

PD-ABB-567

67826

**NON-FEDERAL AUDIT REPORT OF
THE FAMILY PLANNING ASSOCIATION
OF BANGLADESH UNDER
THE FAMILY PLANNING SERVICE PROJECT**

AUDIT REPORT NO. 5-388-90-04-N

AUGUST 14, 1990

While most of the expenditures being claimed were properly supported, about \$3,000 in questionable costs and unspent funds needed to be recovered. Improvements were also needed in the internal controls over cash, segregation of duties, and commodities. In addition, more complete compliance was required for certain regulations.

**AGENCY FOR INTERNATIONAL DEVELOPMENT
OFFICE OF THE REGIONAL INSPECTOR GENERAL FOR AUDIT
- Singapore -**

**U.S. POSTAL ADDRESS:
American Embassy
AID/RIG
FPO San Francisco 96300**

**INTERNATIONAL ADDRESS:
c/o American Embassy
30 Hill Street
Singapore 0617
Tel: 226-1099**

August 14, 1990

**MEMORANDUM FOR: Malcolm Purvis
Acting Mission Director, USAID/Bangladesh**
James B. Durnil
FROM: James B. Durnil, RIG/A/Singapore

**SUBJECT: Non-Federal Audit of the Family Planning Association of
Bangladesh (FPAB) under the Family Planning Service Project
(Project No. 388-0050) Audit Report No. 5-388-90-04-N**

This report presents the results of a non-Federal financial audit of the Family Planning Association of Bangladesh (FPAB) funded under the Family Services Project. The accounting firm of Price Waterhouse, India performed the audit.

FPAB is a nonprofit governmental organization actively involved in assisting the Government of Bangladesh to improve the coverage and quality of family planning services. Since 1981, USAID/Bangladesh has granted FPAB \$2,475,000.

The audit objectives were to (1) report on the fairness of FPAB's fund accountability statement for the period January 1, 1987 through December 31, 1988, (2) evaluate the system of internal accounting controls, and (3) determine compliance with applicable laws, regulations, and agreement terms. The audit period was from January 1, 1987 through December 31, 1988, and the audit covered \$795,721 (Taka 25,335,750) in funds provided to FPAB.

Price Waterhouse concluded that the FPAB's fund accountability statement fairly presents the receipts and expenditures as of December 31, 1988, except for the following:

- **FPAB recognizes expenditures on the basis of when payments are made as opposed to when an expenditure is incurred (see page 19).**
- **The budget line item expenses included questioned costs totalling \$1,993 (Taka 63,454) (see page 20).**

- **The statement did not take into account cash and bank balances at FPAB's branches and the International Planned Parenthood Federation loans to the branches but did include \$251 (Taka 7,981) for the Chittagong Hills Tract branch, even though the funding terminated for this branch prior to January 1, 1987 (see page 22).**

In its report on Internal Controls, Price Waterhouse concluded that conditions exist that would result in more than a low risk that errors or irregularities in amounts that could be material may occur and not be detected in a timely manner. The following six findings were reported:

- **Deficiencies in the accounting and related control system.**
- **Inadequate control over procurement, storage, and distribution of commodities.**
- **Lack of adequate storehouse insurance coverage.**
- **Lack of maintenance and verification of specimen signatures of volunteers.**
- **Segregation of duties.**
- **Need for improvement in the internal audit system.**

In the opinion of Price Waterhouse, FPAB has generally complied with the agreement's terms, applicable laws, and regulations. However, a few noncompliance issues were noted. One of these issues concerned the need for USAID to ensure that FPAB maintains a complete nonexpendable register together with the use of identification numbers for USAID-financed property. The audit also disclosed that the Government of Bangladesh's tax laws were not fully complied with during the period.

The draft report was discussed with both USAID/Bangladesh and FPAB representatives. Their comments (Appendix 1) were taken into consideration by the auditors in preparing the attached final report. Both USAID/Bangladesh and FPAB generally agreed with the findings and indicated corrective action would be taken with respect to implementation of certain internal control and compliance issues.

The Price Waterhouse report contains nine recommendations. We have summarized the most significant points into three recommendations. While the Mission will want to ensure all applicable recommendations are implemented, only the following three recommendations will be included in the Office of the Inspector General's audit recommendation follow-up system.

Recommendation No. 1

We recommend the USAID/Bangladesh recover the \$1,993 (Taka 63,454) in questionable costs and the \$251 (Taka 7,981) in unspent A.I.D. funds.

Recommendation No. 2

We recommend the USAID/Bangladesh ensure that FPAB improve its internal controls by establishing/implementing procedures for:

- (a) Recording properly branch cash, bank, and loan balances in its accounting records.**
- (b) Reconciling branch cash, bank balances, and monthly returns.**
- (c) Identifying and distributing commodities on the FIFO basis, reporting branch physical inventories of commodities to the national office and insuring the new storehouse properly.**
- (d) Maintaining a complete set of specimen signatures of volunteers, reallocating duties among existing personnel so that incompatible functions are segregated, subjecting the national office to internal audit, and establishing an internal audit staff that is completely independent of line functions.**

Recommendation No. 3

We recommend the USAID/Bangladesh ensure that FPAB complies with the cooperative agreement's terms for maintaining an accounting of USAID-financed properties (nonexpendable) and identifying adequately the properties.

Based upon the Mission's comments to the draft report, recommendations 1 and 2 are resolved and will be closed when the corrective actions have been completed. Recommendation 3 is resolved and will be closed upon report issuance.

Please advise this office within 30 days of the actions planned or taken to implement the two open recommendations.

Thank you for the cooperation and courtesy extended to Price Waterhouse and RIG/A/Singapore's representative during the audit.

**FAMILY PLANNING ASSOCIATION
OF BANGLADESH**

**SUPPORT OF USAID / BANGLADESH'S
FAMILY PLANNING SERVICES
PROJECT NO 388-0050**

AUDITORS' REPORT



TABLE OF CONTENTS

	PAGE
TRANSMITTAL LETTER AND SUMMARY	
Introduction	2
Background	2
Audit Objectives and Scope	3
Results of Audit	3-4
Management comments on findings and recommendations	5
FUND ACCOUNTABILITY STATEMENT	
Auditors' Opinion	6-7
Fund Accountability Statement	8-17
Notes on Fund Accountability Statement	18-19
Findings and Recommendations	20-23
INTERNAL ACCOUNTING CONTROLS	
Auditors' Opinion	24-25
Findings and Recommendations	26-39
COMPLIANCE WITH AGREEMENT TERMS BY FPAB	
Auditors' Opinion	40-41
Findings and Recommendations	42-44
LIST OF REPORT RECOMMENDATIONS	45-47
USAID / BANGLADESH COMMENTS	Appendix 1



Price Waterhouse



Mr. Alfred M. Clavelli
Acting Regional Inspector General For Audit,
U.S. Agency For International Development,
Singapore.

