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**NON-FEDERAL AUDIT REPORT ON
THE BANGLADESH ASSOCIATION FOR
VOLUNTARY STERILIZATION
SUBAGREEMENT NOS. BGD-03-NV-11-B
AND BGD-03-NV-12-B**

AUDIT REPORT NO. 5-388-91-01-N

FEBRUARY 7, 1991

The Fund Accountability Statement, internal controls, and the compliance with laws and regulations were found to be generally adequate. However, there was about \$10,000 in questioned costs and some areas where controls could be improved.

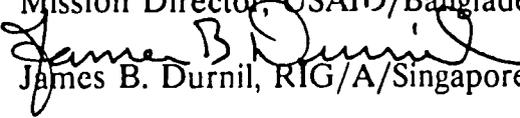
AGENCY FOR INTERNATIONAL DEVELOPMENT
OFFICE OF THE REGIONAL INSPECTOR GENERAL FOR AUDIT
-- Singapore --

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February 6, 1991

MEMORANDUM FOR: Mary Kilgour
Mission Director, USAID/Bangladesh

FROM: 
James B. Durnil, RIG/A/Singapore

SUBJECT: Audit of the Family Planning Services Project with the
Bangladesh Association for Voluntary Sterilization

Association for Voluntary Surgical Contraception
Subagreement Nos. BGD-03-NV-11-B and BGD-03-NV-12-B
under USAID/Bangladesh Project No. 388-0050-A-00-1014-00

Audit Report No. 5-388-91-01-N

The enclosed Coopers and Lybrand non-Federal audit report presents the final results of an independent financial audit of the Family Planning Services Project with the Bangladesh Association for Voluntary Sterilization (BAVS), Subagreement Nos. BGD-03-NV-11-B and BGD-03-NV-12-B under USAID/Bangladesh Project No. 388-0050-A-00-1014-00.

USAID/Bangladesh supports the Government of Bangladesh's efforts to reduce fertility in Bangladesh by providing funds for technical assistance, training, and commodities to the national family planning and maternal child health program. The program is implemented, in part, through two USAID/Bangladesh funded subgrants from the Association for Voluntary Surgical Contraception to BAVS. As of December 31, 1989, approximately \$2,774,800 had been released to BAVS.

The audit was initiated at the Mission's request. The objectives were to determine whether the Fund Accountability Statements presented fairly the receipts and expenditures for the period October 1, 1987 to December 31, 1989, whether internal controls were adequate, and whether there was compliance with laws, regulations and agreement terms. The scope of the audit included an examination of program activities and transactions to the extent considered necessary to issue a report thereon for the period under audit.

Coopers and Lybrand concluded that the Fund Accountability Statements presented fairly the financial position and results of operations for the period October 1, 1987 to December 31, 1989 and that there was a relatively low risk of material errors and irregularities not being detected within a timely period. However, certain internal control and compliance conditions were noted that required reporting to management. The details of these conditions are set out on pages 19 to 25 and 28 to 43 in respect of internal controls and compliance.

USAID/Bangladesh, the management of BAVS, and the Association for Voluntary Surgical Contraception indicated agreement with the audit findings and recommendations. The full text of USAID/Bangladesh's comments are shown as Appendix A.

Recommendations

Coopers and Lybrand made eleven recommendations on which USAID/Bangladesh should take action to ensure that the noted problems are corrected. The IG is making two recommendations which will be included in the IG recommendation follow-up system.

We recommend that USAID/Bangladesh:

1. Review the internal controls and compliance deficiencies noted in the audit report and determine whether action taken by BAVS management is appropriate to correct the problems.
2. Resolve the \$10,305 (\$2,789, \$1,244, \$4,639 and \$1,633) costs questioned in the audit report and determine amounts to be recovered, if any, from the questioned lease/rental and participant training activities.

The above recommendations were discussed with USAID/Bangladesh and they stated general agreement. Based on the Mission's comments and actions taken, Recommendation No. 1 is resolved and Recommendation No. 2 is unresolved. Recommendation No. 2 can be resolved once there is agreement on the dollar amount of costs questioned in the lease/rental and participant training activities. Both recommendations will be closed when the corrective actions have been completed.

We appreciate the courtesies and cooperation the Mission and BAVS extended to Coopers and Lybrand and our staff during the course of this audit.

We would like you to provide your final comments to this report within 30 days.

AUDIT OF THE FAMILY PLANNING SERVICES PROJECT
WITH THE
BANGLADESH ASSOCIATION FOR VOLUNTARY STERILIZATION
IN BANGLADESH

AVSC SUBAGREEMENT NOS. BGD-03-NV-11-B
AND BGD-03-NV-12-B UNDER
USAID/BANGLADESH PROJECT NO. 388-0050-A-00-1014-00

AUDIT PERIOD OCTOBER 1, 1987 TO
DECEMBER 31, 1989

Performed and Prepared
by

Coopers & Lybrand
Singapore

Lovelock & Lewes
Calcutta, India

AUDIT OF THE FAMILY PLANNING SERVICES PROJECT
WITH THE
BANGLADESH ASSOCIATION FOR VOLUNTARY STERILIZATION
IN BANGLADESH

INDEPENDENT AUDITORS' REPORT

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A3/TTK/BAVS

Mr James B. Durnil
Regional Inspector General
for Audit - Singapore
US Agency for International Development
16 Raffles Quay
#31-01 Hong Leong Building
Singapore 0106

January 11, 1991

Dear Mr Durnil

This report presents the results of our audit of the Bangladesh Association of Voluntary Sterilization ("BAVS") under the Family Planning Services Project (388-0050) for the period October 1, 1987 to December 31, 1989.

Background - Bangladesh

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. The United States Agency for International Development, Bangladesh ("USAID/B") recognises 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/B has financed the Family Planning Services Project.

USAID's Involvement in the Project

USAID's assistance supports the national family planning and maternal and child health programs by providing funds 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 ORT and immunization surveys.

The Family Planning Services Project is an 8-year effort authorised at US\$159.9 million which ended September 30, 1990. USAID/B implemented this project through a grant to the BDG and grants to various non-governmental organisations (NGOs). One of these NGOs is the Bangladesh Association for Voluntary Sterilization ("BAVS"). Since 1974, BAVS, affiliated with the Association for Voluntary Surgical Contraception ("AVSC"), has been a leader in establishing voluntary sterilisation as a routinely available health service in Bangladesh. Support is given to BAVS under subgrants issued by AVSC and funded by USAID/B (Cooperative Agreement No. 388-0050-A-00-1014-00).

Mr James B. Durnil
Regional Inspector General
for Audit - Singapore
US Agency for International Development
Singapore

Since 1987, AVSC obligated US\$3,391,180 to BAVS through two subgrants covering two project years. The subgrants are BGD-03-NV-11-B and BGD-03-NV-12-B in the amounts of US\$1,748,610 and US\$1,642,570, respectively. The first project year is from October 1, 1987 to March 31, 1989, and the second project year is from April 1, 1989 to June 30, 1990. As of December 31, 1989, approximately US\$2,774,800 (Tk. 87,267,497 translated at the average exchange rate of Tk. 31.45) was released to BAVS.

Project Goal and Purpose

The purpose of the project is to contribute to the BDG's goal of reducing fertility in Bangladesh.

In this regard, the purposes of the subgrants are to continue and expand the high quality voluntary surgical and clinical contraception and other long term contraceptive services provided by BAVS through:

- (a) improving the quality of BAVS' program through the training and development of BAVS staff and volunteers;
- (b) conducting operations research to test alternatives for field workers visiting strategies and performance guidelines;
- (c) delivering high quality clinical contraceptive services through 25 BAVS clinics; and
- (d) assuring medical and non-medical quality of services through improved supervision and monitoring.

The AVSC also contributes towards the attainment of the above goal by providing, directly or through subcontracts, technical assistance and consultants to BAVS.

BAVS - The Organisation

BAVS is a non-profit organisation, established in 1974 in Bangladesh and located in Dhaka. It has been providing complementary support to the BDG's family planning program since its inception. BAVS has also contributed to the advancement and strengthening of voluntary surgical contraception and has since 1975 trained more than 500 governmental and non-government physicians in surgical sterilisation techniques. BAVS participates actively with the BDG in planning and policy discussions for the voluntary surgical contraception program and has promoted the awareness for and the development of a quality medical program for voluntary surgical contraception in Bangladesh.

Mr James B. Durnil
Regional Inspector General
for Audit - Singapore
US Agency for International Development
Singapore

Audit Objectives and Scope of Work

We conducted a financial and compliance audit of the BAVS Family Planning Services Project's Fund Accountability Statements under the AVSC Subagreements Nos. BGD-03-NV-11-B and BGD-03-NV-12-B for the period October 1, 1987 to December 31, 1989. The Fund Accountability Statements comprise the balance sheets as at March 31, 1989 and December 31, 1989 and the income and expenditure statements for the periods from October 1, 1987 to March 31, 1989 and April 1, 1989 to December 31, 1989 and the notes thereon. The results of our work are reflected in the accompanying Independent Auditors' Report on the:

- (a) Fund Accountability Statements;
- (b) System of Internal Control; and
- (c) Compliance with Agreement Terms, Applicable Laws and Regulations.

