

PD-AAZ-569

AUDIT OF
USAID/JAMAICA EMERGENCY
REHABILITATION PROJECT
PART I - CONSOLIDATED REPORT

Audit Report No. 1-532-89-37-N
July 28, 1989

U. S. MAILING ADDRESS :
RIG/T
APO MIAMI 34022

AGENCY FOR INTERNATIONAL DEVELOPMENT

OFFICE OF THE REGIONAL INSPECTOR GENERAL
AMERICAN EMBASSY
TEGUCIGALPA - HONDURAS

TELEPHONES :
32-9987
also 32-3120 EXT. 2701-2703

July 28, 1989

MEMORANDUM

TO : USAID/Jamaica, Director, William R. Joslin
FROM : RIG/A/T, *Erin A. Rothard* Erin A. Rothard, Jr.
SUBJECT: Audit of USAID/Jamaica Emergency Rehabilitation Project: Part I, Consolidated Report, Report No. 1-532-89-37-N

This report presents the results of a concurrent non-Federal financial audit of the Emergency Rehabilitation Project, USAID/Jamaica Project No. 532-0185. The draft audit report was submitted to you for comment and your comments are appended to the Part I Report. Because of its size and because Congress requested a detailed accounting of this project, the draft report was divided into five parts. Part I is a consolidated report; Part II reports on the Restoration of Essential Services component; and report Parts III, IV and V contain the results of the audit of the Support for Non-Governmental Organizations Component -- the National Development Foundation of Jamaica, the Kingston Restoration Company Limited, and the Council of Voluntary Social Services/United Way of Jamaica, respectively. The certified public accounting firm of Touche Ross prepared the reports, which are dated May 25, 1989.

The purpose of this audit was to report on (1) the fairness of the fund accountability statement of the project for the period September 28, 1988 to February 25, 1989, (2) the internal control structure, and (3) compliance by the project's implementing entities with applicable laws, regulations, and agreement terms.

In the opinion of Touche Ross, the fund accountability statement presents fairly the consolidated project's receipts and expenditures for the period September 28, 1988 to February 25, 1989, except for certain inadequacies in the National Development Foundation's accounting for disbursements from the grant funds. The evaluation of the internal control structure disclosed matters that were considered reportable conditions in accordance with generally accepted auditing standards and the U.S. Comptroller General's auditing standards. In their opinion, there was compliance with agreement terms and applicable laws and regulations tested, except for certain instances reported. Nothing came to their attention to indicate non-compliance with items not tested.

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With regard to the National Development Foundation (NDF), Touche Ross found that \$665,097 of disbursements and \$638,164 of accrued expenditures were not adequately supported because NDF could not provide a listing of loans approved and disbursed which was directly traceable to A.I.D. funds, since NDF had commingled A.I.D. funds with funds from other hurricane relief sponsors. However, NDF was able to provide lists of loans which met A.I.D.'s eligibility criteria even though it could not prove that the specific funds involved were actually A.I.D.'s. A.I.D. considered this attribution method of supporting the funds provided to the organization to be acceptable.

The Touche Ross report does not contain audit recommendations. We attribute this to the concurrent audit approach and your staff's timely work in correcting deficiencies as they were disclosed during the audit.

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

AUDIT OF THE EMERGENCY REHABILITATION PROJECT

USAID/JAMAICA PROJECT NO. 532-0185

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July 14, 1989

TRANSMITTAL LETTER AND SUMMARY

Mr. Coinage N. Gothard, Jr.
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 financial audit of the Emergency Rehabilitation Project, USAID/Jamaica Project No. 532-0185 for the period September 28, 1988 to February 25, 1989.

BACKGROUND

The Government of Jamaica (GOJ) and the United States of America (USA) entered into an agreement whereby the Government of the USA through its Agency for International Development Mission to Jamaica (USAID/Jamaica) provided assistance to the GOJ in the relief and rehabilitation necessary as a result of damages caused by hurricane 'Gilbert'.

The goal of the Emergency Rehabilitation Project was to restore victims of hurricane 'Gilbert' to self-sufficiency.

In particular, the Agreement established a project to:

- (a) restore essential services, viz., electricity, water, and sewerage to the level existing before the hurricane;
- (b) supply roofing materials for shelter rehabilitation;
- (c) provide critical medical supplies and equipment;
- (d) restore certain agricultural production through reseedling of damaged fields;
- (e) support relief and rehabilitation efforts of non-governmental organisations.

