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**AUDIT OF USAID/HAITI PROJECT
COMPONENTS MANAGED BY
THE WELFARE COMMITTEE OF PIGNON
SEPTEMBER 1, 1987 TO SEPTEMBER 30, 1989**

**Audit Report No. 1-521-91-09-N
December 27, 1990**

AGENCY FOR INTERNATIONAL DEVELOPMENT

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

OFFICE OF THE REGIONAL INSPECTOR GENERAL
AMERICAN EMBASSY
TEGUCIGALPA - HONDURAS

TELEPHONES:
32-9987 - 32-3120
FAX No. (504) 31-4465

December 27, 1990

MEMORANDUM

TO: D/USAID/Haiti, David Cohen

FROM: RIG/A/T Acting, Lou Mundy *Lou Mundy*

SUBJECT: Audit of USAID/Haiti Project Components Managed by the Welfare Committee of Pignon, September 1, 1987 to September 30, 1989

This report presents the results of a non-Federal financial audit of the Welfare Committee of Pignon (Committee) in Haiti for the period September 1, 1987 to September 30, 1989. The audit was part of a series of five audits performed to evaluate entities receiving funding under the Mobilizing Mothers for Child Survival Project - USAID/Haiti Project No. 521-0194 and the Private Sector Family Planning Project - USAID/Haiti Project No. 521-0189. The accounting firm of KPMG Peat Marwick prepared the report which is dated October 29, 1990.

The Committee, a private voluntary organization, manages a hospital as well as programs in agriculture, community development and pre-natal care. A.I.D. funds were provided to the Committee through subgrants for a variety of activities. Under the Mobilizing Mothers for Child Survival Project funds were provided to finance a pre-natal care program. Funds received under the Private Sector Family Planning Project were to promote family planning in Pignon, Haiti. The audit coverage included US\$173,172 of A.I.D. funds advanced as well as other revenue totaling US\$242,713.

The purpose of the audit was to report on (1) the fairness of the fund accountability statement for the projects' components managed by the Committee, (2) the adequacy of the Committee's internal control structure, (3) the Committee's compliance with terms of the agreements and applicable laws and regulations, and (4) the Committee's financial and managerial capability to administer ongoing and future USAID/Haiti projects.

Peat Marwick found that although the Committee had maintained adequate accounting records and sufficient documentary evidence for revenues and expenses related to A.I.D. funds, they were unable to satisfy themselves as to the propriety of other funding and completeness of the revenues and expenses from other sources. Because of this scope limitation Peat Marwick disclaimed an opinion on the Committee's fund accountability statement. The auditors identified questionable costs totaling US\$7,569 related to the Private Sector Family Planning Project.

With respect to the internal control structure of the Committee, Peat Marwick conducted only a preliminary review due to the previously mentioned scope limitations. As part of this review they identified material reportable conditions in relation to (1) maintenance of accounting records for the institution as a whole, (2) maintenance of adequate support for the allocation of expenses to projects, and (3) control over cash expenditures.

In its report on compliance with agreement terms and applicable laws and regulations, Peat Marwick was unable to express an opinion due to the previously mentioned scope limitations. The auditors did, however, identify one material area of noncompliance which consisted of failure to declare employees' salaries to tax authorities as required by Haitian law. The auditors qualified their opinions on the Committee's management and financial capabilities to administer ongoing and future USAID/Haiti projects, due to the absence of an administrative procedures manual and adequate and integrated financial management information and accounting systems.

The draft report was discussed with Mission officials and Committee representatives on September 7, 1990. Committee representatives generally concurred with all findings and recommendations contained in the report.

We are including the following recommendations in the Office of the Inspector General's audit recommendation follow-up system.

Recommendation No. 1

We recommend that USAID/Haiti negotiate a settlement with the Welfare Committee of Pignon for US\$7,569 in questioned costs, representing unallowable gas and vehicle maintenance costs under USAID/Haiti Project No. 521-0189, included in the Peat Marwick report dated October 29, 1990.

Recommendation No. 2

We recommend that USAID/Haiti provide technical assistance to the Welfare Committee of Pignon to facilitate developing and implementing a plan for improving the Committee's internal controls, compliance, and management and financial capability in the areas identified in the Peat Marwick report dated October 29, 1990.

Please advise this office within 30 days of actions planned or taken to clear the above recommendations.