The objectives of our work were to determine whether :-

- (a) the Fund Accountability Statements for the BAVS Family Planning Services Project present fairly the receipts and expenditures for the 27-month period ended December 31, 1989 in accordance with the terms of the AVSC Cooperative Agreement with the Agency for International Development ("A.I.D") and the AVSC subagreements with BAVS, and to identify any costs which were not fully supported with adequate records or which were not allocable, reasonable or allowable under the terms of the agreement;
- (b) BAVS' system of internal controls is adequate for A.I.D's purposes; and
- (c) BAVS has complied with the applicable laws, regulations and agreement terms, OMB circulars and A.I.D's mandatory standard provisions for non-US grantees/donees.

The audit was conducted in accordance with generally accepted auditing standards and US Government Auditing Standards as stated in the US General Accounting Office's "Yellow Book" entitled "Standards for Audit of Governmental Organisations, Programs, Activities, and Functions" (1988 Revision) and, accordingly, included such tests to determine if funds were being properly accounted for and used as directed by the Cooperative Agreement subagreements or other applicable program documents or the laws of Bangladesh.

Mr James B. Durnil
Regional Inspector General
for Audit - Singapore
US Agency for International Development
Singapore

The scope of our work primarily included the following general procedures:-

- (a) holding meetings with USAID/B, AVSC, Asia Regional Office ("AVSC/ARO"), BAVS and A.I.D Regional Inspector General for Audit/Singapore (RIG/S) officials;
- (b) reviewing the cooperative agreement and subagreements between the respective parties, OMB circulars, A.I.D handbook regulations and mandatory standard provisions for non-US grantees/donees, prior period audit reports on BAVS financial statements, correspondences and minutes of meetings between USAID/B, AVSC/ARO and BAVS, BAVS' work program and budget, and financial reports issued by BAVS to AVSC/ARO and USAID/B summarising overall activities and expenditures under the USAID grant;
- (c) obtaining an understanding of the accounting, administrative and internal control systems of BAVS using questionnaires, interviews, flowcharts and narrative descriptions;
- (d) evaluating the system of internal controls by using questionnaires etc;
- (e) devising and performing tests to establish the effectiveness of the system of internal controls;
- (f) devising and performing substantive tests on the transactions and balances recorded in the Fund Accountability Statements;
- (g) testing the effectiveness of administrative controls applied by BAVS management and AVSC/ARO to ensure that there is compliance with the applicable laws, regulations and agreement terms; and
- (h) visiting certain BAVS clinics and reviewing and testing the returns from these clinics.

In addition to the general audit procedures described above, we were continually alert, during our audit work, to situations/transactions which could be indicative of fraud, abuse, waste and illegal acts. However, as we are not required to search specifically for fraud, abuse, waste and illegal acts, unless we became aware of evidence of such acts, our audit procedures cannot be relied upon to disclose all such matters.

Mr James B. Durnil
Regional Inspector General
for Audit - Singapore
US Agency for International Development
Singapore

Results of Audit

(I) Opinion on Fund Accountability Statements

In our opinion, the Fund Accountability Statements present fairly the income and expenditure of the BAVS for the periods October 1, 1987 to March 31, 1989 and April 1, 1989 to December 31, 1989 and the financial positions of BAVS as at March 31 1989 and December 31, 1989 as they pertain to the Family Planning Services Project as funded by USAID/B.

(II) System of Internal Controls

Our study and evaluation of the system of internal controls of BAVS, made as part of the audit of the Fund Accountability Statements, disclosed certain conditions which we consider necessary to be brought to the attention of management of BAVS, AVSC/ARO and USAID/B. These conditions are summarised below:

- (a) Lack of control over leave entitlement of staff;
- (b) Inventory management needs improvement;
- (c) No maintenance of training attendance register; and
- (d) No proper control over the use of motor vehicles.

The above conditions were considered in determining the nature, timing and extent of the audit tests applied by us in the examination of the Fund Accountability Statements and the conditions have not affected our report, dated October 12, 1990, on those Statements.

The results of our testing of the system of internal controls indicate that there is a relatively low risk of material errors and irregularities in respect of the project not being detected within a timely period by BAVS management.

Since our study and evaluation of the system of internal controls were made for limited purposes, it would not necessarily disclose all weaknesses in the system, and therefore, we do not express an opinion on the system of internal controls of BAVS taken as a whole.

Mr James B. Durnil
Regional Inspector General
for Audit - Singapore
US Agency for International Development
Singapore

(III) Compliance with Agreement Terms, Applicable Laws and Regulations

Our tests for compliance with agreement terms and applicable laws and regulations of selected transactions and records of BAVS indicate that, for the items tested, BAVS complied with those provisions of agreement terms and applicable laws and regulations except for the following items summarised below:-

- (a) Payments relating to the Mirpur Housing Complex;
- (b) No prior approval obtained for expenses relating to "Integrated Health Care Plan";
- (c) No prior approval obtained for budget overrun;
- (d) No prior approval obtained for the conduct of certain training courses;
- (e) Failure to observe proper procedures in connection with the rental of premises;
- (f) Entertainment expenses paid out of USAID fund; and
- (g) No analysis of cost components charged to the Budget line "Institutional Reimbursement of Programmatic Activities".

In our opinion, the non-compliances do not have a material effect on the Fund Accountability Statements of BAVS as they pertain to the Family Planning Services Project as funded by USAID/B.

With respect to transactions and records not tested by us, nothing came to our attention to indicate that BAVS has not complied with the agreement terms, applicable laws and regulations in connection with the Family Planning Services Project.

Management Comments on Findings and Recommendations

The USAID/B and management of BAVS and AVSC have indicated that they are in agreement with our findings and recommendations on both internal controls and compliances, the details of which are set out in pages 19 to 25 and 28 to 43 respectively. Various measures are being taken to rectify these weaknesses. The full text of USAID/B's comments is attached as Appendix A to the report.

Mr James B. Durnil
Regional Inspector General
for Audit - Singapore
US Agency for International Development
Singapore

Acknowledgement

We would like to take this opportunity to express our gratitude for the assistance given to us by the RIG/S office, USAID/B, BAVS and AVSC/ARO during the course of the audit.

Yours truly

Stephen A. Byrnes

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INDEPENDENT AUDITORS' REPORT
ON
FUND ACCOUNTABILITY STATEMENTS

A3/TTK/MIDAS

Mr James B. Durnil
Regional Inspector General
for Audit - Singapore
US Agency for International Development
16 Raffles Quay
#31-01 Hong Leong Building
Singapore 0106

October 12, 1990

Dear Mr Durnil

FAMILY PLANNING SERVICES PROJECT WITH THE
BANGLADESH ASSOCIATION FOR VOLUNTARY STERILIZATION
IN BANGLADESH
UNDER AVSC SUBAGREEMENTS NOS. BGD-03-NV-11-B AND
BGD-03-NV-12-B OF
USAID/BANGLADESH PROJECT NO. : 388-0050-A-00-1014-00
INDEPENDENT AUDITORS' REPORT ON FUND ACCOUNTABILITY STATEMENTS

We have audited the Fund Accountability Statements of Bangladesh Association for Voluntary Sterilization ("BAVS") pertaining to the Family Planning Services Project as funded by the United States Agency for International Development, Bangladesh ("USAID/B"). These Statements, comprising the balance sheets, income and expenditure statements and the notes thereon, set out on pages 10 to 15, are the responsibility of BAVS management. Our responsibility is to express an opinion on these Statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, the US Comptroller General's "Standards for Audit of Governmental Organisations, Programs, Activities and Functions" (1988 Revision) and the Guidelines for Financial and Compliance Audits of A.I.D-Financed Agreements. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Statements. Furthermore, our procedures were specifically designed in order to identify any costs which were not fully supported with adequate records or which were not reasonable, allocable or allowable. We believe that our audit provides a reasonable basis for our opinion.

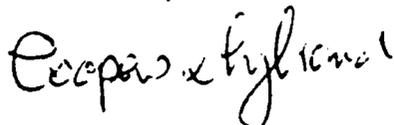
FAMILY PLANNING SERVICES PROJECT WITH THE
BANGLADESH ASSOCIATION FOR VOLUNTARY STERILIZATION
IN BANGLADESH
UNDER AVSC SUBAGREEMENTS NOS. BGD-03-NV-11-B AND
BGD-03-NV-12-B OF
USAID/BANGLADESH PROJECT NO. : 388-0050-A-00-1014-00
INDEPENDENT AUDITORS' REPORT ON FUND ACCOUNTABILITY STATEMENTS

As stated in note 2 on pages 12 and 15, the Fund Accountability Statements present only the transactions and balances of the Family Planning Services Project fund and are not intended to present fairly the income and expenditure and financial position of BAVS as a whole in conformity with US generally accepted accounting principles.

In our opinion, the Fund Accountability Statements present fairly the income and expenditure of the BAVS for the periods October 1, 1987 to March 31, 1989 and April 1, 1989 to December 31, 1989 and the financial positions of the BAVS as at March 31, 1989 and December 31, 1989 as they pertain to the Family Planning Services Project as funded by USAID/B.