Dear Mr. Clavelli,

This report presents the results of our financial and compliance audit in respect of funds provided to the Family Planning Association of Bangladesh (FPAB) in support of USAID/Bangladesh's Family Planning Services Project No. 388-0050.

BACKGROUND

Bangladesh is one of the most densely populated countries in the world. The Government of Bangladesh (BDG) faces severe constraints in its efforts to implement an effective family planning program. USAID/Bangladesh recognizes these constraints and the importance of improving the coverage and quality of family planning services as a principal means of sustaining development in Bangladesh. To assist in this development, USAID/Bangladesh has financed family planning projects.

USAID's assistance supports the national family planning and maternal and child health programs. The Family Planning Services Project (FPSP) (No. 388-0050) is an eight year effort authorized at \$153 million which is due to end September 30, 1990. USAID/Bangladesh implements this project through a grant to the BDG and grants to various non-governmental organizations (NGOs), one of which is the Family Planning Association of Bangladesh.

Since 1981, USAID has granted a sum of \$ 2,475,000 to FPAB. The most recent amendment to the Cooperative Agreement (No. 388-0050-A-00-1017-06) was dated July 31, 1989. The purpose of the agreement was to continue and expand activities in the following five areas :

1. Utilization of Traditional Healers (TH) in family planning
2. Use of voluntary agencies in population activities
3. Production of documentary films
4. NGO Commodity Distribution Scheme
5. Training/Staff development

As of December 31, 1988, USAID/Bangladesh obligated US\$ 2,475,000 for this agreement. About US\$ 500,000 has been expended in each of the last two fiscal years i.e 1987 and 1988.

AUDIT OBJECTIVES AND SCOPE

A financial and compliance audit was performed in accordance with generally accepted auditing standards enunciated by the AICPA and U.S. Government Auditing Standards set out in the U.S. General Accounting Office's "Yellow Book" titled "Standards for Audit of Governmental Organizations, Programs, Activities and Functions (1988 revision)". The audit included appropriate tests to determine if funds and/or commodities were being properly accounted for and used as directed by the Agreement and other applicable program documents or the laws of Bangladesh. The principal objectives of the audit were to determine whether:

1. The fund accountability statement for FPAB's USAID funded projects fairly presented its receipts and expenditures for the period from January 1, 1987 to December 31, 1988 in conformity with the terms of the Cooperative Agreement with the Agency for International Development (A.I.D) and identify any costs which were not fully supported with adequate records or which were not allowable, reasonable or allocable under the terms of the Agreement
2. FPAB's internal accounting controls were adequate for A.I.D purposes
3. FPAB had complied with applicable laws, regulations and agreement terms

Broadly, the audit was performed using uniform worldwide methodology of Price Waterhouse as documented in the Audit Guidance Series (AGS) produced by the Audit Research and Methods Group of Price Waterhouse World Firm (PWWF).

RESULTS OF THE AUDIT

Fund Accountability Statement

The scope of our work was limited to the examination of the Fund Accountability Statement of FPAB. Our examination revealed that :

- FPAB did not recognize certain loans received at the branches from International Planned Parenthood Federation funds in its books of account
- funds due from a branch where USAID funded activities were terminated prior to 1st January, 1987 had not been received until 31st December, 1988



Except for our above remarks, in our opinion, the Fund Accountability Statement presents fairly, the receipts and expenditures of funds provided to the Family Planning Association of Bangladesh (FPAB) in support of USAID/Bangladesh's Family Planning Services Project No. 388-0050. We also identified Taka 63,454 (US \$ 1,993) as questioned cost.

Internal Accounting Controls

Our study and evaluation of the system of internal accounting controls of FPAB indicated the following deficiencies:

- There were certain lapses, as specified in the report, in the internal control system regarding the proper recording and accounting of funds and commodities received from USAID
- There was lack of segregation of duties with respect to certain incompatible functions in the area of supplies
- The internal audit system was not entirely independent of line functions and did not encompass the National Office at Dhaka within its purview

We believe the above conditions could result in more than a relatively low risk that errors or irregularities in amounts that could be material in relation to the Fund Accountability Statements may occur and not be detected in a timely manner. Because our study and evaluation of the system of internal controls was made for the limited purposes of the audit, it would not necessarily disclose all material weaknesses in the system, and therefore we do not express an opinion on the system of internal controls of FPAB taken as a whole.

Compliance with agreement terms

Based on the results of our audit, except for certain non-compliances as discussed in finding 1 of the compliance section, we are of the opinion that FPAB complied with the agreement terms and applicable laws and regulations.

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



FPAB MANAGEMENT COMMENTS ON OUR FINDINGS AND RECOMMENDATIONS

FPAB officials were generally in agreement with our findings and recommendations. They have advised us of the various measures which are being or have been taken to rectify the deficiencies and areas of non-compliance which were highlighted during our audit.

USAID/BANGLADESH COMMENTS

USAID/Bangladesh have also advised us of the action taken by FPAB officials to rectify the deficiencies and areas of non-compliance noted during our audit. USAID/Bangladesh comments are set out in Appendix 1.

20th July, 1990

Price Waterhouse
PRICE WATERHOUSE
CHARTERED ACCOUNTANTS



Price Waterhouse



FAMILY PLANNING ASSOCIATION OF BANGLADESH

**SUPPORT OF USAID/BANGLADESH'S FAMILY PLANNING SERVICES
PROJECT NO 388-0050**

AUDITORS' REPORT ON THE FUND ACCOUNTABILITY STATEMENT

Mr. B.R.Howard,
Regional Inspector General For Audit,
U.S. Agency For International Development,
Singapore.

We have examined the Fund Accountability Statement for the period 1st January, 1987 to 31st December, 1988 of the funds provided to the Family Planning Association of Bangladesh (FPAB) in support of USAID/Bangladesh's Family Planning Services Project (388-0050). Our examination was made in accordance with generally accepted auditing standards and the U.S. Government's "Standards for Audit of Governmental Organizations, Programs, Activities and Functions" (1988 Revision), and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary under the circumstances.

For the purpose of preparing the Fund Accountability Statement, FPAB recognized expenditures on the basis of payments made and consequently the Fund Accountability Statement includes expenses pertaining to the period prior to 1st January 1987 and does not take into account unpaid expenses relating to the period 1st January, 1987 to 31st December, 1988.

In our opinion, to the best of our information and according to the explanations given to us, the Fund Accountability Statement, read with the notes attached thereto and except for our observations set out in Finding 2 of this report, fairly presents the receipts and expenditures of the funds provided to FPAB in support of USAID/Bangladesh's Family Planning Services Project No. 388-0050 for the period 1st January, 1987 to 31st December, 1988 prepared on the basis of accounting policies described in Note 2 to the Fund Accountability Statement.

As part of our examination, we identified Taka 63,454(US\$ 1,993) as questioned costs which we believe should be reviewed by USAID/Bangladesh for allowability. (See Finding 1 enclosed herewith).

This report is intended solely for the use of FPAB and USAID. This restriction is not intended to limit distribution of this report which, upon acceptance by the A.I.D. Office of the Inspector General, is a matter of public record.