Audit of

WELFARE COMMITTEE OF PIGNON
(COMITE DE BIENFAISANCE DE PIGNON)

including the components of

Mobilizing Mothers for Child Survival
(Project no. 521-0194)

Private Sector Family Planning
(Project no. 521-0189)

Other Income

September 1, 1987 to September 30, 1989

(With independent auditor's reports thereon)

WELFARE COMMITTEE OF PIGNON
(COMITE DE BIENFAISANCE DE PIGNON)

USAID/Haiti Project no. 521-0194
USAID/Haiti Project no. 521-0189
Other Income

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Certified Public Accountants

2001 M. Street, N.W.
Washington, DC 20036

Telephone 202 467 3000
Telex 440477 PMMDCUI

Telecopier 202 223 2199

October 29, 1990

Mr. Reginald Howard
Regional Inspector General for Audit
U.S. Agency for International Development
Tegucigalpa, Honduras, C.A.

Dear Mr. Howard:

This report presents the results of our audit of the Welfare Committee of Pignon (Comité de Bienfaisance de Pignon - The Committee) including the components of the Mobilizing Mothers for Child Survival and the Private Sector Family Planning Projects nos. 521-0194 and 521-0189, managed by The Committee for the period September 1, 1987 to September 30, 1989.

BACKGROUND

The Welfare Committee of Pignon (The Committee) was founded in 1984 and was recognized as a non governmental agency by a decree published in le Moniteur on September 6, 1984. It manages a hospital as well as programs in agriculture, community development and pre-natal care.

USAID/Haiti signed a cooperative agreement (USAID/Haiti project 521-0194) with the Haitian Arab Center (currently Centers for Development and Health) for an amount of \$5,314,300, as amended in 1986. The purpose of the project was to enhance child survival through expansion of primary health care service, testing and implementation of targeted interventions. Mobilizing Mothers for Child Survival project is coordinated and managed by the Centers for Development and Health (CDS) and is conducted with the participation of various institutions, operating as subgrantees.

The Welfare Committee of Pignon received a subgrant from the Centers for Development and Health within the USAID/Haiti project no. 521-0194 for an initial amount of \$140,000 which was amended in November 1986 to \$160,400. These funds have been provided to finance a pre-natal care program designed to reduce the incidence of low birth weight due to premature delivery or growth retardation. In order to complete the activities in that project, The Welfare Committee of Pignon also received a small grant of \$ 46,525 from the Association of Private Organization of Health.



USAID/Haiti signed a cooperative agreement with the International Planned Parenthood Federation, Western Hemisphere Region Inc. (IPPF/WHR) on August 20, 1986 for the Project no. 521-0189 entitled "Private Sector Family Planning Project-Haiti".

The Welfare Committee of Pignon received a subgrant from IPPF/WHR within the USAID/Haiti Project no. 521-0189, for an amount of \$213,450 to finance programs to motivate and inform the population of Pignon about the importance and the advantages of family planning.

The Committee also generates other revenues consisting primarily of patients' fees at the Hospital and of donations from private individuals.

AUDIT OBJECTIVES AND SCOPE

The objective was to conduct a financial audit of the Welfare Committee of Pignon taken as a whole, including the grant funds received from the Mobilizing Mothers for Child Survival and the Private Sector Family Planning Projects nos. 521-0194 and 521-0189 during the period September 1, 1987 to September 30, 1989 and all other revenues generated by the Committee.

The work was performed in accordance with Generally Accepted Auditing Standards and the Comptroller General's "Government Auditing Standards" (1988 Revision) and accordingly included such tests of the accounting records, internal control structure and such other auditing procedures as we considered necessary in the circumstances to determine whether:

- 1) The fund accountability statement presents fairly the receipts and expenditures from September 1, 1987 to September 30, 1989, according to the terms of the agreements, identifying any unsupported costs or those not considered appropriately allocable or allowable under the agreements.
- 2) The Committee's internal control structure is sufficient to capture data under the agreements and is adequate for the projects' purposes.
- 3) The Committee complied with the terms of agreements and applicable laws and regulations.
- 4) The Committee has sufficient management capability to administer ongoing and future USAID/Haiti projects.
- 5) The Committee is financially capable of performing ongoing and future USAID/Haiti projects.

The major audit procedures conducted during our work in order to meet the audit objectives were as follows:

Receipts

Confirming directly with CDS and IPPF/WHR, the funding provided to the Committee under projects # 521-0194 and # 521-0189 for the period under audit.