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BACKGROUND (Cont'd.)

July 14, 1989

The project therefore had two major components:

1. Restoration of Essential Services:

- (a) restoration of electric power service;
- (b) restoration of potable water and sewage disposal;
- (c) provision of zinc roofing and related building materials;
- (d) restocking critical medical supplies and equipment;
- (e) providing seeds and related inputs to farmers for replanting damaged fields.

2. Support for Non-Governmental Organisations:

The support of the privately financed relief and rehabilitation programmes of the following non-governmental organisations:

- (a) National Development Foundation of Jamaica
- (b) Kingston Restoration Company Limited
- (c) Council for Voluntary Social Services/United Way of Jamaica.

In pursuance of the above support, USAID/Jamaica provided a grant, under the Foreign Assistance Act of 1961 and in accordance with the agreement referred to above, in the amount of twenty five million United States Dollars (US\$25,000,000).

The Agreement was dated September 28, 1988 and the project assistance completion date (PACD) was February 25, 1989.

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AUDIT OBJECTIVES AND SCOPE

July 14, 1989

The overall objective of the examination was to perform a financial audit of the fund accountability statement of the Emergency Rehabilitation Project, USAID/Jamaica Project No. 532-0185, for the period September 28, 1988 to February 25, 1989.

Our examination was performed in accordance with generally accepted auditing standards and the U.S. Comptroller General's "Government Auditing Standards" (1988 Revision), and accordingly, included such tests of the accounting records and other auditing procedures as we considered necessary in the circumstances, to determine that funds were being properly accounted for and were used in accordance with applicable laws, regulations and agreement terms.

The scope of our work consisted of the following:

- (a) a review of the fund accountability statement as of February 25, 1989;
- (b) study and evaluation of the internal control structure as considered necessary in the circumstances;
- (c) a review of agreements under which funds were granted to determine whether USAID/Jamaica and the implementing entities have complied with the applicable laws, regulations and agreements which may have an effect on the fund accountability statement;
- (d) a review of reconciliations of bank accounts for the implementing entities to determine that receipts and disbursements from the funds of the project, are properly accounted for;
- (e) performance of on-site tests, inspections and observations as considered necessary.

The following major audit procedures were carried out in order to meet the stated audit objectives.

1. Obligations

We agreed the total amount of \$25,000,000 to the Grant Agreement and subsequent amendments.

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AUDIT OBJECTIVES AND SCOPE (Cont'd)

July 14, 1989

2. Earmarks

We compared \$24,946,598 in earmarks to the relevant Project Implementation Orders for Commodities (PIO/Cs), Project Implementation Orders for Technical Services (PIO/Ts) and Project Implementation Letters (PILs).

3. Commitments

We compared commitments of \$24,867,598 to the commitment documents and to the related PIO/Cs, PIO/Ts and PILs.

4. Disbursements

We examined documentary evidence in support of disbursements totalling \$5,028,698.

5. Accrued Expenditure

We obtained and reviewed Bills of Lading and other shipping documents in the amount of \$11,879,026 for vehicles, heavy equipment, telephone poles and other commodities.

We physically inspected commodities valued at \$5,005,621.

6. National Development Foundation of Jamaica (NDF)

We reviewed documentation for loans amounting to \$715,804 of total loan commitments of \$1,320,698 presented by NDF.

7. CVSS/United Way of Jamaica (CVSS/UWJ)

We reviewed agreements for \$964,324 of total sub-grants of \$985,000 disbursed by CVSS/UWJ.

8. Kingston Restoration Company Limited

We examined documentary evidence in support of disbursements totalling \$306,074.

9. Bank Accounts

We traced grant funds to special bank accounts, as appropriate. We also obtained bank confirmation of bank balances and reviewed bank account reconciliations as considered necessary.

RESULTS OF AUDIT

July 14, 1989

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

- (a) Report on the fund accountability statement
- (b) Report on the internal accounting controls
- (c) Report on the compliance with applicable laws, regulations and agreement terms

Fund Accountability Statement

In our opinion, except for the matters discussed in the Consolidated Report (Section 1.1.1) the fund accountability statement presents fairly the financial status of the project as at February 25, 1989.

Internal Accounting Control

Our evaluation was limited to an understanding of the control environment and the flow of transactions through the accounting system in relation to the project activities. As a result, we do not express an opinion on the internal control structure of the implementing entities taken as a whole.

However, our evaluation disclosed certain matters which came to our attention. Details of these matters are outlined in Sections 1.2.2 and 1.2.3 of this report.