23rd January, 1990

Price Waterhouse
PRICE WATERHOUSE
CHARTERED ACCOUNTANTS



FAMILY PLANNING ASSOCIATION OF BANGLADESH

**SUPPORT OF USAID/BANGLADESH'S FAMILY PLANNING SERVICES
PROJECT NO 380-0050**

**FUND ACCOUNTABILITY STATEMENT
FOR THE PERIOD 1st JANUARY 1987 TO 31st DECEMBER 1988**

	SCHEDULE REFERENCE	AMOUNT	
		TAKA	US \$
SOURCE OF FUNDS			
Opening Balances as at 1st January, 1987			
With Banks	1	4,751	149
With Branches	2	301,635	9,473
Program Advance	3	5,488	172
Cash in hand		2	.
		<hr/>	<hr/>
		311,876	9,794
Contributions from USAID [Note 2(c)]	4	25,335,750	795,721
Loan from IPPF funds		700,000	21,985
Increase in Other Payables	5	72,458	2,276
		<hr/>	<hr/>
TOTAL		26,420,084	829,776
		<hr/>	<hr/>



APPLICATION OF FUNDS	SCHEDULE REFERENCE	AMOUNT	
		TAKA	US \$
Budget categorywise expenses for the period 1st January, 1987 to 31st, December 1988	6	26,325,112	826,794
Closing Balances as at 31st December, 1988			
With Banks	1	101,779	3,197
With Branches	2	(49,275)	(1,548)
Program Advance	3	41,468	1,302
Cash in hand		1,000	31
	TOTAL	26,420,084	828,776
Notes on Fund Accountability Statement	7		

Price Waterhouse
PRICE WATERHOUSE
CHARTERED ACCOUNTANTS

23rd January, 1990



SCHEDULE 1

FAMILY PLANNING ASSOCIATION OF BANGLADESH
SUPPORT OF USAID/BANGLADESH'S FAMILY PLANNING SERVICES
PROJECT NO 388-0050

SCHEDULES TO THE FUND ACCOUNTABILITY STATEMENT

SCHEDULE OF BANK BALANCE

	1 January 1987		31 December 1988	
	TAKA	US \$	TAKA	US \$
On Current Account with Agrani Bank, Central Law College Branch, Dhaka	4,751	149	101,779	3,197
	<hr/>	<hr/>	<hr/>	<hr/>
	4,751	149	101,779	3,197
	<hr/>	<hr/>	<hr/>	<hr/>



SCHEDULE 2**FAMILY PLANNING ASSOCIATION OF BANGLADESH****SUPPORT OF USAID/BANGLADESH'S FAMILY PLANNING SERVICES
PROJECT NO 388-0050****SCHEDULES TO THE FUND ACCOUNTABILITY STATEMENT****SCHEDULE OF BALANCES WITH BRANCHES**

	1 January 1987		31 December 1988	
	TAKA	US \$	TAKA	US \$
Barisal	12,722	400	11,744	369
Bogra	14,649	460	7,382	232
Chittagong	30,868	969	(22,941)	(721)
Chittagong Hill Tracts	7,981	251	7,981	251
Comilla	26,810	842	22,673	712
Dhaka	10,776	338	(91)	(3)
Dinajpur	2,009	63	(12,095)	(380)
Faridpur	23,496	738	(13,775)	(433)
Jamalpur	22,719	714	12,184	383
Jessore	(16,427)	(516)	12,696	399
Khulna	27,066	850	26,519	833
Kushtia	11,478	360	(11,313)	(355)
Mymensingh	7,070	222	(21,504)	(675)
Noakhali	5,040	158	(28,104)	(883)
Pabna	17,092	537	(19,140)	(601)
Patuakhali	44,749	1,405	(7,128)	(224)
Rajshahi	6,213	195	5,820	183
Rangpur	12,451	391	(15,557)	(489)
Sylhet	6,997	220	(7,399)	(233)
Tangail	27,876	876	2,773	87
	<u>301,635</u>	<u>9,473</u>	<u>(49,275)</u>	<u>(1,548)</u>



SCHEDULE 3

FAMILY PLANNING ASSOCIATION OF BANGLADESH
SUPPORT OF USAID/BANGLADESH'S FAMILY PLANNING SERVICES
PROJECT NO 388-0050

SCHEDULES TO THE FUND ACCOUNTABILITY STATEMENT

SCHEDULE OF PROGRAM ADVANCE

	1 January 1987		31 December 1988	
	TAKA	US \$	TAKA	US \$
Kazi Mohd. Ali Jinnah	4,788	150	-	-
Khurshed Alam	500	16	500	16
Abdul Hamid	200	6	10,800	338
Ranjit Kumar Bhowmik	-	-	15,000	471
A.K.Hamiduzzaman	-	-	14,896	468
Ershadul Hoque	-	-	125	4
Nazmul Haque	-	-	147	5
	<u>5,488</u>	<u>172</u>	<u>41,468</u>	<u>1,302</u>



SCHEDULE 4

FAMILY PLANNING ASSOCIATION OF BANGLADESH
SUPPORT OF USAID/BANGLADESH'S FAMILY PLANNING SERVICES
PROJECT NO 388-0050

SCHEDULES TO THE FUND ACCOUNTABILITY STATEMENT

SCHEDULE OF CONTRIBUTION FROM USAID

	TAKA	US \$
1 January 1987 - 31 December 1987	11,533,496	362,233
1 January 1988 - 31 December 1988	13,802,254	433,488
	<hr/>	<hr/>
	25,335,750	795,721
	<hr/>	<hr/>



SCHEDULE 5

FAMILY PLANNING ASSOCIATION OF BANGLADESH
SUPPORT OF USAID/BANGLADESH'S FAMILY PLANNING SERVICES
PROJECT NO 388-0050

SCHEDULES TO THE FUND ACCOUNTABILITY STATEMENT

SCHEDULE OF OTHER PAYABLES

	1 January 1987		31 December 1988		INCREASE	
	TAKA	US \$	TAKA	US \$	TAKA	US \$
Income Tax deducted from salaries	285	9	495	16	210	7
Retention money from contractors	-	-	72,248	2,269	72,248	2,269
	<u>285</u>	<u>9</u>	<u>72,743</u>	<u>2,285</u>	<u>72,458</u>	<u>2,276</u>



SCHEDULE 6

FAMILY PLANNING ASSOCIATION OF BANGLADESH
SUPPORT OF USAID/BANGLADESH'S FAMILY PLANNING SERVICES
PROJECT NO 388-0050
SCHEDULES TO THE FUN() ACCOUNTABILITY STATEMENT
SCHEDULE OF EXPENDITURE

Budget Category	Period	Amount	
		TAKA	US \$
Administration	1 January 1987 - 31 December 1987	1,190,605	37,393
	1 January 1988 - 31 December 1988	948,965	29,804
	Total	2,139,570	67,197
Projects			
- Traditional Healers	1 January 1987 - 31 December 1987	4,661,737	146,411
	1 January 1988 - 31 December 1988	5,309,552	166,757
	Total	9,971,289	313,168
Voluntary Agencies in Population Activities	1 January 1987- 31 December 1987	4,930,547	154,854
	1 January 1988- 31 December 1988	5,006,050	157,225
	Total	9,936,597	312,079



SCHEDULE 6 (Contd.)