This report is intended solely for the use of USAID/B and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report which, upon acceptance by the A.I.D Regional Inspector General for Audit/Singapore, is a matter of public record.

Yours truly



COOPERS & LYBRAND
Certified Public Accountants

BANGLADESH ASSOCIATION FOR VOLUNTARY STERILIZATION
 FAMILY PLANNING SERVICES PROJECT
 UNDER AVSC SUBAGREEMENT NO. BGD-03-NV-11-B

BALANCE SHEET AS AT MARCH 31, 1989

| | <u>Taka</u> | <u>US\$ Equivalent</u> |
|-------------------------|--------------|------------------------|
| ASSETS: | | |
| Cash in hand | 67,293.79 | 2,139.71 |
| Cash at bank | 2,081,707.17 | 66,191.00 |
| Cash in transit | 475,000.00 | 15,103.34 |
| Advances and receivable | 306,229.70 | 9,737.03 |
| | 2,930,230.66 | 93,171.08 |
| LIABILITIES: | | |
| Sundries payable | 168,039.87 | 5,343.08 |
| Unpaid obligations | 1,603,551.37 | 50,987.32 |
| Payable to AVSC | 1,158,639.42 | 36,840.68 |
| | 2,930,230.66 | 93,171.08 |

BANGLADESH ASSOCIATION FOR VOLUNTARY STERILIZATION
FAMILY PLANNING SERVICES PROJECT
UNDER AVSC SUBAGREEMENT NO. BGD-03-NV-11-B

INCOME AND EXPENDITURE STATEMENT
FOR THE PERIOD FROM OCTOBER 1, 1987 TO MARCH 31, 1989

| | <u>Taka</u> | <u>US\$ Equivalent</u> |
|--|----------------------|------------------------|
| INCOME: | | |
| Contribution from AVSC: Received | 53,761,400.00 | 1,709,424.48 |
| Total contribution | <u>53,761,400.00</u> | <u>1,709,424.48</u> |
| EXPENDITURE: | | |
| Headquarters: Organisation and Management support | | |
| Volunteer leadership activities | 823,274.48 | 26,177.25 |
| Program management - National headquarters support: | | |
| Personnel | 2,142,846.85 | 68,135.03 |
| Operational | 2,976,903.44 | 94,655.12 |
| | 5,119,750.29 | 162,790.15 |
| Research and evaluation | 443,662.11 | 14,106.90 |
| Quality assurance and supervision | 902,268.11 | 28,688.97 |
| Training | 3,057,134.34 | 97,206.18 |
| Publications | 300,803.50 | 9,564.50 |
| Provision for headquarters staff salary adjustments based on management review | 197,966.34 | 6,294.64 |
| Clinic Services (25 Clinics): | | |
| Local leadership/volunteer group activities | 263,945.64 | 8,392.55 |
| Clinic services: | | |
| Personnel | 33,382,527.77 | 1,061,447.62 |
| Operational | 5,481,560.12 | 174,294.44 |
| | 38,864,087.89 | 1,235,742.06 |
| Institutional reimbursement for programmatic activities | 459,757.34 | 14,618.68 |
| I.E.C. activities | 88,476.10 | 2,813.23 |
| Pilot demonstration program: | | |
| IHCP programs | 39,121.96 | 1,243.94 |
| Barangail | 269,617.15 | 8,572.88 |
| | 308,739.11 | 9,816.82 |
| Demonstration project | | |
| Provision for clinics staff salary adjustments based on management review | 1,379,941.33 | 43,877.31 |
| Local equipments purchase | 323,500.00 | 10,286.17 |
| Bank charges | 69,454.00 | 2,208.39 |
| Payable to AVSC | 1,158,639.42 | 36,840.68 |
| | <u>53,761,400.00</u> | <u>1,709,424.48</u> |

BANGLADESH ASSOCIATION FOR VOLUNTARY STERILIZATION
FAMILY PLANNING SERVICES PROJECT
UNDER AVSC SUBAGREEMENT NO. BGD-03-NV-11-B

Notes to the Fund Accountability Statements
for the period October 1, 1987 to March 31, 1989

1. Accounting Convention

The Fund Accountability Statements are prepared in accordance with the historical cost convention. For information purposes, they are also expressed in United States of America dollars (US\$) using the average rate of exchange calculated for the period under review of Tk. 31.45 to US\$1.

2. Component unit of BAVS

The Fund Accountability Statements present only the transactions and balances of the fund under the AVSC Subagreements Nos. BGD-03-NV-11-B and BGD-03-NV-12-B of Cooperative Agreement No. 388-0050-A-00-1014-00 as funded by USAID and are not intended to represent the income and expenditure and financial position of BAVS as a whole.

3. Significant Accounting Policy

Income and expenditure are accounted for on an accrual basis.

BANGLADESH ASSOCIATION FOR VOLUNTARY STERILIZATION
 FAMILY PLANNING SERVICES PROJECT
 UNDER AVSC SUBAGREEMENT NO. BGD-03-NV-12-B

BALANCE SHEET AS AT DECEMBER 31, 1989

| | <u>Taka</u> | <u>US\$ Equivalent</u> |
|-------------------------|--------------|------------------------|
| ASSETS: | | |
| Cash in hand | 46,582.93 | 1,481.17 |
| Cash at bank | 5,620,962.32 | 178,726.94 |
| Advances and receivable | 153,117.30 | 4,868.60 |
| | 5,820,662.55 | 185,076.71 |
| LIABILITIES: | | |
| Sundries payable | 801,462.39 | 25,483.70 |
| Unpaid obligations | 1,174,994.93 | 37,360.73 |
| Payable to AVSC | 3,844,205.23 | 122,232.28 |
| | 5,820,662.55 | 185,076.71 |

BANGLADESH ASSOCIATION FOR VOLUNTARY STERILIZATION
FAMILY PLANNING SERVICES PROJECT
UNDER AVSC SUBAGREEMENT NO. BGD-03-NV-12-B

INCOME AND EXPENDITURE STATEMENT
FOR THE PERIOD FROM APRIL 1, 1989 TO DECEMBER 31, 1989

| | <u>Taka</u> | <u>US\$ Equivalent</u> |
|---|---------------|------------------------|
| INCOME: | | |
| Contribution from AVSC: | | |
| - Received | 31,017,000.00 | 986,232.11 |
| - Fund transferred from expired grant | 2,489,097.10 | 79,144.58 |
| | 33,506,097.10 | 1,065,376.69 |
| EXPENDITURE: | | |
| Headquarters: Organisation and Management support | | |
| Volunteer leadership activities | 491,935.50 | 15,641.83 |
| Program management - National headquarters support: | | |
| Personnel | 1,585,705.65 | 50,419.89 |
| Operational | 1,639,847.90 | 52,141.43 |
| | 3,225,553.55 | 102,561.32 |
| Research and evaluation | 316,683.60 | 10,069.43 |
| Quality assurance and supervision | 423,280.33 | 13,458.83 |
| Training and training program | 868,635.00 | 27,619.56 |
| Publications | 3,647.00 | 115.96 |
| Local purchase equipment | 15,800.00 | 502.39 |
| Clinic Services (25 Clinics): | | |
| Local leadership/volunteer group activities | 158,807.10 | 5,049.51 |
| Clinic services: | | |
| Personnel | 20,709,392.96 | 658,486.26 |
| Operational | 2,877,131.90 | 91,482.73 |
| | 23,586,524.86 | 749,968.99 |
| Institutional reimbursement for programmatic activities | 417,394.47 | 13,271.68 |
| I.E.C. activities | 82,942.50 | 2,637.28 |
| Integrated health care program | 31,655.71 | 1,006.54 |
| Bank charges | 39,032.25 | 1,241.09 |
| Payable to AVSC | 3,844,205.23 | 122,232.28 |
| | 33,506,097.10 | 1,065,376.69 |

BANGLADESH ASSOCIATION FOR VOLUNTARY STERILIZATION
FAMILY PLANNING SERVICES PROJECT
UNDER AVSC SUBAGREEMENT NO. BGD-03-NV-12-B

Notes to the Fund Accountability Statements
for the period April 1, 1989 to December 31, 1989

1. Accounting Convention

The Fund Accountability Statements are prepared in accordance with the historical cost convention. For information purposes, they are also expressed in United States of America dollars (US\$) using the average rate of exchange calculated for the period under review of Tk. 31.45 to US\$1.

2. Component unit of BAVS

The Fund Accountability Statements present only the transactions and balances of the fund under the AVSC Subagreements Nos. BGD-03-NV-11-B and BGD-03-NV-12-B of Cooperative Agreement No. 388-0050-A-00-1014-00 as funded by USAID and are not intended to represent the income and expenditure and financial position of BAVS as a whole.

3. Significant Accounting Policy

Income and expenditure are accounted for on an accrual basis.

