DH 37 788 (approximately US\$ 4 724).

Contractor comment

The Contractor would like to review the rules regarding the disallowed costs and will contact USAID/Morocco. The Contractor will be attempting to recover the double payment and report to USAID/Morocco.



Section III - Report on Internal Accounting Control



REPORT ON INTERNAL ACCOUNTING CONTROL

A. AUDITORS' OPINION

We have performed a financial and compliance audit of the statements of expenditures of the Agronomic Institute Project No. 608-0160 (the Project) for the period from June 1, 1980 to April 30, 1988 and we have issued our report thereon dated July 4, 1988. As part of our examination, we made a study and evaluation of the Project's system of internal accounting control 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 Organizations, Programs, Activities and Functions" (1981 Revision). 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 fund accountability statement of the project. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control of the Project taken as a whole.

Significant areas of internal control tested by ourselves were as follows :

- i. Cash receipts and payments
- ii. Purchasing
- iii. Payroll/Personnel
- iv. Custody over assets/inventories

The Contractor is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgements by the contractor are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide the Project 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 the inherent limitation 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.

Based on our study and the criteria referred to in the first paragraph of this report, and except for the conditions described in the accompanying findings 1 to 10 on pages 16 to 22, it is our opinion that the Project's internal accounting control system is adequate for safeguarding the assets and funds of the Project from irregularities in amounts that may be material to the Project.

Price Waterhouse

July 14, 1988
Casablanca



REPORT ON INTERNAL ACCOUNTING CONTROL

B. FINDINGS

Finding 1

Condition

There is no adequate segregation of accounting and administrative duties/responsibilities. Review of transactions by UOM has not been evidenced during at least the past 18 months. The Chief Accountant deals with all the financial aspects of the Project starting from preparation of the input data to verification of the output and the administrator with all the administrative aspects of the Project.

Criteria

Good internal accounting control would require the involvement of at least one additional person for each of these functions without necessarily duplicating work and would also involve a review function of transactions.

Cause

In common with many projects of similar size and organization, the system of internal accounting control is dependent upon the close involvement of the Contractor's Chief of party.

Effect

Errors/irregularities within the financial and administrative functions may not be highlighted without an adequate segregation of these tasks and a consistent and thorough review of transactions.

Recommendation

The Project should consider the cost effectiveness of employing another individual for achieving a more adequate segregation of tasks. In addition, UOM officials should review regularly the monthly expense reports for completeness and accuracy. Evidence of these reviews should be sent to the Project on a regular basis.

Contractor comment

This recommendation will be considered.



Finding 2

Condition

The Project lacks of a system for linking together purchase order, receiving report and invoice to back up the expenditure.

Criteria

The Project should adopt such a system to better control its purchases and related expenditure.

Cause

No such system has been outlined by UOM officials since the start of the Project.

Effect

Lack of such a system may lead to unauthorized purchases, lack of control over suppliers' prices and unreconciled quantities of purchases ordered and received.

Recommendation

We recommend that such a system be adopted and implemented in order to better control all Project expenditure on purchases.

Contractor comment

Agreed.

Finding 3

Condition

Checks are often paid to vendors based solely on proforma invoices.

Criteria

All invoices should be in their final form before any check can be issued for their settlement.

Cause

The Project does not follow-up suppliers' final invoices on a timely basis if, for practical reasons, a payment is made on the basis of a proforma invoice pending the receipt of a final invoice.

22

Effect

The final invoice when received, may differ from the proforma invoice and in addition, risk being paid again if the supplier has already been paid on the basis of the proforma.

Recommendation

As far as practicable, all payments should be made on the basis of final invoices. When checks are made out on the basis of proforma invoices, final invoices should be obtained.

Contractor comment

Agreed.

Finding 4

Condition

Paid suppliers' invoices are not marked as such.

Criteria

All suppliers' invoices, once paid, should be marked as such.

Cause

Non-existence of the system since the start of the Project.

Effect

There may be the risk of suppliers' invoice being presented for payment twice.

Recommendation

All paid suppliers' invoices should be marked as such.

Contractor comment

Agreed.

Finding 5

Condition

The contractor did not systematically make price studies to obtain the best prices.

Criteria

According to A.I.D. regulations (Handbook 1, chapter 18A (6)), the buyer shall pay no more than the lowest available price.