SCHEDULES TO THE FUND ACCOUNTABILITY STATEMENT

Budget Category	Period	Amount	
		TAKA	US \$
Non Governmental Organization Commodities	1 January 1987 - 31 December 1987	308,725	9,696
	1 January 1988 - 31 December 1988	3,212,616	100,899
	Total	<u>3,521,341</u>	<u>110,595</u>
		23,429,227	735,842
Training Support	1 January 1987 - 31 December 1987	328,061	10,303
	1 January 1988 - 31 December 1988	276,254	8,676
	Total	604,315	18,979
External Evaluation	1 January 1987 - 31 December 1987	96,500	3,031
	1 January 1988 - 31 December 1988	-	-
	Total	96,500	3,031



SCHEDULE 6 (Contd.)

SCHEDULES TO THE FUND ACCOUNTABILITY STATEMENT

Budget Category	Period	Amount	
		TAKA	US \$
Film Production	1 January 1987 - 31 December 1987	-	-
	1 January 1988 - 31 December 1988	55,500	1,745
	Total	55,500	1,745
TOTAL EXPENDITURE		26,325,112	826,794



SCHEDULE 7

Notes On Fund Accountability Statement

1. IDENTIFICATION AND ACTIVITY

The Family Planning Services Project (388-0050) is an eight year USAID/Bangladesh effort to support the national family planning and maternal and child health programs by providing funds to the Bangladesh government and various non-governmental organizations (NGO) for technical assistance, participant training, operations research, contraceptive commodities, clinical and community based family planning services, training materials and training sessions, contraceptive prevalence surveys and immunization surveys.

In accordance with the terms of a cooperative agreement, USAID/Bangladesh has granted funds to Family Planning Association of Bangladesh (FPAB), a pioneer in the family planning movement in Bangladesh, to continue and expand activities in the following five areas :

- a) Utilization of Traditional Healers in Family Planning
- b) Utilization of Voluntary Agencies in Population Activities
- c) Production of Documentary Films
- d) NGO Commodity Distribution Scheme
- e) Training/Staff Development

2. BASIS OF ACCOUNTING/ACCOUNTING POLICIES

- a. Funds are provided by USAID/Bangladesh in local currency. Consequently, the books of account are maintained and the Fund Accountability Statement is expressed in Taka, the monetary unit of Bangladesh. The figures have been converted to US dollars for the purpose of comparison using the exchange rate prevailing on 31 December, 1988 i.e 1 US \$ = Taka 31.84.



SCHEDULE 7 (Contd)

SCHEDULES TO THE FUND ACCOUNTABILITY STATEMENT

- b. The books of account maintained by Family Planning Association of Bangladesh in respect of funds granted by USAID/Bangladesh are separate and distinct from those maintained for other funds and activities.**
- c. Contributions from USAID and expenditures other than adjustment of program advances are accounted for on cash basis.**
- d. Capital assets acquired out of USAID granted funds are expensed in the year of acquisition.**
- e. Taka 96,500 (US \$ 3,031) expended on purchase of motorcycles in 1987 has been included in "External Evaluation" on account of the fact that the amount was utilized from the budget for "External Evaluation" after due approval.**
- f. "Production of Films" includes Taka 55,500 (US\$ 1,743) expended on purchase of an air-conditioner intended for a film store room but subsequently installed in the computer room.**
- g. In accordance with Clause 25 of the agreement with M/s Engineers and Traders (Private) Limited, contractors responsible for construction of the new storehouse, Taka 50,000 (US \$ 1,570) received as earnest money and subsequently converted to security deposit and the retention money of Taka 164,250 (US \$ 5,159) should have been refunded on expiry of six months from the of completion of the construction in October 1988. However, the earnest money and Taka 95,000 (US \$ 2,984) from the retention money were refunded in October and December 1988 respectively.**



FAMILY PLANNING ASSOCIATION OF BANGLADESH
SUPPORT OF USAID/BANGLADESH'S FAMILY PLANNING SERVICES
PROJECT NO 388 - 0050

FINDING 1

QUESTIONABLE FPAB EXPENDITURES

Condition

Budget categorywise expenses include questioned costs to the tune of Taka 63,454 (US \$ 1,993) as summarized below :

Voucher No.	Particulars	Amount	
		Taka	US \$
105 (1987)	Expenses for training of three personnel Mr. A.M.Zakaria, Ms. Mahbuba Begum and Mr. K.M.A.Jinnah of whom only the last named was employed on USAID funded projects	2,550	80
165 (1988)	Loading and unloading charges paid to M/s Khatoon and Sons (Pvt) Limited - Taka 7(US \$ 0.22) was paid as loading charge of condoms while by Vr. 170 of 1988 Taka 1.50 (US \$ 0.05) was paid as loading charge to the same party	60,904	1,913
		<u>63,454</u>	<u>1,993</u>



Criteria

All expenses should be in accordance with the co-operative agreement and should be commercially reasonable.

Cause

The primary reason for the above referred expenditure being incurred may be a lack of clarity among accounting personnel of FPAB responsible for USAID granted funds regarding the allowability of certain expenses.

Effect

The questioned costs referred to above do not ensure preparation of an accurate Fund Accountability Statement as budget category expenses are overstated and the unspent balances are understated.

Recommendation No.1

We recommend that USAID/Bangladesh obtain from the Family Planning Association of Bangladesh additional justification for allowability of the above-mentioned questioned costs aggregating Taka 63,454 (US \$ 1,993).

FPAB Management Comments

With reference to questioned expenditure regarding:

- **participation in training programme, the two staff members referred to, were involved in the program implementation and IEC activities of FPAB and in IEC activities for the USAID projects. Watertight segregation could be possible if the USAID Project Division of the FPAB could independently implement all activities of the projects with sufficient personnel**



- loading and unloading charges, usually the clearing agent charges @ Tk.1.50 (US \$ 0.05)for loading when shipment is cleared from Chittagong Warehouse. Since the particular consignment was cleared from Chittagong Port, Tk.7.0 (US \$ 0.22) was charged per carton for the purpose of meeting some extra loading expenses incurred at Chittagong Port

FINDING 2

Condition

Our examination disclosed the under-mentioned deficiencies in the preparation of the Fund Accountability Statement:

- a. The balances with branches disclosed in the Fund Accountability Statement represent the balances recorded in the books of the National Office in Dhaka, and do not take into account the cash and bank balances and the loans received from International Planned Parenthood Federation funds at the branches.
- b. A balance of Taka 7,981 (US \$ 251) with the Chittagong Hill Tracts branch, where USAID funded activities were terminated prior to 1st January, 1987, is included in the Fund Accountability Statement.