15a

REPORT ON THE SYSTEM OF INTERNAL CONTROLS

A3/TTK/BAVS

Mr James B. Durnil
Regional Inspector General
for Audit - Singapore
US Agency for International Development
16 Raffles Quay
#31-01 Hong Leong Building
Singapore 0106

October 12, 1990

Dear Mr Durnil

FAMILY PLANNING SERVICES PROJECT WITH THE
BANGLADESH ASSOCIATION FOR VOLUNTARY STERILIZATION
IN BANGLADESH
UNDER AVSC SUBAGREEMENTS NOS. BGD-03-NV-11-B AND
BGD-03-NV-12-B OF
USAID/BANGLADESH PROJECT NO. : 388-0050-A-00-1014-00
INDEPENDENT AUDITORS' REPORT ON THE SYSTEM OF INTERNAL CONTROLS

We have audited the Fund Accountability Statements of Bangladesh Association for Voluntary Sterilization ("BAVS") pertaining to the Family Planning Services Project as funded by the United States of Agency for International Development, Bangladesh ("USAID/B"). These Statements, comprising the balance sheets, income and expenditure statements and the notes thereon, are set out on pages 10 to 15 and we have issued our report thereon dated October 12, 1990.

We conducted our audit in accordance with generally accepted auditing standards, the US Comptroller General's "Standards for Audit of Governmental Organisations, Programs, Activities and Functions" (1988 Revision) and the Guidelines for Financial and Compliance Audits of A.I.D-Financed Agreements. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statements are free of material misstatement.

In planning and performing our audit of the Statements for the period October 1, 1987 to December 31, 1989, we considered BAVS' internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the Statements but not to provide assurance on the internal control structure of BAVS as a whole.

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The management of BAVS is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorised 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 internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories.

Accounting Controls:

- Payroll
- Procurement
- Cash Disbursements
- Cash Receipts
- General Ledger

Administrative Controls:

- AVSC/ARO Financial Reports
- Cost Allocation and Allowability
- Monitoring

For all the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

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We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgement, could adversely affect the entity's ability to record, process, summarise and report financial data consistent with the assertions of management in the Statements. These conditions are set out in pages 19 to 25.

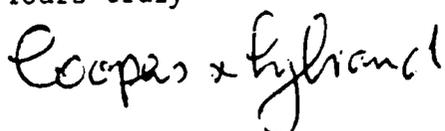
A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce, to a relatively low level, the risk that errors or irregularities in amounts that would be material in relation to the Statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. Furthermore, the scope of our procedures was limited to those matters discussed in the second paragraph on page 16 of this report. We believe that those matters set out on pages 19 to 25 represent material weaknesses.

As a consequence of the material weaknesses noted in the internal control structure, greater emphasis was placed on substantive testing procedures in our audit of the Fund Accountability Statements.

This report is intended solely for the use of USAID/B and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report which, upon acceptance by the A.I.D Regional Inspector General for Audit/Singapore, is a matter of public record.

Yours truly



COOPERS & LYBRAND
Certified Public Accountants

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BLANGLADESH ASSOCIATION FOR VOLUNTARY STERILIZATION

INTERNAL CONTROL MATTERS

AUDIT FINDINGS AND RECOMMENDATIONS INCLUDING COMMENTS BY
BAVS AND AVSC MANAGMENT

1. Lack of control over leave entitlement of staff
2. Inventory management needs improvement
3. No maintenance of training attendance register
4. No proper control over the use of motor vehicles

1. Lack of control over leave entitlement of staff

Condition

The following control weaknesses were noted during our visit of the Chittagong Clinic:-

- (a) the leave register maintained was not updated;
- (b) staff went on leave without submitting leave application forms;
- (c) staff went on leave despite leave application not being approved;
and
- (d) staff Master File not updated.

Criteria

BAVS service rules require that a record be maintained in respect of each employee in a Master Register which shall contain, inter-alia updated leave entitlement. Also employees should not go on leave unless their leave applications were approved.

Cause

There is a breakdown in internal control.

Effect

Management may not be able to ascertain the actual leave entitlement of its staff which may result in staff taking excess leave.

Recommendation

BAVS should ensure that the Chittagong Clinic complies with the organisation's service rules immediately. Similarly, BAVS should also conduct a check on all the other clinics to ensure such compliance.

BAVS Management Comment

BAVS currently has a "leave register" system, which in the case of the Chittagong Clinic, was not maintained properly or kept up to date. BAVS intends to take the following action in connection with this issue:

- (a) Inform its headquarters/clinics, including BAVS Chittagong, that the "leave register"; as well as the staff "Master File" need to be properly maintained and brought up to date on a monthly basis.
- (b) Inform headquarters/clinic staff that unless they receive written prior approval for "leave", they will not be reimbursed for this expenditure. Exceptions to this rule will be allowed in the case of emergencies (eg serious illness or death of a relative requiring the immediate presence of the BAVS employee in question).

- (c) BAVS will check with the Chittagong Clinic to determine whether the four employees, who took leave despite the fact that their leave application was not approved, were in fact entitled to any leave. If these individuals did not qualify for leave, BAVS will take proper action; including making a formal request that the employees, in question, reimburse BAVS for this expenditure.
- (d) In the future BAVS headquarters staff will monitor all clinics to ensure that the above procedures are enforced and will take necessary disciplinary action where appropriate.

2. Inventory management needs improvement

Condition

The following control weaknesses were noted during our visits to Dhaka Clinic, Chittagong Clinic and National Headquarters:-

- (a) there were no material receiving reports or evidence of checks carried out to ensure correctness of quantities and condition of inventories received;
- (b) there were no segregation of damaged inventories;
- (c) bin cards were sometimes not written in ink; and
- (d) there were no evidence that periodic physical inventory counts were carried out.

Criteria

Sound inventory management includes the checking of inventories received to ensure that the inventories delivered to BAVS are in accordance with its purchase order. The inventories in the store should be neatly stacked to enable easy access, and damaged inventories should be segregated from the good inventories. Periodic physical inventory counts should be carried out by personnel independent of the store and the accounting records should be adjusted to reflect the results of the counts.

Cause

Staff shortage was cited as the main contributing factor to the lapse in control over the above procedures.

Effect

It would be difficult for management to ascertain with reasonable accuracy the quantity and condition of inventories at any point in time. There is no assurance that BAVS is paying for actual goods received. These poor controls over inventory could lead to:-

- (a) fraud or errors on inventory not being discovered timely; and
- (b) a deterioration of the services provided to client.

Recommendation

BAVS should establish inventory management procedure and AVSC/ARO should review such procedure to ensure that it is adequate.

BAVS and AVSC Management Comment

In the past BAVS has not always exercised sound inventory management practices to ensure that it maintains and updates records regarding materials purchased with USAID grant funds. BAVS would like to state, for the record, that it has a system entitled "Material Receiving Reports (M.R.R)" which documents all goods received. However in a small number of instances M.R.R. were not properly issued. BAVS will take the following measures to avoid encountering inventory management related problems in the future:-

- (a) BAVS will instruct duly authorised employees not to disburse payment for any bill that is not supported by a properly completed M.R.R.
- (b) BAVS will reconvene a meeting of the "BAVS Inventory Committee" to review the written procedures of its existing inventory system in light of the observations and recommendations made by the USAID Non-Federal Auditors; and take necessary action to ensure that this inventory management system functions effectively in the future.
- (c) AVSC/ARO will review BAVS' inventory management procedures, and will make further recommendations where appropriate. AVSC/ARO will also monitor, on a routine basis, this system to ensure that all purchases made in the current BGD-03-NV-13-B grant comply with the above-mentioned inventory management regulations.

3. No maintenance of training attendance registerCondition

Attendance registers for each participant were not maintained for the following training courses:-

| <u>Courses conducted under grant</u> | <u>Number of participants</u> |
|--------------------------------------|-------------------------------|
|--------------------------------------|-------------------------------|

BGD-03-NV-11B

| | |
|--|-----|
| TOT for non-clinical trainers | 12 |
| Field workers training basic | 624 |
| Counsellors register | 54 |
| Refresher training for physicans/nurse | 108 |
| Paramedic nurse training | 24 |

Courses conducted under grantBGD-03-NV-12B

| | |
|--|-----|
| Clinic manager refresher course | 25 |
| GOB doctors refresher training | 10 |
| Physician nurse team - training for OT management | 65 |
| Comprehensive training for newly recruited BAVS surgeons | 10 |
| Refresher training for field educators and field supervisors | 550 |
| Refresher training for superintendants/accountants | 25 |
| 3 days volunteers development workshop | 50 |

Criteria

Training attendance register, if properly maintained, provides effective management control over the trainee. It also forms part of management information system concerning the training development of staff. According to paragraph "O", clause (3) of the statement of work issued to us by the Regional Inspector General for Audit, Singapore, maintenance of attendance register for each participant in training course, is an expected control feature.

Cause

Unknown.

Effect

It cannot be readily ascertained whether the stated number of participants actually did attend the courses. No records of training for individual staff were kept and this may hamper their development.

Recommendation

BAVS should maintain an attendance register for each participant of all the training courses it conducts in the future. In addition the attendance of each training course should also be recorded in the staff records of each participant.