Compliance with Applicable Laws, Regulations and Agreement Terms

Our review of the applicable agreements and regulations that could have an effect on the fund accountability statement of the project disclosed that the implementing entities complied with the tested terms of such agreements, except for the matters, which are described in detail in Section 1.3.2 of this report.

Nothing came to our attention that caused us to believe that items not tested were not in compliance with applicable laws, regulations and agreement terms.

MANAGEMENT COMMENTS

We submitted a draft copy of this report to USAID/Jamaica. Written comments of USAID/Jamaica are included as Appendix I.

Touche, Ross, Tharburn & Co.

Touche, Ross, Thorburn & Co.
Chartered Accountants
7 West Avenue, Kingston Gardens,
P.O. Box 13, Kingston 4,
Jamaica, W.I.
Telephone: 809 922-6825/7
Telecopier: 809 922-7673
Telex: 2161 Touchert Ja.

 Touche Ross

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EMERGENCY REHABILITATION PROJECT
USAID/JAMAICA PROJECT NO. 532-0185

1.0 CONSOLIDATED REPORT

1.1.1 AUDITOR'S OPINION - FUND ACCOUNTABILITY STATEMENT

We have examined the fund accountability statement of the Emergency Rehabilitation Project, USAID/Jamaica Project No. 532-0185 for the period September 28, 1988 to February 25, 1989. Except as explained in the second paragraph below, our examination was performed in accordance with generally accepted auditing standards and the U.S. Comptroller General's "Government Auditing Standards" (1988 Revision), and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As more fully discussed in Sections 1.2.2 and 1.2.3 of this report, there were certain inadequacies in the National Development Foundation's accounting for disbursements from the grant funds. In addition, we were unable to obtain adequate documentation in support of the amounts of \$665,096 and \$638,164 reflected in the fund accountability statement as disbursements and accrued expenditure respectively. As a result, it was not practicable to extend our auditing procedures to enable us to formulate an opinion on the amounts shown as disbursements and accrued expenditure for the National Development Foundation.

In our opinion, except for the matter mentioned in the second paragraph above, the accompanying fund accountability statement presents fairly the financial status of the project as of February 25, 1989, in conformity with the basis of preparation as explained in Note 2.

This report is intended solely for the use of the United States 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.

Touche, Ross, Thorburn & Co.

Kingston, Jamaica,
May 25, 1989

EMERGENCY REHABILITATION PROJECT
USAID/JAMAICA PROJECT NO. 532-0185

1.0 CONSOLIDATED REPORT

1.1.2 FUND ACCOUNTABILITY STATEMENT

FEBRUARY 25, 1989
(All amounts in US\$)

<u>ELEMENTS</u>	(1) <u>OBLIGATIONS</u> \$	(2) <u>EARMARKS</u> \$	(3) <u>COMMITMENTS</u> \$	(4) <u>DISBURSEMENTS</u> \$	(5) <u>ACCRUED</u> <u>EXPENDITURES</u> \$
<u>POWER -</u>					
Commodities	4,248,622	4,248,622	4,248,622	310,482	3,845,620
Technical Assistance	69,106	69,106	69,106	43,790	12,000
Technical Services	<u>6,445,655</u>	<u>6,392,254</u>	<u>6,392,254</u>	<u>2,764,051</u>	<u>3,628,200</u>
	<u>10,763,383</u>	<u>10,709,982</u>	<u>10,709,982</u>	<u>3,118,323</u>	<u>7,485,820</u>
<u>SHELTER -</u>					
Commodities	6,977,459	6,977,459	6,977,459	20,524	6,896,000
Technical Assistance	<u>56,000</u>	<u>56,000</u>	<u>56,000</u>	<u>7,250</u>	<u>48,750</u>
	<u>7,033,459</u>	<u>7,033,459</u>	<u>7,033,459</u>	<u>27,774</u>	<u>6,944,750</u>
<u>WATER</u>					
Commodities	2,016,666	2,016,666	2,016,666	92,760	1,744,000
Technical Assistance	<u>59,120</u>	<u>59,120</u>	<u>59,120</u>	<u>18,425</u>	<u>40,695</u>
	<u>2,075,786</u>	<u>2,075,786</u>	<u>2,075,786</u>	<u>111,185</u>	<u>1,784,695</u>
<u>HEALTH -</u>					
Commodities	873,733	873,733	794,733	-	816,122
<u>AGRICULTURE -</u>					
Commodities	603,751	603,751	603,751	316,812	286,939
<u>NATIONAL DEVELOPMENT FOUNDATION</u>	1,303,260	1,303,260	1,303,260	665,096	638,164
<u>KINGSTON RESTORATION COMPANY</u>	370,225	370,225	370,225	1,797	367,622
<u>CVSS/UNITED WAY</u>	985,000	985,000	985,000	663,003	200,600
<u>TRACKING/MONITORING & AUDIT</u>	284,402	284,402	284,402	124,708	57,000
<u>TELEPHONE EQUIPMENT</u>	486,000	486,000	486,000	-	486,000
<u>TRANSPORTATION OF RELIEF GOODS</u>	<u>221,001</u>	<u>221,000</u>	<u>221,000</u>	<u>-</u>	<u>195,970</u>
	<u>25,000,000</u>	<u>24,946,598</u>	<u>24,867,598</u>	<u>5,028,698</u>	<u>19,263,682</u>
	=====	=====	=====	=====	=====