Criteria

Preparation of Fund Accountability Statements to present fairly the receipts and expenditures of funds require incorporation of the effect of all transactions pertaining to the funds.

Cause

Inadequate internal check and oversight may have been responsible for the deficiencies mentioned above.



Effect

The above-mentioned deficiencies did not ensure proper preparation of the Fund Accountability Statement.

Recommendation No. 2

We recommend that USAID/Bangladesh require the Family Planning Association of Bangladesh to :

- a. ensure that transactions pertaining to cash and bank and loan balances at the branches are properly reflected in the books of account and in the Fund Accountability Statement and**
- b. make a determination whether Taka 7,981 (US \$ 251) should be expensed with acceptable documentation or refunded to USAID/Bangladesh**

FPAB Management Comments

Efforts will be made to ensure that transactions relating to cash and bank and loans received at the branches are reflected in the books of account and in the Fund Accountability Statement.

Steps are being taken to clarify the status of the bank account at the Chittagong Hill Tracts branch and necessary accounting adjustments would be made on ascertainment of the position.



Price Waterhouse



FAMILY PLANNING ASSOCIATION OF BANGLADESH

**SUPPORT OF USAID/BANGLADESH'S FAMILY PLANNING SERVICES
PROJECT NO 388-0050**

REPORT ON INTERNAL ACCOUNTING CONTROLS

Mr. B. R. Howard
Regional Inspector General for Audit
US Agency For International Development
Singapore.

We have performed a financial and compliance non-federal audit for the period 1st January, 1987 to 31st December, 1988 of the funds provided to the Family Planning Association of Bangladesh (FPAB) in support of USAID/Bangladesh's Family Planning Services Project No.388-0050 and have issued our report thereon dated 23rd January, 1990. As part of our examination, we have made a study and evaluation of FPAB's system of internal accounting controls to the extent we considered necessary to evaluate the system as required by the generally accepted auditing standards and the U.S. Comptroller General's "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions" (1988 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. For the purpose of this report, we have classified the significant internal accounting controls evaluated as 1) General Administration 2) Bank (receipts and disbursements) 3) Payroll 4) Procurement 5) Internal Audit and Follow-up System. The scope of our work was limited to the examination of the Fund Accountability Statement of FPAB.

The management of FPAB is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of the 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 authorisation and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

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

Our study and evaluation made for the limited purpose, described in the first paragraph, would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal controls of FPAB taken as a whole. However, our study and evaluation did disclose conditions that we believe would result in more than a low risk that errors or irregularities in amounts that could be material in relation to the fund accountability statement may occur and not be detected in a timely manner. The conditions which include internal control weaknesses, inadequate insurance coverage, lack of segregation of duties, and deficiencies in the internal audit system are described in Findings 1 - 6.

This report is intended solely for the use of FPAB and USAID. This restriction is not intended to limit distribution of this report which, upon acceptance by the A.I.D. Office of the Inspector General, is a matter of public record.

Price Waterhouse
PRICE WATERHOUSE

CHARTERED ACCOUNTANTS

23rd January, 1990



FAMILY PLANNING ASSOCIATION OF BANGLADESH
SUPPORT OF USAID/BANGLADESH'S FAMILY PLANNING SERVICES
PROJECT NO 388 - 0050

FINDINGS ON INTERNAL ACCOUNTING CONTROLS

FINDING 1

Deficiencies in FPAB's accounting and related control system

Condition

In the course of our audit, we have come across the following deficiencies:

- a. Differences were noted in the figures reported by the branches and the figures incorporated in the general ledger at the National Office. Examples of such differences attributable to incorrect postings at the National Office, are given below.

Item	Year	As per statement		As per ledger	
		Taka	US \$	Taka	US \$
Conveyance Allowance (TH)	1988	2,505,100	78,678	2,506,900	78,734
Conveyance Allowance (UVAPA)	1988	2,604,047	81,786	2,599,647	81,647

- b. Cash and bank balances at the branches are not regularly reconciled with the branch balances incorporated in the National Office records.
- c. The National Office of FPAB does not reconcile the monthly returns submitted by its branches with the audited statements of account. Proper reconciliation would enhance control and ensure accuracy of reported figures.



- d. **No uniform reporting period is adopted by the branches for reporting their receipts and disbursements to the National Office at Dhaka. While most branches report their results for the period December to November, Khulna maintains its records on a January to December basis.**
- e. **The statements of account prepared by the branches for audit do not classify expenses in the format required for reporting to USAID.**
- f. **The trial balance prepared by FPAB at the end of each year does not agree with its General Ledger. This is because no separate ledger account is maintained for retained reserves and other payables outstanding from prior periods is accumulated with reserves which is reported as a balancing figure in the trial balance.**
- g. **FPAB does not maintain subsidiary records for different items of payables rendering control difficult.**
- h. **The system of regular monitoring of outstanding program advances paid to staff members does not always exercise adequate control. For example, an advance of Taka 500 (US \$ 16) was disbursed to an employee during December, 1986 for the purchase of stationery. However, no statement of expense was submitted till June, 1989 when the amount was adjusted by recovery from the salary of the concerned staff member.**
- i. **The branches did not submit the actual number of volunteers utilized by them to the National Office rendering effective control over payment of conveyance expenses difficult.**
- j. **At the Jamalpur branch, gross salaries are withdrawn from the bank and the cash is used to purchase drafts for remittance of Provident Fund deductions. This slackens control and does not preclude the possibility of misappropriation.**

Criteria

Generally accepted accounting standards require the establishment of internal accounting controls for ensuring appropriate and complete financial information in the accounting records and control over property.



Cause

The reasons for the above referred deficiencies in accounting and the related control system may be lack of uniformity and appropriate understanding, particularly at branch levels, of the systems and procedures among accounting personnel of FPAB responsible for management and control of USAID granted funds.

Effect

The deficiencies referred to above do not ensure preparation of a fair and complete Fund Accountability Statement. Lack of uniformity and appropriate understanding of systems and procedures resulted in carrying out duties by the concerned employees of FPAB according to their own criteria. The circumstances give rise to more than a low risk of errors and omissions, which may remain undetected in a timely manner.

Recommendation No. 3

We recommend that USAID/Bangladesh require the Family Planning Association of Bangladesh to develop internal accounting controls to ensure that :

- a. Figures reported by the branches are accurately incorporated in the general ledger at the National Office**
- b. Cash and bank balances at the branches are regularly reconciled with the branch balances incorporated in the National Office records**
- c. Monthly returns from branches are reconciled with audited statement of accounts**
- d. A uniform reporting period is adopted for branches**
- e. Statement of accounts prepared by the branches classify expenses in USAID reporting format**
- f. The trial balance agrees with the general ledger**



- g. Subsidiary records are maintained for different items of payables**
- h. Outstanding program advances to staff members are regularly monitored**
- i. Actual number of volunteers utilized by branches is reported to the National Office**
- j. At the Jamalpur branch, net amounts are withdrawn for payment of salaries**

FPAB Management Comments

Differences between branch figures and general ledger figures were caused by incorrect posting. Steps will be taken to ensure accurate posting in future.