BAVS Management Comment

In the past BAVS has not, at all times, maintained attendance registers for all of its in-service training programs for BAVS staff. BAVS would like to take this opportunity to state the BAVS Quality Assurance & Training Division keeps attendance registers for all training conducted at the national headquarters in Dhaka. However, as pointed out in the audit report, this system has not always been properly maintained. Much of the "in-house" training for BAVS staff takes place at the 25 BAVS clinics located throughout the country. Attendance registers are available at the BAVS clinics for verification. These forms include detailed information; including the name of the trainees, the type of training course, the duration of the training, the performance of the trainees, etc., which are regularly sent to AVSC as prescribed under the AVSC Quarterly Training Report guidelines. In the future BAVS will take every effort to ensure that a proper attendance register for each of its employee, participating in the various training courses, is maintained. Attendance at each training course will also be recorded in the staff records/files of every BAVS employee.

4. No proper control over the use of motor vehicles

Condition

BAVS has four Toyoto Micro Buses which are designated to be used in connection with BAVS related activities. Certain provisions with regard to the use of such vehicles, for example to accurately complete details of use in the log book, have to be complied with. However, it was observed that on numerous occasions the log book was incomplete and did not provide the required details regarding purpose of use, users name, distance travelled and duration of use.

Criteria

According to the "Budget Notes" appended to the sub-agreement BGD-03-NV-11B a log book to record the distance travelled is to be maintained. The log book shall also contain information as to the users' identity, the purpose and duration of use and the users' signature.

Cause

The management has not strictly complied with the above criteria.

Effect

Vehicles may be used for activities which are not BAVS related activities.

Recommendation

BAVS should ensure that the requirement to log in the details of use be strictly adhered to.

BAVS Management Comment

In the past BAVS has not always maintained proper log books for the use of project vehicles. BAVS has since the beginning of 1990 instituted a new system to ensure that only authorised BAVS personnel use project vehicles and that properly maintained log books are kept for this purpose.

25a.

REPORT ON COMPLIANCE WITH AGREEMENT
ITEMS AND APPLICABLE LAWS AND REGULATIONS

A3/TTK/MIDAS

Mr James B. Durnil
Regional Inspector General
for Audit - Singapore
US Agency for International Development
16 Raffles Quay
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Singapore 0106

October 12, 1990

Dear Mr Durnil

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USAID/BANGLADESH PROJECT NO. : 388-0050-A-00-1014-00
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
AGREEMENT TERMS AND APPLICABLE LAWS AND REGULATION

We have audited the Fund Accountability Statements of Bangladesh Association for Voluntary Sterilization ("BAVS") pertaining to the Family Planning Services Project as funded by the United States Agency for International Development, Bangladesh ("USAID/B"). These Statements, comprising the balance sheets, income and expenditure statements and the notes thereon, are set out on pages 10 to 15 and we have issued our report thereon dated October 12, 1990.

We conducted our audit in accordance with generally accepted auditing standards, the US Comptroller General's "Standards for Audit of Governmental Organisations, Programs, Activities and Functions" (1988 Revision) and the Guidelines for Financial and Compliance Audits of A.I.D-Financed Agreements. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to BAVS is the responsibility of BAVS management. As part of obtaining reasonable assurance about whether the Statements are free of material misstatement, we performed tests of BAVS' compliance with applicable laws, regulations and agreements. However, our objective was not to provide an opinion on overall compliance with such provisions.

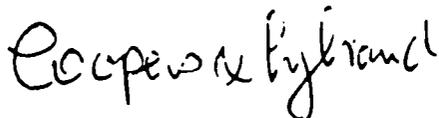
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Material instances of non-compliance are failure to follow requirements, or violations of prohibitions contained in statutes, regulations, contracts, or grants that cause us to conclude that the aggregation of the misstatements resulting from those failures or violations is material to the Statements. The results of our tests of compliance disclosed the material instances of non-compliance set out on pages 28 to 43.

We considered these material instances of non-compliance in forming our opinion on whether BAVS Statements are presented fairly, and this report does not affect our report dated October 12, 1990 on those Statements. Except as described above, the results of our tests of compliance indicate that, with respect to the items tested, BAVS complied, in all material respects, with the provisions referred to in the third paragraph on page 26 of this report, and with respect to items not tested, nothing came to our attention that caused us to believe that BAVS had not complied, in all material respects, with those provisions.

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Yours truly



COOPERS & LYBRAND
Certified Public Accountants

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BANGLADESH ASSOCIATION FOR VOLUNTARY STERILIZATION

COMPLIANCE ISSUES

AUDIT FINDINGS AND RECOMMENDATIONS INCLUDING COMMENTS BY
BAVS AND AVSC MANAGEMENT AND USAID/B

1. Payments relating to the Mirpur Housing Complex
2. No prior approval obtained for expenses relating to "Integrated Health Care Plan"
3. No prior approval obtained for budget overrun
4. No prior approval obtained for the conduct of certain training courses
5. Failure to observe proper procedures in connection with the rental of premises
6. Entertainment expenses paid out of USAID fund
7. No analysis of cost components charged to the budget line "Institutional Reimbursement of Programmatic Activities"

1. Payments relating to the Mirpur Housing ComplexCondition

Certain expenses relating to a plot of undeveloped land owned by BAVS were charged to the line "Building Maintenance and Renovation" of the program budget. We understand that BAVS is planning to build a housing complex on that plot of land. These expenses were:-

| <u>Nature</u> | <u>Amount</u> Tk |
|---|---------------------|
| Salaries paid to a guard at the "Complex" from July 1988 to December 1989 @Tk. 1000 per month | 18,000 |
| Cost of constructing a wall around the land | 69,720 |
| | <u>87,720</u> |

At exchange rate of Tk 31.45 - US\$2,789

Subsequent approval from AVSC was obtained for the cost of constructing the wall around the land under the guise of "Block Allocation for Building Maintenance and Renovation" expenditure. This cost, together with the guard salaries, were not incurred wholly and exclusively for the benefit of the programme.

Criteria

Broadly, OMB Circular A122 defines allocability and allowability as costs which are necessary to the grant and which must conform to any limitations set forth in the grant respectively.

Cause

There was a lapse in financial control over the approval of "Block Allocation for Building Maintenance and Renovation" expenditure.

Effect

USAID fund was used for a course outside the purview of the sub-agreement.

Recommendation

- (a) AVSC should further review the cause of payment of these costs with BAVS and determine the appropriate action to take.
- (b) USAID/B should require AVSC to refund the above disallowed expenditure of Tk.87,720 (equivalent US\$2,789).

BAVS and AVSC Management Comment

AVSC should have exercised closer financial control to have avoided approving, retro-actively, certain expenditures under the "Block Allocation". At the time AVSC approved BAVS' request to construct a wall at the Mirpur Housing Complex, as part of a larger request to make justifiable renovations at the BAVS national headquarters and at certain BAVS clinics, AVSC made it clear to BAVS that in the future it would not approve any reimbursements for expenditures incurred at the Mirpur Housing Complex.

In regard to the salary of the guard at the Mirpur Housing Complex, AVSC was under the impression that this individual was being paid for services rendered at the BAVS headquarters.

AVSC and BAVS have recently agreed that BAVS will be required to submit monthly financial reports to AVSC/ARO; as well as complete new internal "Management Information System (MIS)" forms. The MIS should greatly simplify the flow of pertinent information for both BAVS headquarters/clinic staff and AVSC/ARO officials to identify outstanding financial, administrative, and technical issues that need immediate attention. This MIS should also help BAVS and AVSC/ARO officials avoid approving any questionable expenditure.

USAID/B Comment

Following further review of the costs in question, AVSC has assured USAID/B that they will recover the amount Tk.87,720 (equivalent US\$2,789) from BAVS.

2. No prior approval obtained for expenses relating to "Integrated Health Care Plan"

Condition

An amount of Tk.39,121.96 (equivalent to US\$1,244, at exchange rate of Tk.31.45) for the period October 1987 to 31 March 1989 was spent and charged to sub-item line "Integrated Health Care Plan" out of a budget of Tk.47,656 (equivalent to US\$1,515, at exchange rate of Tk.31.45). However BAVS had not submitted a clinicwise detailed action plan in respect of the above expenditure.

Criteria

Sub-agreement BGD-03-NV-11B between AVSC and BAVS provides as follows:-

"Maternal Child Health services will continue to be offered through the seven BAVS clinics under the on-going "Integrated Health Care Plan". These will, however, be conducted as Pilot demonstration projects. Funds from this head will not be released until clinicwise detailed plan of action is received and reviewed by AVSC."

Cause

BAVS was not aware of the above "criteria".

Effect

There was unauthorised use of USAID fund.

Recommendation

- (a) AVSC should review the above "condition" with BAVS and determine the appropriate action to take.
- (b) USAID/B should then review the results of (a) above with AVSC and determine whether a refund is required.