EMERGENCY REHABILITATION PROJECT
USAID/JAMAICA PROJECT NO. 532-0185

1.0 CONSOLIDATED REPORT

1.1.2 FUND ACCOUNTABILITY STATEMENT

Explanation of Column Headings

- (1) Obligation: is the amount made available by USAID/Jamaica to pay for goods and services for projects and is established by a signed project agreement or amendments to the agreement.
- (2) Earmark: represents an implementation action of a project which involves funding. Earmarks are generally approved bilaterally by signatures on project implementation orders or project implementation letters, including prevalidation of fund availability by USAID/Jamaica.
- (3) Commitment: is the recognition of the execution of a contractual document such as a Purchase Order or Contract for Services.
- (4) Disbursement: is the amount disbursed for goods and services.
- (5) Accrued Expenditure: represents cost incurred during a given period for goods received and services rendered but not billed, or billed but not paid.

EMERGENCY REHABILITATION PROJECT
USAID/JAMAICA PROJECT NO. 532-0185

1.0 CONSOLIDATED REPORT

1.1.3 NOTES TO THE FUND ACCOUNTABILITY STATEMENT

FEBRUARY 25, 1989

NOTE 1. OBJECTIVE OF PROJECT

The Government of Jamaica (GOJ) and the United States of America (USA) entered into an agreement whereby the Government of the USA through its Agency for International Development Mission to Jamaica (USAID/Jamaica) provided assistance to the GOJ in the relief and rehabilitation necessary as a result of damages caused by hurricane 'Gilbert'.

The goal of the Emergency Rehabilitation Project was to restore victims of hurricane 'Gilbert' to self-sufficiency.

In particular, the agreement established a project to:

- (a) restore essential services, viz., electricity, water, and sewerage to the level existing before the hurricane;
- (b) supply roofing materials for shelter rehabilitation;
- (c) provide critical medical supplies and equipment;
- (d) restore certain agricultural production through reseedling of damaged fields;
- (e) support relief and rehabilitation efforts of non-governmental organisations.

In pursuance of the above, USAID/Jamaica provided a grant, under the Foreign Assistance Act of 1961 and in accordance with the agreement referred to above, in the amount of twenty five million United States dollars (US\$25,000,000).

The agreement was dated September 28, 1988 and the project assistance completion date (PACD) was February 25, 1989.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

Expenditures of the project are reflected in the fund accountability statement on the accrual basis.

Exchange Rate

The basic records of the project are kept in United States dollars. Disbursements made in Jamaican dollars are translated to United States dollars at the rate of exchange prevailing at transaction date.

EMERGENCY REHABILITATION PROJECT
USAID/JAMAICA PROJECT NO. 532-0185

1.0 CONSOLIDATED REPORT

1.2.1 AUDITOR'S OPINION - INTERNAL ACCOUNTING CONTROL

In planning and performing the audit of the fund accountability statement of the Emergency Rehabilitation Project, USAID/Jamaica Project No. 532-0185 for the period September 28, 1988 to February 25, 1989, we considered the internal control structure of the implementing entities in order to determine our auditing procedures for the purpose of expressing our opinion on the fund accountability statement and not to provide assurance on the internal control structure. Our evaluation was limited to an understanding of the control environment and the flow of transactions through the accounting system in relation to the project activities.