The cash and bank balances in the branch books disagreed with the National Office records because of incorrect treatment of temporary loans from one fund to another and advances in the branch accounts. Steps are being taken to reconcile the branch balances with reference to the audited accounts and the National Office records. Further it would also be ensured that loans taken from funds other than that of USAID would be incorporated in the books of account.

Although returns from branches are not reconciled monthly at the National Office, these returns are carefully examined before preparing consolidated statement of expenses submitted to USAID/Dhaka for reimbursement.

The possibility of having uniform reporting period for all the branches would be examined.

The viability of classifying expenses reported through branch returns in line with USAID requirement will also be examined.

Measures to ensure proper trial balance preparation will be implemented.

Since the transactions in the other payables account are very few, a schedule of creditors could easily be prepared from the control ledger account. However steps would be taken to introduce subsidiary ledger for strengthening the existing control.

Generally, the policy of FPAB is to adjust program advances within seven days from the date of payment and not to disburse new advances prior to settlement of existing advances. However, there was a delay in the instance mentioned above. The adjustment was delayed because of misplacement of the supporting voucher.



Branches will be instructed to include the number of volunteers in the returns.

The Jamalpur branch will be instructed to withdraw net amounts for payment of salaries.

In general, the deficiencies mentioned were caused by inadequate staff strength.

FINDING 2

FPAB did not exercise adequate control over procurement, storage and distribution of commodities

Condition

Our examination revealed the undermentioned deficiencies in FPAB's control system relating to procurement, storage and distribution of commodities.

- a. Received delivery notes from branches acknowledging receipt of contraceptives despatched from the National Office in Dhaka are not always insisted upon as is evident from the representative examples cited below.

Stores Number	Issue Date	Voucher Date	Branch	Item	Quantity
67		11.3.87	Rangpur	C-5	15,840
				Ovral	10,800
				Condoms	90,000
85		22.3.87	Chittagong	Condoms	120,000
215		5.7.87	Barisal	Ovral	10,800
				Condoms	120,000



To ensure proper control over commodities distributed to branches, acknowledgments of receipt should be insisted upon.

- b. FPAB did not maintain separate records to evidence receipt or distribution of commodities as temporary loan to or from USAID funded projects. This does not facilitate effective segregation of commodities earmarked for USAID funded projects from those commodities to be utilized for projects funded by other donors.
- c. FPAB did not distinctly mark commodities received in its stores thereby rendering difficult the maintenance of a system to ensure distribution of commodities on FIFO basis. The method adopted by FPAB of physically stacking batches of commodities separately without any distinct identification marks did not appear to provide an effective means of ensuring distribution on FIFO basis. A physical verification of commodities at the Dhaka branch revealed that condoms were being distributed from a carton bearing manufacturing date 5/89 while cartons with manufacturing dates 11/88, 12/88 and 2/89 were in stock. Similar findings were noted at the Mymensingh branch. As the turnaround time of the commodities, as confirmed by FPAB officials, does not exceed two months, distribution on strictly FIFO basis would also help to ensure that expired commodities do not remain in stock.
- d. A physical verification of commodities at the National Office in Dhaka revealed the following items originally issued more than three years back to branches and subsequently returned by them as unusable.

Branch	Item	Date of Issue	Date of Return	Quantity in Stock
Pabna	Copper T	13.2.85 - 15.10.85	25.5.89	83 (pcs)
Patuak- khali	Copper T	22.4.85 - 30.7.85	1.4.89	214 (pcs)

254 pieces of Copper T had actually been returned by the Patuakhali branch. Of these, 40 pieces had been redistributed prior to our physical verification.



- e. **Materials are not always received at the stores. This is evidenced by the fact that certain items were shown to have been received on 27.12.88 vide Stores Receipt Voucher No. 24 and issued on the same date vide Stores Issue Voucher No. 165 even though they were actually received on 17.12.88 and were actually in the custody of the Assistant Director I. E. C. and Training. The entire lot of materials was received back in stores on 25.1.89 vide Stores Receipt Voucher Nos. 6 - 9. To exercise proper control, materials should invariably be received at the stores and issued only when required.**
- f. **Results of physical verification conducted at the Khulna branch are not always communicated to the National Office. Such communication would permit more effective control and monitoring by the National Office.**
- g. **At the Jamalpur branch, stores receipt vouchers were not always prepared promptly and the numbers and the corresponding dates indicated that there were delays in preparation of the stores receipt vouchers. This is illustrated by the following examples:**

Stores Receipt Voucher No.	Date
17	3.2.88
18	9.1.88
19	1.3.88
20	20.2.88

- h. **At the Jamalpur branch, stores issue vouchers are often prepared by the Field Officers. Effective control would require these to be prepared by the store assistants and verified by Field Officers.**

Criteria

Establishment of effective procedures to exercise adequate control over procurement, storage and distribution is a prerequisite for proper management and utilization of funds.



Cause

A relative lack of awareness of the effectiveness of certain control procedures may have contributed to the inadequacies mentioned.

Effect

The weaknesses referred to above increase considerably the possibility of inefficient purchase and utilization of commodities thereby adversely affecting the effectiveness of utilization of funds received from USAID.

Recommendation No. 4

We recommend that USAID/Bangladesh require the Family Planning Association of Bangladesh to establish/implement adequate procedures to ensure that :

- a. Acknowledgments of receipt of commodities are obtained from branches**
- b. Commodities received/distributed as temporary loan are adequately recorded**
- c. Commodities are distinctly marked to permit distribution on FIFO basis**
- d. Expired commodities are strictly controlled**
- e. Materials are invariably received at the stores**
- f. Results of physical verification at the branches are always communicated to the National Office**
- g. Stores receipt vouchers are prepared promptly at the Jamalpur branch**
- h. Stores receipt vouchers at the Jamalpur branch are prepared by stores assistants and verified by Field Officers**



FPAB Management Comments

Although receipts were not obtained from branches, the deliveries could be confirmed from the monthly branch returns. However, necessary steps will be taken to ensure acknowledgment of each individual delivery.

Since the loan transactions could be identified from the stores ledger, no separate register was maintained. However, subsidiary loan register for contraceptives and commodities will be introduced.

All concerned staff are advised during inservice training, to distinctly mark contraceptive cartons to ensure distribution on FIFO basis. The situation is being reviewed and necessary action will be taken to adhere to the FIFO basis of distribution.

Monitoring of the expiry date of contraceptives was not possible in the case referred to because the expiry dates were not clearly mentioned on the cartons. Though expiry dates are generally, monitored strictly, steps will be taken to ensure that such lapses do not occur in future.

Steps will be taken to ensure that materials are always received at the stores.

Steps will be taken to ensure that all branches send their inventory reports to the National Office.

Measures will be introduced to ensure prompt preparation of stores receipt vouchers at the Jamalpur branch.