AVSC Management Comment

The major point related to this issue is not whether BAVS in fact incurred these expenditures, but rather the fact that BAVS did not submit a prior plan of action to AVSC/ARO for approval. AVSC is satisfied that the BAVS clinics, in question (ie a total of seven out of twenty-five clinics) have indeed completed the work as outlined in the BGD-03-NV-11-B project proposal. One of the reasons that routine or updated plans of actions were not submitted and approved, is that AVSC/ARO 'did not at all times have adequate staff stationed in Bangladesh to take the necessary follow-up action on this extremely minor issue which perhaps should not have been spelt out in such detail as part of the BGD-03-NV-11-B project document. AVSC would like to take the opportunity to state, for the record, that if a plan of action had been submitted for IHCP activities (ie the provision of simple medical/health care for clinical contraceptive acceptors and members of their family), it would have been approved since the activities under this budget line heading were implemented successfully and in accordance with the guidelines agreed upon by both BAVS and AVSC officials prior to project implementation.

USAID/B Comment

BAVS has requested post facto administrative approval from AVSC/ARO for the IHCP activities conducted by BAVS under SA#BGD-03-NV-11-B. Following a reievew by AVSC, they provided approval for this activity on December 12, 1990.

3. No prior approval obtained for budget overrunCondition

The Financial Report for the period October 1, 1989 to December 31, 1989, which was submitted to AVSC, showed that as at December 31, 1989 the actual expenditure for the line item "HQ O&M Support" (which forms part of the budget line "Volunteer Leadership Activities") was Tk.491,935 as compared with the budget of Tk.346,027. The excess of actual over budget was Tk.145,908 which can be analysed as follows:-

| | Tk. | |
|---|---|--|
| Meetings | 8,990 | |
| Local travel for President/ National Executive Committee | 111,392 | |
| Sub-committee meetings | 6,556 | |
| BAVS Annual Report | 18,970 | |
| | <hr/> | |
| | 145,908 | (US\$4,639.36 at exchange rate of Tk.31.45) |
| | <hr style="border-top: 1px dashed black;"/> | |

Prior approval from AVSC was not obtained for the above budget overrun which was in excess of the 10% allowable limit set by AVSC.

Criteria

According to the "General Budget Notes" paragraph 4 "Expenditure against budget line item shall not exceed 10% without the prior written approval of AVSC. No reimbursements will be made by AVSC for expenditures exceeding 10% of the budgeted amount. In no case shall the expenditures exceed the total funds approved as the total in-country costs".

Cause

There were out-station visitors in connection with the programme of voluntary surgical contraception and the expenditure incurred was charged to this budget line.

Effect

Budget is a management tool to ensure that the limited financial resources of the organisation are used properly and effectively. As prior approval from AVSC was not obtained, the above budget overrun which grossly exceeded the permissible limit was unauthorised.

Recommendation

- (a) BAVS should closely monitor its expenditure in future.
- (b) AVSC should closely review the Financial Report of BAVS in future and require explanation for any budget overrun. Meanwhile AVSC should review the above "condition" with BAVS and determine the appropriate action to take.
- (c) USAID/B should then review the results of (b) above with AVSC and determine whether the budget overrun is allowable.

AVSC and BAVS Management Comment

There are two major points related to this issue. First BAVS did not obtain any AVSC approval to over-spend in the "Volunteer Leadership Activities" budget-line item; and that these over-expenditures when finally approved retro-actively amounted to more than the 10% allowable limit set by AVSC. AVSC has informed BAVS that in the future it will have to submit a formal request for any anticipated expenditure in excess of that allocated in the project budget. Failure to abide by these guidelines will result in a disallowance of the unauthorised expenditure. To avoid similar situations in the future AVSC and BAVS have already agreed to the following measures:

- (a) BAVS will submit monthly, instead of quarterly, financial reports to AVSC/ARO.
- (b) BAVS will institute a new internal financial, administrative, and technical Management Information System; in conjunction with AVSC/ARO to help identify and resolve outstanding financial issues or potential problems like the one mentioned above.

USAID/B Comment

AVSC in consultation with BAVS has developed monthly expenditure review forms in an effort to facilitate close monitoring by both AVSC and BAVS of BAVS' monthly expenditures relative to the budgeted levels.

AVSC will be reviewing the present budget overruns with BAVS and will determine the appropriate action to be taken and USAID/B will review the appropriateness of AVSC decision.

4. No prior approval obtained for the conduct of certain training courses

Condition

The lists of participants and budgets for the following training courses were not submitted to AVSC for their review and approval before such training took place.

| <u>Courses conducted under grant</u> | <u>Number of participants</u> |
|---|-------------------------------|
| <u>BGD-03-NV-11B</u> | |
| Training of Trainer for non-clinical trainers | 12 |
| Field workers training basic | 624 |
| Clinic managers training | 29 |
| Counsellors refresher | 54 |
| Physicians/nurse team training refresher | 108 |
| Paramedic/nurse | 24 |

Criteria

As per paragraph 5 of the "Specific Budget Notes" appended to the sub-agreement BGD-03-NV-11B "Funds for each training activity will be released by AVSC after receipt of final participant lists and a review of the budget for each activity".

Cause

BAVS was not aware of this requirement.

Effect

There may have been certain training courses and participants for which AVSC might not have given approval. This could result in unauthorised use of funds.

Recommendation

- (a) AVSC should require BAVS to submit the lists of participants and the costs of the above training courses.
- (b) USAID/B should review the results of (a) above with AVSC and determine whether there was unauthorised use of fund.

AVSC and BAVS Management Comment

The major point related to this issue is not whether the training courses actually took place as scheduled, but rather the fact that the training courses were not submitted to AVSC for its prior review and approval.

AVSC/ARO has already reviewed this issue and determined that the various BAVS "in-house", or in-service training courses did indeed take place; and that it would have authorized these activities had a list of trainees and the training curriculum been submitted for prior approval. In the future BAVS has agreed that it will in fact submit a formal request to conduct training programs, included in the project document, so that AVSC/ARO can provide necessary technical input where appropriate.

USAID/B Comment

As stated in the management comments above, AVSC has reviewed and determined the training courses in question would have been authorized had a list of trainees and the curriculum been submitted by BAVS for prior approval. AVSC/ARO has now provided BAVS with post facto approval for this training by letter dated December 12, 1990. The Mission concurs with this action.

5. Failure to observe proper procedures
in connection with the rental of premises

Condition

- (a) During the period October 1, 1988 to June 30, 1989 the rented building for information, education and counselling purposes at 150/D Satmasjid Road, Dhaka, was occupied, although the lease agreement with the landlord had expired on September 30, 1988. No formal lease agreement has since been entered into. BAVS had been paying rent at the rate of Tk.13,000 (equivalent to US\$413, at exchange rate of Tk.31.45) per month up to December 31, 1988. On and from January 1, 1989 rent was paid at the rate of Tk.17,000 (equivalent to US\$541, at exchange rate of Tk.31.45) per month but subsequently the landlord was given vacant possession with effect from July 1, 1989 as no approval for increased rent was obtained from AVSC.
- (b) Similarly, BAVS has been paying rental of Tk.35,000 (equivalent to US\$1,113, at exchange rate of Tk.31.45) per month for the building that housed the Dhaka Clinic for the 27-month period from October 1, 1987 to December 31, 1989. Payments were made through monthly bank transfer into the landlord's account. There were no rental or lease agreements entered into with the landlord during that period.
- (c) Since January 1, 1987, the Chittagong Clinic has been paying monthly rental of Tk.11,000 (equivalent to US\$350, at exchange rate of Tk.31.45) for the building it occupied. Such payments were made in spite of a decision rejecting the renewal of the lease having been taken by AVSC/BAVS Assessment Team and the Executive Committee of BAVS and conveyed in writing to the President of the Chittagong Clinic.

Criteria

Sound management practice requires formal lease/rental agreement to be drawn up in respect of premises occupied. According to the "Budget Notes" appended to the sub-agreement BGD-03-NV-11B any revision in rents must be reviewed and approved by AVSC before any new lease is signed.

Cause

It appears that management adopted an inconsistent practice towards the need to obtain lease agreements for premises occupied by the clinics. We are unable to comment why no prior approval from AVSC was obtained for the increased rental for the period January 1, 1989 to June 30, 1989 in respect of the lease under "Condition (a)" or why no further action was taken following Chittagong's defiance of the Executive Committee's decision.

Effect

- (a) There was unauthorised payment of increased rental.
- (b) In the absence of formal lease agreements, problems and disputes with the landlords may arise in respect of the rights or obligation associated with the tenancies.

Recommendation

- (a) BAVS should ensure that lease/rental agreements setting out the salient terms of tenancy be formalised for premises it occupies.
- (b) AVSC/BAVS should insist on an explanation from Chittagong clinic on why its decision was not abided and determine the corrective action to be taken.
- (c) BAVS should ensure that decisions made by their Executive Committee are adhered to by all clinics.
- (d) AVSC should review the above cases with BAVS and determine whether refunds are required.
- (e) USAID/B should review the results of (c) above and determine the appropriate action to take.

BAVS and AVSC Management Comment

There were three major points related to this issue. The first two refer to premises rented by the BAVS national headquarters and the BAVS Dhaka Clinic included in the period from October 1, 1987 to December 31, 1989. In the first instance BAVS did not receive AVSC/ARO prior approval for an increase in the rent for a six month time-period. In the second instance BAVS rented a premise, but did not have any lease agreement over a 27 month period.