For the purposes of this report, we considered the significant controls in the following areas:

1. Jamaica Public Service Company Limited
 - ... Electrical materials
2. Jamaica Commodity Trading Company Limited
 - ... Roofing materials
3. National Water Commission
 - ... Pipes and fittings
4. National Development Foundation of Jamaica
 - ... Receipt of grant
 - ... Approval of loans
 - ... Transfer of funds to branch bank accounts
 - ... Disbursement of loans
 - ... Accounting and reporting

1.0 CONSOLIDATED REPORT

1.2.1 AUDITOR'S OPINION - INTERNAL ACCOUNTING CONTROL (CONT'D)

5. Kingston Restoration Company Limited

- ... Receipt of grant
- ... Community Based Organisations
- ... Procurement
- ... Inventory
- ... Disbursement of grant funds
- ... Distribution of roofing materials
- ... Distribution of food vouchers
- ... Operation of clinic
- ... Accounting and reporting

6. CVSS/United Way of Jamaica

- ... Receipt of grant
- ... PVO agreements
- ... Disbursement of advances and reimbursement of expenditures
- ... Accounting and reporting

Our evaluation of the internal control structure disclosed certain matters involving the project's execution that we consider reportable conditions in accordance with generally accepted auditing standards and the U.S. Comptroller General's "Government Auditing Standards" (1988 Revision). Reportable matters involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure of certain implementing entities that, in our opinion, could adversely affect the ability of those entities to record, process, summarise and report financial data consistent with the assertions in the fund accountability statement.

Reportable conditions are described in Sections 1.2.2 and 1.2.3 of this report, in which we include all the specific controls evaluated and the results of that evaluation.

This report is intended solely for the use of the United States 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.

Touche, Ross, Thorburn & Co.

Kingston, Jamaica,
May 25, 1989

EMERGENCY REHABILITATION PROJECT
USAID/JAMAICA PROJECT NO. 532-0185

1.0 CONSOLIDATED REPORT

1.2.2 INTERNAL ACCOUNTING CONTROL EVALUATION

<u>Area</u>	<u>Control Feature</u>	<u>Evaluation</u>
<u>Jamaica Public Service Company Limited</u>		
Electrical materials	- Goods received note prepared by store-keeper on receipt of goods.	Unsatisfactory. Substantive approach adopted: - Observation - Supporting documentation
<u>Jamaica Commodity Trading Company Limited</u>		
Roofing materials	- Tally sheets are prepared on receipt of goods. - Delivery notes (i.e. waybills) are prepared when goods are delivered to customer. - Payments by customers are received by someone other than those who receive and deliver goods.	At PACD a substantial portion of the roofing materials had not been cleared from the wharf, and therefore had not formally entered the inventory system. Accordingly, a substantive approach was adopted, i.e. obtaining receipt report from JCTC.
<u>National Water Commission</u>		
Pipes and fittings	- Goods received notes are prepared on receipt of materials.	Unsatisfactory. Substantive approach adopted: - Observation - Supporting documentation

EMERGENCY REHABILITATION PROJECT
USAID/JAMAICA PROJECT NO. 532-0185

1.0 CONSOLIDATED REPORT

1.2.2 INTERNAL ACCOUNTING CONTROL EVALUATION (CONT'D)

<u>Area</u>	<u>Control Feature</u>	<u>Evaluation</u>
<u>National Development Foundation</u>		
1. Receipt of Grant	- Acknowledgement of receipt of funds.	Satisfactory.
	- Funds lodged to special bank account.	Satisfactory.
2. Approval of Loans	- Approval/ratification by Credit Committee.	Satisfactory. However, see section 1.2.3
	- Preparation of monthly list of loans approved and disbursed)))))))	Unsatisfactory - no lists prepared.
3. Transfer of Funds to Branch Bank Accounts	- Transfer supported by disbursement list.)))	
	- Acknowledgement of receipt of funds.	Substantive approach adopted:- Cheques drawn on special bank account examined for proper endorsement and evidence of lodgement to branch bank account.
	- Lodgement to Branch Bank Account.	