Steps will be taken to ensure that stores receipt vouchers are prepared by the stores assistants at the Jamalpur branch.



FINDING 3

FPAB did not ensure adequate insurance coverage of its storehouse

Condition

The new storehouse constructed by FPAB to store commodities donated by USAID was insured for a sum of Taka 100,000 (US\$3,141) only. The expenditure incurred till December 1988 on construction of the storehouse aggregated Taka 1,798,816 (US\$ 56,495).

Criteria

Effective management of property involves adequate insurance coverage of such property.

Cause

The inadequate insurance coverage may have been caused by oversight.

Effect

Substantial losses may be incurred on any damage of the storehouse.

Recommendation No. 5

We recommend that USAID / Bangladesh require the Family Planning Association of Bangladesh to ensure that the new storehouse is adequately covered by insurance.



FPAB Management Comments

This will be done immediately.

FINDING 4

FPAB did not ensure maintenance and verification of specimen signatures of volunteers

Condition

Our examination at the Dhaka, Mymensingh and Jamalpur branches of FPAB revealed instances of lack of maintenance of specimen signatures of volunteers involved on various projects. Furthermore, in certain instances, signatures on paybills did not correspond with the specimen signatures maintained.

Criteria

An effective control system should provide for maintenance and verification of specimen signatures to ensure that payments are made only to bona-fide volunteers.

Cause

Inadequate emphasis on controls at branch office and insufficient stress on the maintenance of such records by the National Office are primarily responsible for the deficiency.



Effect

Non maintenance of specimen signatures may lead to payments to unauthorized persons.

Recommendation No. 6

We recommend that USAID/Bangladesh require the Family Planning Association of Bangladesh to ensure the utmost emphasis on the maintenance of complete set of specimen signatures of volunteers.

FPAB Management Comments

Steps will be taken to complete the records of specimen signature at the earliest.

FINDING 5

Lack of segregation of duties

Condition

The Assistant Director, USAID of FPAB, who along with the Storekeeper is responsible for examination of materials supplied to FPAB at the National Office, also performs the incompatible function of recommending payment of supplier bills.

Criteria

An adequate system of internal control at the National Office should provide for segregation of duties in relation to receipt of materials and authorization of supplier bills.



Cause

There was inadequate implementation of a proper system of internal control in this regard.

Effect

The weakness has resulted in one individual performing incompatible functions and accordingly, errors and other discrepancies could remain undetected for considerable length of time.

Recommendation No. 7

We recommend that USAID/Bangladesh require the Family Planning Association of Bangladesh to adopt a procedure for ensuring that incompatible functions are effectively segregated at the National Office. This can be done by reallocation of duties among existing personnel.

FPAB Management Comments

Due to inadequate number of supervisory staff involved on USAID projects of FPAB, strict segregation of duties and responsibilities has not been possible.

FINDING 6**FPAB needs to Improve Its Internal Audit System****Condition**

Internal audit was conducted by two persons who also assisted the accounts personnel in times of need. Moreover, the internal audit process did not cover the National Office.



Criteria

An adequate system of internal control should provide for an internal audit system commensurate with the size and nature of operations to review records on a periodic basis as an aid to management.

Cause

FPAB has not yet established an internal audit system which ensures an audit of the National Office and whose staff is completely independent of line functions.

Effect

This weakness impedes effective management control over funds and property.

Recommendation No. 8

We recommend that USAID / Bangladesh require the Family Planning Association of Bangladesh to ensure that :

- a. The National Office is brought within the scope of internal audit and**
- b. The internal audit staff is completely independent of line functions**

FPAB Management Comments

Paucity of staff have compelled internal audit officers, on certain occasions, to assist accounting personnel. The personnel strength could not be increased by FPAB on account of fund shortages. Although the budget for USAID/Dhaka funded projects has considerably increased during the last few years, no provision has been made in the budget for internal audit personnel. However, the management of FPAB plans to further strengthen the internal audit process by constituting an independent audit division.



Price Waterhouse



FAMILY PLANNING ASSOCIATION OF BANGLADESH
SUPPORT OF USAID/BANGLADESH'S FAMILY PLANNING SERVICES
PROJECT NO 388 - 0050
REPORT ON COMPLIANCE WITH AGREEMENT TERMS
AND APPLICABLE LAWS AND REGULATIONS

Mr. B.R.Howard
Regional Inspector General for Audit
US Agency For International Development
Singapore.

We have examined the Fund Accountability Statement for the period 1st January, 1987 to 31st December, 1988 of the funds provided to the Family Planning Association of Bangladesh (FPAB) in support of USAID/Bangladesh's Family Planning Services Project (388-0050) and have issued our report thereon dated 23rd January, 1990.

The scope of our work was limited to the examination of the Fund Accountability Statement of FPAB. Our examination included such tests of compliance with agreement terms and applicable laws and regulations as we considered necessary in the circumstances, and as required by the U.S. Comptroller General's "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions" (1988 Revision).

In our opinion, subject to our observation as described in Finding 1 of this report, FPAB had complied with the agreement terms and applicable laws and regulations. Nothing came to our attention in connection with our examination that caused us to believe that FPAB was not in compliance with the agreement terms and applicable laws and regulations for those transactions not tested.

This report is intended solely for the use of FPAB and USAID. This restriction is not intended to limit distribution of this report which, upon acceptance by the AID Office of the Inspector General, is a matter of public record.

Price Waterhouse
PRICE WATERHOUSE
CHARTERED ACCOUNTANTS

23rd January, 1990



FAMILY PLANNING ASSOCIATION OF BANGLADESH
SUPPORT OF USAID/BANGLADESH'S FAMILY PLANNING SERVICES
PROJECT NO 388 - 0050
REPORT ON COMPLIANCE WITH AGREEMENT TERMS
AND APPLICABLE LAWS AND REGULATIONS

FINDING 1

FPAB did not comply with certain agreement terms / applicable laws and regulations

Condition

Our examination revealed the following instances of non-compliance with agreement terms/ applicable laws and regulations.

- a. **FPAB was required to maintain a control system in respect of non expendable property to facilitate ready identification and location of such property. Maintenance of a complete property register together with use of distinct identification numbers for USAID financed property, neither of which were adopted by FPAB at its National Office in Dhaka, would be essential for such a control system. The method used at the National Office of controlling property merely from despatch entries in the stores register does not ensure effective monitoring.**
- b. **Nominal deductions of Taka 25 (US \$ 0.79), and Taka 20 (US \$ 0.62) each were made from the salaries of Ms. Shamima Hassan, Mr. K.M.A.Jinnah and Mr. E.Hoque respectively, on account of Income Tax without taking into account the actual tax deductible in accordance with the provisions of the Income Tax Ordinance 1984 and the rules made thereunder. No consideration was given to reviewing the necessity of deducting tax at source from salaries of other employees.**



- c. **FPAB deposited tax deductions made from salaries with the appropriate authorities once every year though the applicable regulations require such deposits to be made within seven days of deduction.**
- d. **In many cases, revenue stamps were not affixed on payees' receipts obtained by FPAB.**

Criteria

All the agreement terms/applicable laws and regulations should have been strictly complied with or should have been negotiated at the appropriate level for ratification/waiver.