AVSC agreed to allow BAVS to disburse payment for the rent of both buildings in question on basis that:

- (a) BAVS had in fact occupied these premises during the time period in question; and
- (b) had produced evidence that it had paid the landlords of these premises the amount indicated on the quarterly financial reports submitted to AVSC/ARO.

Since BAVS is still occupying one of the premises in question (ie the BAVS Dhaka Clinic), it will immediately take appropriate action to finalise a lease agreement with the landlord. In the event that this undertaking is not successful, BAVS will make arrangements to relocate its Dhaka Clinic to a suitable premise within the budget limitations enumerated, for this purpose, in the existing BGD-03-NV-13-B grant.

BAVS will also ensure that within a 3-6 month period all BAVS clinics will finalise lease agreements with their current landlords; or similarly relocate to suitable premises where they can obtain valid leases for their facility. AVSC will verify that this provision has been fulfilled by March 31, 1991; and will take appropriate action if these conditions are not met by that date.

In the third instance the Chittagong Clinic supposedly continued to occupy a building inspite of a decision, taken by a AVSC/BAVS Assessment Team and the BAVS National Executive Committee, not to allow it to renew its existing lease. Upon investigating the records it seems that one of the major reasons for this decision was the perception that the clinic was located in a section of town which was thought to be too inaccessible for potential clients interested in clinical contraceptive services. Hence the AVSC/BAVS Assessment Team's recommendation was based more on increasing the potential "performance" of the Chittagong Clinic than simply to secure a less expensive or more suitable physical structure to serve as a clinic. The Chittagong Clinic has up until the present time not moved from its former premises, and AVSC has approved reimbursement of its rent for two basic reasons. Firstly, family planning service acceptance, at this facility, has markedly increased, so that "location" no longer appears to be a valid issue necessitating a relocation to another part of town. Secondly, the rent currently being paid for the premises in question (ie Tk. 11,000 for a three-storey building) is quite reasonable, and clinic officials have not been able to find a more suitable building at a comparable price. BAVS will nevertheless review with Chittagong Clinic officials whether it still need to pursue this recommendation, or whether it should merely update its files for the record. Regardless of the final outcome, the BAVS Chittagong Clinic will have to comply with the above mentioned requirements to finalise a valid lease within the next 3-6 month period.

USAID/B Comment

The Mission fully concurs with BAVS management comments. In a recent meeting BAVS assured USAID staff that they had already instituted proper procedures with respect to rental of premises it occupies. In addition, the Mission is in receipt of documentary evidence showing BAVS has formally finalized the lease agreements with their respective landlords of the Dhaka and Chittagong Clinic. BAVS has also provided the Mission with the copy of a letter sent by BAVS to the Chittagong Clinic dated September 20, 1990, along with the response received from the clinic. USAID is reviewing this correspondence.

6. Entertainment expenses paid out of USAID FundCondition

The following entertainment expenses incurred were charged to the line item entitled "Volunteer Leadership Activities":-

| <u>Voucher*</u> <u>Number</u> | <u>Date</u> | <u>Amount</u> Tk | US\$ Equivalent (@Tk.31.45) |
|----------------------------------|-------------|---------------------|-----------------------------------|
| C/2276 | 10.29.88 | 3,904 | 124.13 |
| B/417 | 5.8.88 | 4,515 | 143.56 |
| B/47 | 2.7.89 | 3,617 | 115.01 |
| B/122 | 3.1.89 | 5,000 |) 405.79 |
| C/446 | 3.9.89 | 7,762 |) |
| C/559 | 4.1.89 | 2,839 | 90.27 |
| C/969 | 6.14.89 | 5,773 | 183.56 |
| C/1170 | 7.20.89 | 7,847 | 249.51 |
| C/1991 | 12.13.89 | 10,103 | 321.24 |
| | | <u>51,360</u> | <u>1,633.07</u> |

* C denotes cash payment
B denotes bank payment

Criteria

According to paragraph 12 captioned "Entertainment Costs" on page A-122.7 of OMB Circular 122 "Cost of amusements, diversion, social activities, ceremonial and costs relating thereto such as meals, lodging, rentals, transportation and gratuities are unallowable".

Cause

BAVS was not aware of this provision.

Effect

There was unauthorised use of USAID fund.

Recommendation

- (a) AVSC should recover the amounts expended on entertainment.
- (b) AVSC should ensure that BAVS is aware of the provisions of OMB Circular A-122.

AVSC and BAVS Management Comment

AVSC, at the time that it approved the reimbursement of these expenditures, under the budget line heading "Volunteer Leadership Activities", did not have access to the actual vouchers in question. BAVS was not fully aware that these types of expenditures were not allowable under USAID grant provisions. AVSC has indicated to BAVS officials that it cannot use any of USAID grant funds for entertainment purposes. In the future both AVSC and BAVS are confident that they will not encounter problems of this nature since financial reports will be submitted to AVSC/ARO on a monthly basis. AVSC/ARO and BAVS will also schedule monthly meetings to specifically review programmatic, administrative, and financial issues related to the BGD-03-NV-13-B project. This routine internal monitoring and evaluation session should improve the ability of BAVS--assisted by AVSC/ARO--to effectively manage its organisation; as well as immediately identify questionable expenditures which cannot be reimbursed with USAID financial resources.

USAID/B Comment

In a recent meeting with AVSC, USAID requested AVSC take immediate action to recover Tk.51,360 (US\$1,633.07) from BAVS. In response AVSC has provided BAVS with a copy of the OMB Circular on the December 10, 1990 and assured USAID that they would recover the amount from BAVS as early as possible. AVSC has also assured USAID that entertainment expenses would not be charged to USAID funds in the future.

7. No analysis of cost components charged to the budget line
"Institutional Reimbursement of Programmatic Activities" (IRPA)

Condition

There were no detailed analysis of the respective cost components that were charged to IRPA to facilitate review of actual against budget.

Criteria

ASVC has issued a guidance on the cost components, in terms of the nature of allowable expenses and their respective quantum, that make up the IRPA budget line which BAVS should adhere. An extract of the said guidance is attached for information.

Cause

BAVS did not envisage the importance of providing such detailed analysis.

Effect

The amount charged to IRPA for the period October 1, 1987 to December 31, 1989 was Tk.877,152 (equivalent to US\$27,890 at exchange rate of Tk.31.45). Without the analysis, it would not be possible for management to monitor whether the actual individual cost components were within their respective budgets. The analysis is also important to assist management in ensuring that its procurement of emergency pharmaceutical products to cater for the delay in supplies from the Government of Bangladesh was within the permissible limit.

Recommendation

AVSC should review the above "criteria" with a view of simplifying the cost components of the IRPA. The revision should also take into account the need to identify costs of pharmaceutical products to facilitate monitoring against the permissible limit.

AVSC and BAVS Management Comment

The major point related to this issue concerns the fact that BAVS did not provide a detailed analysis of the respective cost components that were charged to IRPA to facilitate a review of the actual expenditure vis-a-vis the allocated budget.

As per our discussion, AVSC admits that it should have perhaps described the nature of allowable expenses, and their respective "amounts" or percentages, more clearly so that BAVS could have properly followed these guidelines. In fact the attached "Breakdown of Allowance Expenditure Under the Institutional Reimbursement for Programmatic Activities (IRPA) Budget line" was simply intended to serve as a rough estimate of the expendable items BAVS routinely needed to replenish in order to implement its clinical contraception service delivery program.

For programmatic purposes it is practically impossible to budget exact percentages, or a Taka amount, to include in the Tk. 10.00 allocation which BAVS clinics are entitled to receive for the purchase of certain essential expendable supplies for each family planning procedure performed (ie vasectomy, injectable, oral contraceptive, condom, etc). This issue is further complicated by the fact that the Government of Bangladesh has also undertaken the responsibility for providing all NGOs, including BAVS, with a broad range of expendable medical supplies. Hence at certain times of the year BAVS may find that it has an over-supply of certain items such as gloves, but inadequate amounts of other supplies such as analgesics (eg paracetamol) or disinfectant agents used in the operating room (eg Dettol) because the government has for whatever reason not been able to re-supply the BAVS clinics. BAVS then is forced to utilise the IRPA budget allocation in a manner that differs from the cost-component guidelines enumerated in the project document. However unless there is a reasonable degree of flexibility to purchase necessary expendable supplies, it would be extremely difficult to ensure the quality of the actual clinical services. The provision of "high quality" clinical contraceptive services is of course one of the prime objectives for AVSC supporting BAVS as an indigenous organisation specialising in the field of family planning.

AVSC will accordingly update and modify the terms under which IRPA expenditures can be utilised by BAVS clinic personnel; especially in regard to the exact percentage that each item should comprise in the total budget allocation indicated per "family planning" procedure. BAVS will assist in this process by reviewing, with all its clinics, the criteria to include in the IRPA budget-line heading; as well as to see whether the current guidelines are in fact compatible with the existing realities faced by the clinics.