EMERGENCY REHABILITATION PROJECT
USAID/JAMAICA PROJECT NO. 532-0185

1.0 CONSOLIDATED REPORT

1.2.2 INTERNAL ACCOUNTING CONTROL EVALUATION (CONT'D)

<u>Area</u>	<u>Control Feature</u>	<u>Evaluation</u>
<u>National Development Foundation</u>		
4. Disbursement of Loans	- Supported by relevant documentation.	Satisfactory However, See Section 1.2.3
5. Accounting and Reporting	- Monthly reconciliation of special bank account.	Reconciliations not prepared as withdrawals are few and represent transfers to branch bank accounts.
	- Federal Cash Advance Status Reports supported by loan listings (Commitments and/or disbursements).	Unsatisfactory. Report not supported as described. See Section 1.2.3
<u>Kingston Restoration Company</u>		
1. Receipt of Grant	- Acknowledgement of receipt of funds.	Satisfactory.
	- Funds lodged to Bank Account.	Satisfactory.
2. Community Based Organisations (CBO's)	- Names of CBO's included in project proposal approved by USAID.	Satisfactory.
	- Sub-grant agreements signed by KRC and CBO's.	Satisfactory.
3. Procurement	- Quotations obtained and approval of suppliers by Directors.	Satisfactory.

EMERGENCY REHABILITATION PROJECT
USAID/JAMAICA PROJECT NO. 532-0185

1.0 CONSOLIDATED REPORT

1.2.2 INTERNAL ACCOUNTING CONTROL EVALUATION (CONT'D)

<u>Area</u>	<u>Control Feature</u>	<u>Evaluation</u>
<u>Kingston Restoration Company</u>		
4. Inventory	- Materials Control Cards maintained.	Satisfactory. However, see Section 1.2.3
5. Disbursement of Grant Funds	- Disbursements supported by Invoices and Delivery Notes/Sub-Grant Agreements/Employee Contracts/Other documents.	Satisfactory.
	- All payments approved by Project Officer and by Director.	Satisfactory.
	- Cheques signed by two authorised signatories.	Satisfactory.
6. Distribution of Roofing Materials	- Roof survey carried out and work orders prepared by KRC's Clerk of Works.	Satisfactory.
	- Completed Work Orders signed by beneficiary.	Satisfactory.

EMERGENCY REHABILITATION PROJECT
USAID/JAMAICA PROJECT NO. 532-0185

1.0 CONSOLIDATED REPORT

1.2.2 INTERNAL ACCOUNTING CONTROL EVALUATION (CONT'D)

<u>Area</u>	<u>Control Feature</u>	<u>Evaluation</u>
<u>Kingston Restoration Company</u>		
7. Distribution of Food Vouchers	- Survey done by CBO's and documentation of results.	Satisfactory.
	- Distribution records maintained by CBO's signed by beneficiary.	Satisfactory.
8. Operation of Clinic	- Registration of Patients.	Satisfactory.
	- Supervision by project administrator.	Satisfactory.
9. Accounting and Reporting	- Preparation of monthly listing of cheque disbursements.	Satisfactory.
	- Preparation of monthly bank reconciliation.	Not evaluated. Bank reconciliation reviewed at PACD.
	- Federal Cash Advance Status Report supported by listing of disbursements.	Satisfactory.

EMERGENCY REHABILITATION PROJECT
USAID/JAMAICA PROJECT NO. 532-0185

1.0 CONSOLIDATED REPORT

1.2.2 INTERNAL ACCOUNTING CONTROL EVALUATION (CONT'D)

<u>Area</u>	<u>Control Feature</u>	<u>Evaluation</u>
<u>CVSS/United Way of Jamaica</u>		
1. Receipt of Grant	- Acknowledgement of receipt of funds.	Satisfactory.
	- Funds lodged to special bank account.	Satisfactory.
2. PVO Agreements	- Applications made by Private Voluntary Organisations (PVO's) approved by the Emergency Relief Fund (ERF) Committee.	Satisfactory.
	- PVO Agreement signed.	Satisfactory.
3. Disbursement of Advances and Reimbursement of Expenditures	- Requests for advances accompanied by estimates.	Satisfactory.
	- Disbursement of advances approved by Vice-President, Finance.	Satisfactory.
	- Requests for reimbursement supported by properly approved suppliers' invoices.	Satisfactory.
4. Accounting and Reporting	- Preparation of monthly bank reconciliation.	Satisfactory.
	- Federal Cash Advance Status Report supported by listing of disbursements.	Satisfactory.

EMERGENCY REHABILITATION PROJECT
USAID/JAMAICA PROJECT NO. 532-0185

1.0 CONSOLIDATED REPORT

1.2.3 OTHER PERTINENT MATTERS - INTERNAL ACCOUNTING CONTROL

Certain exceptions revealed during the course of our audit are as follows:

1. Power - Jamaica Public Service Co. Ltd. (JPS)

The assistance (electrical materials, equipment and motor vehicles) provided under the power component had not been completely recorded in the books of accounts at JPS at February 25, 1989.