Reconciling the projects' funds with confirmations and reviewing the bank reconciliations as of September 30, 1989.

Salaries

Analysing the employees' salaries individually on a monthly basis to verify the fluctuations to the appropriate supporting documents.

Examining employees' files on a selected basis to determine if they were completely in accordance with the projects' requirements.

Determining that salary deductions are in accordance with applicable local regulations.

Procurement

Examining procurement documentation for the acquisition of equipment, material and services to ascertain that the control procedures and A.I.D. standard provisions were properly applied.

RESULTS OF THE AUDIT

1. Fund Accountability Statement

The Welfare Committee of Pignon maintained adequate accounting records and sufficient evidential documents for the revenues and expenses related to USAID/Haiti funding but not for the revenues and expenses generated from the hospital. We were unable to apply other auditing procedures to satisfy ourselves as to the adequacy and the completeness of the Other Income. In addition, our audit disclosed questionable costs amounting to \$7,569.

Because of the above scope limitation, we were unable to express an opinion on the fund accountability statement of The Committee for the period September 1, 1987 to September 30, 1989.

2. Internal Control Structure

We studied and evaluated The Welfare Committee of Pignon's internal control structure relative to the components of USAID/Haiti Projects no. 521-0194 and no. 521-0189, for which it is responsible, in order to assess the control risks and to determine our auditing procedures for the purpose of expressing an opinion on the fund accountability statement of The Committee and not to provide assurance on The Committee's internal control structure taken as a whole. Due to the inadequacy of the accounting records maintained for non USAID funds, we were unable to obtain a sufficient understanding of the design of relevant policies and procedures relative to these funds and whether they have been placed in operations nor were we able to assess control risk to Other Income. As a result, our work and evaluation are not extend beyond a preliminary review stage.

However, we noted the following findings, that we consider reportable conditions under Generally Accepted Auditing Standards and the United States Comptroller General's "Government Auditing Standards" (1988 Revision):

- o The Committee's accounting system did not include the operations of the institution as a whole
- o The Committee lacked a defined method of allocating gasoline expenses between projects
- o The Committee lacked a defined method of allocating salaries expenses between projects
- o Most of the expenses for Project no. 521-0194 were paid with cash
- o There was a lack of bid quotations for some procurements
- o The Committee did not set up personnel files for the employees of Project no. 521-0194
- o The Committee approved cross-use of funds
- o The Committee did not have an effective budget control system.

3. Compliance with the Terms of the Agreements and Applicable Laws and Regulations

Due to the inadequacy of the Welfare Committee of Pignon's accounting records maintained for the Other Income, we were unable to evaluate the Committee's compliance with the terms of agreements and applicable laws and regulations.

As a result, we are not in a position to provide any assurance on items tested, as well as untested items on compliance with the terms of the agreements and applicable laws and regulations. However, the results of our tests of compliance disclosed the following material instance of non compliance:

- o Payroll taxes were not withheld.

4. Management Capability

The Committee has sufficient management capability to manage the USAID/Haiti projects nos. 521-0194 and 521-0189, activities for which it is responsible and future projects except for the matter described in the management capability section of this report:

- o The committee did not have a procedures manual.

We defined sufficient management capability as meeting the requirements/guidelines included in the statement of work. The following areas were considered relevant to the criteria expressed in the statement of work:

- o accuracy and timeliness of submission of reports and other project documentation
- o performance of financial management and accuracy of financial projections in relation to project needs.
- o documentation and application of procedures that meet the requirements of the donors.

5. Financial Capability

The Committee has sufficient financial capability to manage and execute the USAID/Haiti Projects nos. 521-0194 and 521-0189, activities for which it is responsible and future projects except for the matters described in the financial capability section of this report:

- o The Committee did not maintain adequate accounting records for the Other Income generated from the hospital
- o The Committee did not have an adequate and integrated financial management information and accounting systems.

We defined sufficient financial capability as meeting the requirements/guidelines included in the statement of work. The following areas were considered relevant to the criteria expressed in the statement of work:

- o adequacy of accounting records
- o adequacy of financial management information and accounting systems

MANAGEMENT COMMENTS

The draft report was discussed at the exit conference held on September 7, 1990, which was attended by representatives of RIG/AT, USAID/Haiti, and the Welfare Committee of Pignon. In this meeting, and in their formal reply to our report, included in Annex 1, management expressed their general agreement with the report's comments and their willingness to take the measures necessary to implement the recommendations. Management also provided support for the corrective measures already undertaken.