Cause

FPAB and USAID did not ensure compliance with agreement terms/ applicable laws and regulations.

Effect

In view of the non-compliance issues discussed above, USAID cannot be assured that FPAB exercises adequate control over funds granted by it and property acquired out of such funds. Furthermore, violation of local laws may lead to penal action.

Recommendation No. 9

We recommend that USAID / Bangladesh require the Family Planning Association of Bangladesh to ensure that :

- a. **A proper fixed assets register is maintained and USAID financed assets are distinctly marked**



- b. Income tax deductions are made from employee salaries in accordance with the provisions of the Income Tax Ordinance, 1984 and the rules made thereunder**
- c. Income tax deducted from salaries is deposited with the appropriate authorities within the specified time period**
- d. Revenue stamps are affixed on payees' receipts**

FPAB Management Comments

Efforts will be made to introduce a proper fixed asset register to exercise better control over all USAID funded assets. Proper numbering of these assets for the purpose of identification is in progress.

Income tax regulations will be carefully followed in future.

Staff members are being advised to insist on revenue stamps wherever necessary.



LIST OF REPORT RECOMMENDATIONS

Fund Accountability Statement

1. **USAID / Bangladesh should obtain from the Family Planning Association of Bangladesh additional justification for allowability of questioned costs aggregating Taka 63,454 (US \$ 1,993).**
2. **USAID/Bangladesh should require the Family Planning Association of Bangladesh to :**
 - a. **ensure that transactions pertaining to cash and bank and loan balances at the branches are properly reflected in the books of account and in the Fund Accountability Statement and**
 - b. **make a determination whether Taka 7,981 (US \$ 251) should be expensed with acceptable documentation or refunded to USAID / Bangladesh**

Internal Accounting Controls

3. **USAID/Bangladesh should require the Family Planning Association of Bangladesh to develop internal accounting controls to ensure that :**
 - a. **Figures reported by the branches are accurately incorporated in the general ledger at the National Office**
 - b. **Cash and bank balances at the branches are regularly reconciled with the branch balances incorporated in the National Office records**
 - c. **Monthly returns from branches are reconciled with audited statement of accounts**



- d. A uniform reporting period is adopted for branches
 - e. Statement of accounts prepared by the branches classify expenses in USAID reporting format
 - f. The trial balance agrees with the general ledger
 - g. Subsidiary records are maintained for different items of payables
 - h. Outstanding program advances to staff members are regularly monitored
 - i. Actual number of volunteers utilized by branches is reported to the National Office
 - j. At the Jamalpur branch, net amounts are withdrawn for payment of salaries
4. USAID/Bangladesh should require the Family Planning Association of Bangladesh to establish/implement adequate procedures to ensure that :
- a. Acknowledgments of receipt of commodities are obtained from branches
 - b. Commodities received/distributed as temporary loan are adequately recorded
 - c. Commodities are distinctly marked to permit distribution on FIFO basis
 - d. Expired commodities are strictly controlled
 - e. Materials are invariably received at the stores
 - f. Results of physical verification at the branches are always communicated to the National Office
 - g. Stores receipt vouchers are prepared promptly at the Jamalpur branch
 - h. Stores receipt vouchers at the Jamalpur branch are prepared by stores assistants and verified by Field Officers



5. **USAID/Bangladesh should require the Family Planning Association of Bangladesh to ensure that the new storehouse is adequately covered by insurance.**
6. **USAID/Bangladesh should require the Family Planning Association of Bangladesh to ensure the utmost emphasis on the maintenance of complete set of specimen signatures of volunteers.**
7. **USAID/Bangladesh should require the Family Planning Association to adopt a procedure for ensuring that incompatible functions are effectively segregated at the National Office. This can be done by reallocation of duties among existing personnel.**
8. **USAID/Bangladesh should require the Family Planning Association of Bangladesh to ensure that :**
 - a. **The National Office is brought within the scope of internal audit and**
 - b. **The internal audit staff is completely independent of line functions**

Compliance with Agreement Terms and applicable Laws and Regulations

9. **USAID/Bangladesh should require the Family Planning Association of Bangladesh to ensure that :**
 - a. **A proper fixed assets register is maintained and USAID financed assets are distinctly marked**
 - b. **Income tax deductions are made from employee salaries in accordance with the provisions of the Income Tax Ordinance, 1984 and the rules made thereunder**
 - c. **Income tax deducted from salaries is deposited with the appropriate authorities within the specified time period**
 - d. **Revenue stamps are affixed on payees' receipts**



USAID/BANGLADESH COMMENTS

The Mission staff has reviewed the draft audit report with the management of FPAB and reached agreement on the following actions to address the recommendations contained in the report.

FPAB explained during the exit conference why they believe the amount of Taka 63,454 which has been questioned in the report, is allowable under their agreement with USAID. They have provided a written explanation of these charges in a letter dated April 3, 1990, to Mr. Gary Cook, Director of the Office of Population and Health (OPH). Further, by a letter dated April 17, 1990, FPAB has requested a determination as to the allowability of this claim from the USAID Grants Officer.

In their letter to USAID dated April 3, 1990, FPAB advised that a further review of the accounts at the Chittagong Hill Tracts branch determined that Taka 4,999.55 paid as staff salaries had not yet been claimed under the grant. They will submit a claim to USAID for this amount. The balance of Taka 2,981.54 will be refunded to USAID.

With the issuance of a written determination from the Grants Officer and upon the receipt of the voucher claiming additional salary costs and the refund check for Taka 2,981.54, USAID will take action accordingly. A copy of the determination and notification of receipt of the refund check will be provided to RIG/A/Singapore.

In their letter to USAID dated April 17, 1990, FPAB has advised the Mission that they have completed the reconciliation of the accounts between the headquarters and branch offices for the period ending December 31, 1989. They have acknowledged the importance of these reconciliations and have agreed that they will be conducted on a regular basis in the future. USAID will visit the FPAB office in May to ensure that the reconciliation has been properly completed, that all branch cash, bank and loan balances are properly recorded and that branch expenditures are properly posted.



In their letter dated April 17, 1990, FPAB provided USAID with a copy of a directive issued to all branch offices regarding each of the issues included in the recommendations. The Mission has reviewed the directive and finds it to be acceptable.

In addition, FPAB has advised that an independent internal audit department has been established. This unit reports directly to the FPAB Chief Executive. The FPAB organogram will be revised following the May/June 1990 meeting of the National Executive Committee.

By letter dated April 17, 1990, FPAB has advised the Mission that they have opened a separate register for non-expendable property financed by USAID. Numbering of these assets has been completed to ensure identification. A copy of the annual physical inventory sheets, of USAID funded supplies and equipment as of December 31, 1989 have been provided to USAID.