BREAKDOWN OF ALLOWANCE EXPENDITURE UNDER
THE INSTITUTIONAL REIMBURSEMENT FOR
PROGRAMMATIC ACTIVITIES (IRPA) BUDGET LINE

| Cost Components | Allowable Expenditure | Per-procedure Estimated Costs |
|---|---|----------------------------------|
| 1. Client Forms | Printing of client admission forms, client follow-up cards, client discharge and follow-up certificates, and other printing needs related to VSC delivery and IUD services. | Tk. 3.50 |
| 2. Facilities Repair and maintenance | Repair and maintenance of the clinic facility and dormitory, not covered by the lease agreement, such as painting of O.T., netting, repair of furniture, etc. | Tk. 2.00 |
| 3. Non-Expendable Medical/Surgical Equipment | Procurement and repair of small medical/surgical equipment such as, B.P. machines, stethoscopes, haemoglobinometers, surgical drums, forceps, scissors, linen, etc. | Tk. 1.50 |
| 4. Expendable Clinical Supplies | Procurement of expendable clinical supplies such as laboratory reagents, kerosine oil for autoclaving where there is no three phased electric connection, soap for washing, etc. | Tk. 1.00 |
| 5. Health Care/Referral Services to Rejected VSC Requestors | Costs of treating minor medical conditions such as scabies, marginal haemoglobin deficiency, common cold etc that render VSC requestors temporarily unfit for the procedure. Also included are the expenses of referring rejected VSC requestors for medical treatment not feasibly provided by BAVS. | Tk. 1.00 |
| 6. Management of VSC and IUD Complications | Procurement of emergency medical services, medical supplies and drugs included in the GOB, MSR, referral services, etc. | Tk. 1.00 |
| | Total | <u>Tk.10.00</u> |

UNITED STATES OF AMERICA
AGENCY FOR INTERNATIONAL DEVELOPMENT
Dhaka, Bangladesh

APPENDIX A

January 02, 1991

MEMORANDUM

TO: Mr. James B. Durnil/RIG/A/Singapore

FROM: *M. Kilgour*
Mary C. Kilgour, Director, USAID/Bangladesh

SUBJECT: Draft Non-Federal Audit (NFA) Report of the Bangladesh Association for Voluntary Sterilization (BAVS) in Bangladesh under AVSC Subagreement Nos. BGD-03-NV-11-B and BGD-03-NV-12-B under USAID Project No. 388-0050

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

I. Internal Controls:

Recommendation No. 1: In light of the actions which BAVS agreed to take to enforce compliance with the service rule as indicated in their comments to the NFA draft report, the Mission endorses those as adequate and has received documentary evidence, i.e. an office circular (circular dated October 20, 1990) instructing the Chittagong and all other clinics to comply with, and enforce all aspects of, the service rules. These are intended to regularize the procedures in connection with maintaining proper leave registers, and updating the same, including measures to be taken where leave applications are not filed and approved in advance. BAVS headquarters also specifically wrote to the Chittagong Clinic instructing them to comply with all relevant aspects of the recommendation. The response received from Chittagong indicates that all actions have been taken to implement the recommendation. A copy of the relevant supporting documentation is being provided to your office under a separate cover memorandum. Accordingly, USAID requests this recommendation be closed upon issuance of the final report.

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Recommendation No. 2: As indicated in the BAVS/AVSC management comments to the draft report, BAVS has initiated appropriate action to comply with the recommendation. The Mission is in receipt of documentary evidence including a copy of the minutes of the Inventory Committee meeting dated October 9, 1990, which formulates an inventory management procedure. Subsequently BAVS issued directives to all BAVS clinics to implement the inventory management procedures. A copy of these procedures is being forwarded to your office under a separate cover memorandum. USAID requests this recommendation be considered resolved, once these procedures are reviewed and formally approved by AVSC the Mission will request closure of this recommendation.

Recommendation No. 3: The Mission endorses the BAVS Management comments related to this recommendation. The Mission is in receipt of a copy of a BAVS circular dated 10-18-1990 instructing all clinics including the headquarters to maintain a new training register as prescribed by AVSC. As BAVS is in the process of printing the new register, BAVS has yet to implement the recommendation. The Mission will follow-up on this, and will inform RIG/A/S as soon as the new register is being maintained by BAVS. USAID requests this recommendation be considered resolved, once we receive evidence that the new register is being maintained, USAID will request RIG/A/S close this recommendation.

Recommendation No. 4: BAVS has instituted an acceptable system to ensure only authorized BAVS personnel use project vehicles and that properly maintained log books are kept. In addition, BAVS has provided USAID with an Office Order dated October 22, 1990, which directs all the drivers to maintain the log book in detail. The Mission is in receipt of a copy of a page from the vehicle Log Book which evidences implementation of the recommendation. Documentation is being provided to your office under a separate cover memorandum. Accordingly, USAID requests this recommendation be closed upon issuance of the final report.

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II. Compliance:

Recommendation No. 1: Following further review of the costs in question, AVSC has assured USAID that they will recover the amount of Tk 87,720 (US Dols 2,789.00) from BAVS. The Mission will advise RIG/A/S once a refund has been made to AVSC by BAVS. Accordingly, based on the determination made by AVSC, USAID requests that part (a) of this recommendation be closed upon issuance of the final report. Further, USAID requests part b) of this recommendation be considered resolved. The Mission will request closure of part (b) once the amount in question has been recovered from AVSC.

Recommendation No. 2: BAVS has requested AVSC/ARO provide post facto administrative approval for the IHCP activities conducted by BAVS under SA# BGD-03-NV-11-B. Following a review by AVSC, they provided their approval for this activity on December 12, 1990. A copy of the written approval by AVSC is being forwarded to RIG/A/S under a separate cover memorandum. Based on the actions taken to date by BAVS and AVSC, USAID requests this recommendation be closed upon issuance of the final report.

Recommendation No. 3: AVSC in consultation with BAVS has developed monthly expenditure review forms in an effort to facilitate closer monitoring by both AVSC and BAVS of BAVS' monthly expenditures relative to the budgeted levels. A copy of this monthly expenditure monitoring report for the month of October 1990 is being forwarded to your office under a separate cover memorandum. Based on this action, USAID requests part (a) of this recommendation be closed upon issuance of the final report. AVSC will be reviewing the present budget overruns with BAVS and will determine the appropriate action to be taken. USAID will review the AVSC decision as appropriate. Accordingly, USAID requests that parts (b) and (c) of this recommendation be considered resolved at this time. We will keep RIG/A/S informed of decisions taken and we will request closure at the appropriate time.

Recommendation No. 4: As stated in the management comments included in the body of the draft report, AVSC has reviewed and determined the training courses in question would have been authorized had a list of trainees and the curriculum been submitted by BAVS for prior approval. AVSC/ARO has provided BAVS with post facto approval for this training by letter dated December 12, 1990. The Mission concurs in this action. A copy of the AVSC/ARO approval letter is being forwarded to your office under a separate cover memorandum. Accordingly, USAID requests this recommendation be closed upon issuance of the final report.

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Recommendation No. 5: The Mission fully concurs in BAVS management comments included in the body of the draft report. In a recent meeting BAVS assured USAID staff that they have already instituted proper procedures with respect to rental of premises it occupies. In addition, the Mission is in receipt of documentary evidence showing BAVS has formally finalized the lease agreements with their respective landlords of the Dhaka and Chittagong Clinic. A copy of these agreements will be provided to your office. BAVS has also provided the Mission with the copy of a letter sent by BAVS to the Chittagong Clinic dated September 20, 1990, along with the response received from the clinic. USAID is reviewing this correspondence. Accordingly, USAID requests parts (a) and (b) of this recommendation be closed upon issuance of the final report. Parts (c), (d) and (e) of this recommendation should be considered as resolved. USAID will continue to report to RIG/A/S on progress to close these parts of the recommendation.

Recommendation No. 6: In a recent meeting with AVSC, USAID requested AVSC take immediate action to recover Tk. 51,360 (US Dols 1,633.07) from BAVS. In response AVSC has provided BAVS with a copy of the OMB Circular on the December 10, 1990 and assured USAID that they will recover the amount from BAVS as early as possible. AVSC has also assured USAID that entertainment expenses will not be charged to USAID funds in the future. Accordingly, based on actions taken to date, USAID requests part (a) of this recommendation be considered resolved, and part (b) of this recommendation be closed upon issuance of the final report.

Recommendation No. 7: AVSC/BAVS provided a detailed breakdown for the expenditures on "Institutional Reimbursement for Programmatic Activities" (IRPA) that are intended to cover the costs for both pre and post-operative expenditures for; voluntary sterilization (VS) clients; rejected clients; and, management of VSC and IUD complications. A copy of the itemized breakdown is presented on page 43 of the draft report. The Mission feels that these are relevant and necessary expenditures for recruitment and follow-up services to the BAVS clients. Accordingly, USAID requests this recommendation be closed upon issuance of the final report.

I wish to thank you and your staff for the close coordination provided with Price Waterhouse, AVSC, BAVS and the Mission during the conduct of this audit. We believe that the recommendations contained in the report have been helpful and that corrective action will result in improving AVSC/BAVS management of the activity.

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