2. Water - National Water Commission (NWC)

The assistance (pipes and fittings, equipment and motor vehicles) provided under the water component had not been entered in the records of NWC at February 25, 1989.

3. Agriculture - Ministry of Agriculture (MOA)

We observed that the distribution of pruning shears was not in accordance with the new allocation list issued by MOA. This is because distributions had already been made based on the previous allocation list, by the time the new list was issued. Steps should be taken to either redistribute the pruning shears or revise the allocation.

EMERGENCY REHABILITATION PROJECT
USAID/JAMAICA PROJECT NO. 532-0185

1.0 CONSOLIDATED REPORT

1.2.3 OTHER PERTINENT MATTERS - INTERNAL ACCOUNTING CONTROL (CONT'D)

4. National Development Foundation

1. Approval of Loans

Our review revealed instances of deficiencies in loan documentation:

- (a) Not all minutes of Credit Committee meetings were signed as approved by the Chairman.
- (b) There were some instances in which the Statement of Personal Affairs, stating the borrower's assets and liabilities, were either not signed by the borrower, or were not available.
- (c) The financial statements for certain corporate borrowers were not available.

2. Disbursement of Loans

At times, the credit committee approves loans subject to certain conditions being fulfilled. We noted two (2) instances where disbursements had been made, but we were unable to obtain documentation evidencing that conditions had been met, eg. formal agreement, land title.

3. Accounting and Reporting

The disbursements as reported on the Federal Cash Advance Reports were not in agreement with totals per the loan listings.

5. Kingston Restoration Company

1. Inventory - Materials Control Cards

Materials Control Cards were established after the commencement of the project activities. In the initial stages, therefore, there were receipts and issues of materials which were not recorded on the Materials Control Cards when they occurred.

2. Inventory - Food Voucher Record

The record indicated issues of vouchers and not receipts. Accordingly, it was not practicable to determine whether all food vouchers had been accounted for.

3. Distribution of Food Vouchers

Monthly reports were not submitted by the CBO's on a regular basis.

EMERGENCY REHABILITATION PROJECT
USAID/JAMAICA PROJECT NO. 532-0185

1.0 CONSOLIDATED REPORT

1.3.1 AUDITOR'S OPINION - COMPLIANCE WITH APPLICABLE LAWS, REGULATIONS
AND AGREEMENT TERMS

We have performed a financial audit of the fund accountability statement of the Emergency Rehabilitation Project, USAID/Jamaica Project No. 532-0185, and have issued our report thereon dated May 25, 1989. Our examination was performed in accordance with generally accepted auditing standards and the U.S. Comptroller General's "Government Auditing Standards" (1988 Revision).

In connection with our examination, we selected and tested transactions and records to determine compliance with agreement terms and applicable laws and regulations as considered necessary in the circumstances.

The results of our review indicated that for the items tested, the implementing entities were in compliance with the applicable laws, regulations and agreement terms, except as described in Section 1.3.2 of this report. Additionally, nothing came to our attention that caused us to believe that items not tested were not in compliance with applicable laws, regulations and agreement terms.

This report is intended solely for the use of the United States 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.

Touche, Ross, Thorburn & Co.

Kingston, Jamaica,
May 25, 1989

EMERGENCY REHABILITATION PROJECT
USAID/JAMAICA PROJECT NO. 532-0185

1.0 CONSOLIDATED REPORT

1.3.2 OTHER PERTINENT MATTERS - COMPLIANCE WITH APPLICABLE LAWS,
REGULATIONS AND AGREEMENT TERMS

The following exceptions were revealed during the course of our audit:

1. Roofing materials and related supplies

The Project Grant Agreement stipulates that roofing materials and supplies be sold by the Grantee to private Jamaican wholesalers.

Four of the six shipments of roofing materials and related supplies had arrived in Jamaica. These were substantially unsold at the PACD for the reason that large amounts of roofing materials and related supplies had also been acquired by the Government of Jamaica from other sources.

It was, therefore, not possible for the proceeds of these sales to be utilised to fund a programme of vouchers for hardware and building supplies, as stipulated in the Project Grant Agreement.

2. Agricultural commodities

The Project Grant Agreement requires that books and records relating to the Project and the Project Agreement be maintained in such a way as to show the receipt and use of goods and services provided under the Grant.