Cause

The contractor did not ensure that contract provisions were strictly enforced.

Effect

The Project may not always receive the lowest prices for its purchases.

Recommendation

The Project should effect its procurement in accordance with A.I.D. regulations.

Contractor comment

Agreed.

Finding 6

Condition

Expenditure/reimbursement vouchers are not always signed by the payee.

Criteria

The signature of the payee serves as an acknowledgement of reimbursement.

Cause

Due care is not taken by the contractor to ensure that all reimbursement vouchers are signed by both parties.

Effect

There may be the risk of expenditure being reimbursed twice or of disputes with payees.

Recommendation

All expenditure/reimbursement vouchers should be signed by the payee.

Contractor comment

Agreed.

Finding 7

Condition

The Project does not reconcile the physical inventory of non-expendable property with the inventory per the accounting records.

20

Criteria

A reconciliation of the physical and accounting inventory serves as a control for the safeguard of the Project's assets.

Cause

The Contractor has not undertaken the necessary measures for this task.

Effect

The Project may risk losing some of its assets.

Recommendation

The reconciliation between the accounting and physical inventory of non-expendable property should be performed.

Contractor comment

Agreed.

Finding 8

Condition

Controls are occasionally not complied with for reimbursing Project employees for use of their personal car and long distance telephone calls made for Project purposes.

Criteria

All expenses should be reviewed and controlled in order that the Project incurs expenditure related to the Project.

Cause

The system has not been systematically applied.

Effect

The Project may risk reimbursing expenditure over and above the amount necessary.

Recommendation

We recommend that all reimbursement to Project employees for costs relating to the use of their personal car and telephone for Project purposes should be adequately and systematically controlled.

Contractor comment

Agreed.



Finding 9

Condition

Two cars belonging to the Project are registered in the name of a former employee of the Project. In addition, the Project's bank account is in the name of the Project chief of party.

Criteria

Project properties and accounts should be registered in the Project's name.

Cause

The contractor has followed the unwise and imprudent practice of having project property and bank account listed under the name of individuals.

Effect

The transfer of title may prove to be difficult in the event the Project needs to dispose of the vehicle. In addition, there is a risk of diversion when project funds are kept in the name of individuals.

Recommendation

All bank accounts and property not in the name of the Project should immediately be registered in the Project's name and all forthcoming purchases should be registered in the name of the Project.

Contractor comment

Agreed

Finding 10

Condition

The Project chief of party is the sole signatory required to effect releases from the Project bank account.

Criteria

Good management requires that the Project checks should be signed by at least two individuals, or that a system should be established requiring separate authorizations and expenditure approvals.



Cause

The contractor has not seen the need for instituting any limitations on the management of the bank account, leaving it under the sole control of the Project chief of party.

Effect

There is a potential for diversion of Project funds for unauthorized purposes.

Recommendation

Dual signature for all payments by bank should be introduced or a system for authorization and expenditure approval should be instituted.



Section IV - Report on Compliance with Agreement Terms
and Applicable Laws and Regulations



REPORT ON COMPLIANCE WITH AGREEMENT TERMS AND
APPLICABLE LAWS AND REGULATIONS

A. AUDITORS' OPINION

We have performed a financial and compliance audit of the statements of expenditure of the Agronomic Institute Project No. 808-0160 (the Project) for the period from June 1, 1980 to April 30, 1988, and we have issued our report dated July 14, 1988. Our examination was made in accordance with generally accepted auditing standards and the U.S. Comptroller General's "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions" (1981 Revision), which includes additional standards and requirements for the review of compliance with agreement terms and applicable laws and regulations.

We tested transactions and records for the period from June 16, 1980 to April 30, 1988 which included cash disbursements and reporting to determine the Project's compliance with terms of the contract between IAV and UOM.

The results of our study indicated that for the items tested, the Project complied with the terms of the agreement and applicable laws and regulations, except as described in the accompanying findings No. 1 to 3. Nothing came to our attention that caused us to believe that untested items were not otherwise in compliance with agreement terms and applicable laws and regulations.

Price Waterhouse

July 14, 1988
Casablanca



REPORT ON COMPLIANCE WITH AGREEMENT TERMS AND
APPLICABLE LAWS AND REGULATIONS

B. FINDINGS

Finding 1

Condition

The Project does not deduct any salary taxes and social security contribution from the salaries of local employees and other foreigners resident in Morocco and employed by the Project.