KPMG Post Merwick

Certified Public Accountants

2001 M. Street, N.W.
Washington, DC 20036Telephone 202 467 3000
Telex 440477 PMMDCUI

Telecopier 202 223 2199

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WELFARE COMMITTEE OF PIGNON
(COMITE DE BIENFAISANCE DE PIGNON)USAID/Haiti Project no. 521-0194
USAID/Haiti Project no. 521-0189
Other IncomeFund Accountability StatementIndependent Auditor's Report

We were engaged to audit the accompanying fund accountability statement of The Welfare Committee of Pignon, including the components of the Mobilizing Mothers for Child Survival and the Private Sector Family Planning Projects managed by the Welfare Committee of Pignon and Other Income for the period September 1, 1987 to September 30, 1989. The fund accountability statement is the responsibility of The Welfare Committee of Pignon's management.

We attempted to conduct our audit in accordance with Generally Accepted Auditing Standards and United States Comptroller General's "Government Auditing Standards" (1988 Revision). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statement is free of material misstatement.

Although The Committee maintained adequate accounting records for the project funds, it did not maintain adequate accounting records and sufficient evidential documents for the other revenues and expenses generated by the hospital. We were unable to apply other auditing procedures to satisfy ourselves as the propriety of such other funding and to the completeness of the revenues and expenses from other sources.

Since the transactions related to other than USAID/Haiti funding as previously mentioned are material to the fund accountability statement, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the fund accountability statement.

As described in note 1(b), the fund accountability statement is prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

As described in note 3, the accompanying fund accountability statement includes expenditures of \$ 7,569 considered questionable costs. These costs are discussed in the "findings and recommendations" section of this report. USAID/Haiti will make a final determination as to whether these costs are allowable under the terms of the agreements.



This report is intended solely for the use of the US Agency for International Development and Welfare Committee of Pignon. This restriction is not intended to limit the distribution of this report which, upon acceptance by the Office of the Inspector General, is a matter of public record.

KPMG Peat Marwick

October 26, 1989

WELFARE COMMITTEE OF PIGNON
(COMITE DE BIENFAISANCE DE PIGNON)

Fund Accountability Statement

. For the period September 1, 1987 to September 30, 1989

(Expressed in US dollars - Note 1 (d))

Categories	Project	Project	Other Income		Total
	no. 521-0194	no. 521-0189	AOPS	Hospital	
Funding provided	\$ <u>50,573</u>	\$ <u>122,599</u>	\$ <u>46,525</u>	\$ <u>196,188</u>	\$ <u>415,885</u>
Expenditures:					
Salaries	50,864	67,140	23,980	98,215	240,199
Equipment	-	24,905	-	2,233	27,138
Gas and vehicle maintenance	-	7,569	-	-	7,569
Printing and reproduction	-	3,482	-	-	3,482
Travel and transportation	2,859	3,319	3,521	11,650	21,349
Rent	-	3,000	-	-	3,000
Construction and renovation	-	3,078	-	-	3,078
Data collectors	-	-	2,062	-	2,062
Consultant	-	2,700	-	-	2,700
Dissemination	756	-	-	-	756
Furniture and material	411	1,105	3,339	-	4,855
Communication and water	-	96	-	-	96
Mothers training	-	-	6,000	-	6,000
Family planning	-	-	7,623	-	7,623
Patients expenses	-	-	-	50,539	50,539
Administration	-	-	-	30,663	30,663
Total expenditures	\$ <u>54,890</u>	\$ <u>116,394</u>	\$ <u>46,525</u>	\$ <u>193,300</u>	\$ <u>411,109</u>
Excess of funding provided (expenditures) over expenditures (funding provided)	(4,317)	6,205	-	2,888	4,776
Fund balance, at beginning of period	<u>4,317</u>	-	-	<u>1,075</u>	<u>5,392</u>
Fund balance, at end of period (note 2)	\$ <u>-</u>	\$ <u>6,205</u>	\$ <u>-</u>	\$ <u>3,963</u>	\$ <u>10,168</u>

See accompanying notes to the fund accountability statement.

1) Total questionable costs amount to \$ 7,569. See note 3 to the fund accountability statement for specific questionable costs.