The Ministry of Agriculture (MOA) did not prepare a separate report for agricultural commodities provided under this Grant, nor were there any reports indicating the amount of commodities distributed to each farmer.

It was not practicable to track the agricultural commodities beyond receipt by the Parish Land Authorities because -

- (a) the distribution records did not segregate details of commodities provided under this project from those provided from other sources;
- (b) reports specific to this project, which were intended to be derived from the computer system, were not prepared.

EMERGENCY REHABILITATION PROJECT
USAID/JAMAICA PROJECT NO. 532-0185

1.0 CONSOLIDATED REPORT

1.3.2 OTHER PERTINENT MATTERS - COMPLIANCE WITH APPLICABLE LAWS,
REGULATIONS AND AGREEMENT TERMS (CONT'D)

3. Shelter - Urban Development Corporation (UDC)

In December 1988, the shelter component of the Project was expanded to include pre-fabricated houses. UDC was designated the implementing agency. USAID requested that UDC submit an implementation plan to show how the houses would be distributed and tracked to the end user. However, as at the PACD, UDC had not done so.

4. National Development Foundation of Jamaica (NDF)

Asset limit for borrowers

We understand that under NDF's normal lending procedures, borrowers should have business assets valued at an amount less than J\$500,000, excluding land and building. We observed, for the loans examined, that -

- (a) Most of the borrowers were evaluated on the basis of gross assets (without deduction of liabilities) whereas in one case, the borrower was evaluated on the basis of net assets (after deduction of liabilities). The definition of "assets" should be clarified.
- (b) In two cases, gross assets exceeded the guideline of J\$500,000. The explanation given in one case was that the business was a partnership and, as the loan was to be given to one partner, the value of the assets should be halved. The other case was not explained.
- (c) In one case, the loan was to be given to a food processing company, (a fairly large company with gross assets of approximately J\$17,000,000) for on-lending to carrot farmers. As this appears to be a sub-project to be administered by the food processing company, steps should be taken to ensure that the loans are properly accounted for.



United States Agency for International Development
Mission to Jamaica

APPENDIX 1
Page 1 of 2

6B Oxford Road,
Kingston 5, Jamaica
Tel: 92-94850
Fax: 809-9193752

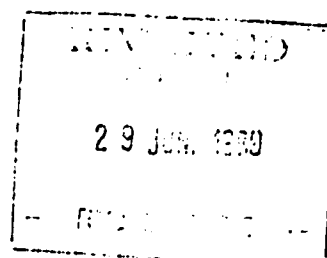
M E M O R A N D U M

TO: RIG/A/T, Coinage Gothard, Jr.
FROM: *MJG*
Myron Golden, Acting Director
SUBJECT: Draft Audit Report issued by Touche Ross on the
Emergency Rehabilitation Project No. 532-0185
DATE: June 26, 1989

The Mission notes with great satisfaction that the subject report issued by Touche Ross contains no audit recommendations. Much credit must be given to the decision to conduct a concurrent audit and to identify issues as they evolved instead of the normal practice of having to rectify findings late in the project cycle or after project termination.

The concurrent audit of the Project also provided the Mission with an overview of the implementing and reporting capabilities of the various Government of Jamaica institutions, Non-Governmental and Private Voluntary Organizations that were responsible for implementing the Emergency Rehabilitation Project (ERP). The Price Waterhouse contract for monitoring and tracking services provided an insight on the capabilities of the implementing entities while the services of Touche Ross verified that the accounting and internal controls were adequate to safeguard Project funds.

Early in the ERP's implementation stages, the audit highlighted the fact that the NDF's interpretation of the criteria required of borrowers for onlending differed from USAID's. While this issue was being addressed, NDF's inherent accounting and reporting weaknesses surfaced along with a general staffing problem. Once these problems were identified, NDF took immediate actions to strengthen their accounting system, internal controls and to put in place qualified personnel who would be able to effectively manage the ERP workload. These actions will benefit NDF during implementation of the Grant provided under the Hurricane Reconstruction Project, and in their implementation and management in general of activities financed by international agencies.



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Other issues were identified and discussed in the review process of the draft report before and during the exit conference. These issues were taken into consideration in finalization of the draft report and the Mission, therefore, accepts the report as written.

The Mission appreciated the assistance that your Staff provided during their oversight of the non-federal audit. The Audit Team ensured that issues were brought to the immediate attention of the Mission, and they willingly worked with staff to effect corrective actions. We look forward to the same cooperation during the concurrent audit of the Hurricane Reconstruction Project.

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