Criteria

This is in contravention of both the local tax regulations (Decree No.1.58.368 article 1) and article 4.01 of the contract between IAV and UOM.

Cause

The Project has never deducted salary taxes and social security contributions since its inception.

Effect

The Project risks incurring penalties for non-declaration of salary taxes and social security contributions and interest charges for late payment.

Recommendation

The Project should deduct the salary taxes and social security contributions from the salaries of local employees and other foreigners resident in Morocco and employed by the Project.

Contractor comment

This recommendation will be studied.

Finding 2

Condition

The Project does not always provide its suppliers with a TVA exemption certificate.

Criteria

The IAV and UOM contract states that the Project is exempt from TVA.

Cause

The Contractor officials sometimes encounter time-consuming administrative problems in obtaining such certificates.

Effect

Although exempt from TVA, the Project pays TVA on a number of its purchases. Our tests revealed that an amount of DH 40 143 (approximately US\$ 5 018) was paid in respect of TVA.

Recommendation

The Project should try and obtain a global TVA exemption certificate which it could use for all its purchases instead of having to obtain an exemption certificate for each of its purchases.

Contractor comment

Agreed.

Finding 3

Condition

UOM has never been registered with the Moroccan authorities as a non-profit foreign association.

Criteria

Moroccan law (Decree No. 0.58.376 article 5) requires the registration with local authorities of all foreign associations.

Cause

The Contractor has not been aware of this requirement under Moroccan law.

Effect

The Project is not complying with Moroccan law. This may lead to penal sanctions.

Recommendation

UOM should be registered with the relevant authorities.

Contractor comment

The Contractor would like to review further the relevant legislation and actual practice in Morocco.

AUDIT OF THE AGRONOMIC INSTITUTE PROJECT
No. 608-0160 RELATING TO THE CONTRACT
BETWEEN THE INSTITUT AGRONOMIQUE ET
VETERINAIRE HASSAN II AND THE OOM



	Total costs <u>claimed</u> DH	Questioned <u>costs</u> DH	Disallowed <u>costs</u> DH	Audited <u>costs</u> DH
A. TECHNICAL ASSISTANCE				
Project support staff in the country	1 650 265	-	-	1 650 265
French language training	41 290	-	-	27 660
Allowances resident staff - senior scientists	2 748 248	-	-	1 707 058
Allowances resident staff - junior staff	4 503	-	-	-
Travel and transportation - resident staff	1 658 725	13 300	10 100	1 035 447
Travel and transportation - TDY staff	407 479	5 369	-	258 783
Other direct costs	<u>1 053 259</u>	<u>16 532</u>	<u>27 688</u>	<u>814 631</u>
	DH <u>7 563 769</u>	<u>35 201</u>	<u>37 788</u>	<u>5 493 844</u>
	US\$ <u>945 471</u>	<u>4 400</u>	<u>4 724</u>	<u>686 730</u>
B. PARTICIPANT TRAINING				
Third cycle participants - tuition and fees	171 415	6 615	-	133 839
Faculty participants - tuition and fees	403 321	2 078	-	207 889
Faculty participants - maintenance and program costs	983 507	15 670	-	397 367
Short term participants	171 583	-	-	136 449
Invitational travelers	79 966	-	-	85 315
Research collaboration	<u>239 864</u>	<u>4 610</u>	-	<u>148 539</u>
	DH <u>2 049 656</u>	<u>28 973</u>	-	<u>1 109 398</u>
	US\$ <u>256 207</u>	<u>3 622</u>	-	<u>138 674</u>
C. COMMODITIES				
In country transportation	670 891	-	-	599 368
Library development	1 352 419	-	-	1 229 313
Research team members	2 037 403	-	-	1 289 458
Data storage/analysis	<u>645 542</u>	-	-	<u>546 284</u>
	DH <u>4 706 255</u>	-	-	<u>3 664 423</u>
	US\$ <u>588 282</u>	-	-	<u>458 053</u>
D. C.R.S.P./SR				
C.R.S.P./SR	DH <u>362 919</u>	-	-	<u>358 332</u>
	US\$ <u>45 365</u>	-	-	<u>44 792</u>
Total DH	14 682 599	64 174	37 788	10 625 987

Total US\$	1 835 325	8 022	4 724	1 328 249

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