WELFARE COMMITTEE OF PIGNON
(COMITE DE BIENFAISANCE DE PIGNON)

USAID/Haiti Project no. 521-0194
USAID/Haiti Project no. 521-0189
Other Income

Notes to the Fund Accountability Statement

September 1, 1987 to September 30, 1989

(1) Nature of Operations and Summary of Significant Accounting Policies

- a) The Welfare Committee of Pignon (The Committee) was granted legal recognition by a decree published in "Le Moniteur" on September 6, 1984.

The Committee received a subgrant from the Centers for Development and Health (CDS) within Project no. 521-0194 for an amount of \$160,400, as amended. These funds have been provided to carry out a pre-natal care program designed to reduce the incidence of low birth weight due to premature delivery or growth retardation. As of September 30, 1989, the total funds disbursed by CDS under the program amounted to \$50,573. An additional \$46,625 was granted by the Association of Private Organizations of Health to the Committee for this project.

The Committee also received a subgrant for an amount of \$213,450 from the International Planned Parenthood Federation (IPPF/WHR) within the USAID/Haiti Project no. 521-0189 to finance programs to motivate and inform the population of Pignon about the importance and the advantages of family planning. As of September 30, 1989, total funds received from IPPF/WHR under this program amounted to \$ 122,599.

The Committee generates other revenues from the management of a hospital at Pignon.

- b) The fund accountability statement has been prepared on the cash basis of accounting. Consequently, funding provided is recognized when received rather than when earned and expenditures are recognized when paid rather than when the obligations are incurred. The fund accountability statement does not present the funding to be received nor the accounts payable.

WELFARE COMMITTEE OF PIGNON
(COMITE DE BIENFAISANCE DE PIGNON)

Notes to the Fund Accountability Statement

(1) Nature of Operations and Summary of Significant Accounting Policies (Continued)

- c) Expenditures are related to the disbursing of funds provided from various sources to accomplish the objectives of the projects discussed above.
- d) The fund accountability statement is prepared in US dollars at the official rate of exchange of five haitian gourdes for one US dollar.

(2) Fund balances

The fund balances at September 30, 1989 were as follows:

	<u>Project no. 521-0189</u>	<u>Other Income</u>
Petty cash	\$ 500	\$ -
Bank balance	1,205	3,963
Account receivable from the hospital	<u>4,500</u>	<u>-</u>
	\$ <u>6,205</u>	\$ <u>3,963</u>

(3) Questionable Costs

According to A.I.D. applicable regulations, costs charged to a project must meet the following general criteria:

- a. Be reasonable for the performance of the project. A cost is reasonable if, in its nature or amount, it does not exceed that which would be incurred by a prudent person under the same circumstances.
- b. Be allocable to the project. A cost is allocable in accordance with the relative benefits received.
- c. Conform to any limitations or exclusions set forth in the agreement in which the project is based.
- d. Be adequately documented.

WELFARE COMMITTEE OF PIGNON
(COMITE DE BIENFAISANCE DE PIGNON)

Notes to the Fund Accountability Statement

(3) Questionable Costs (continued)

Ineligible costs are all those costs unallocable and or unallowable in accordance with the terms of the agreements and applicable laws and regulations. Unsupported costs are all those costs not properly supported by the recipient, costs in excess of the budgeted amount per item and costs considered unreasonable under the circumstances.

The following are costs incurred by Pignon that were determined to be questionable because they did not conform or there was no adequate evidence to determine if they did indeed conform, with one or more of the above mentioned criteria:

<u>Budget categories</u>	<u>Ineligible costs</u>
Gas and vehicle maintenance	\$ <u>7,569</u>

Certified Public Accountants

2001 M. Street, N.W.
Washington, DC 20036Telephone 202 467 3000
Telex 440477 PMMDCUI

Telecopier 202 223 2199

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WELFARE COMMITTEE OF PIGNON
(COMITE DE BIENFAISANCE DE PIGNON)USAID/Haiti Project no. 521-0194
USAID/Haiti Project no. 521-0189
Other IncomeInternal Control StructureIndependent Auditors' Report

We were engaged to audit the fund accountability statement of the Welfare Committee of Pignon (The Committee) including the components of the Mobilizing Mothers of Child Survival and the Private Sector Family Planning Projects no. 521-0194 and 521-0189, managed by the Committee for the period September 1, 1987 to September 30, 1989, and we issued our report thereon dated October 26, 1989, in which we disclaimed an opinion due to limitations in the scope of our work.

The management of The Committee is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments 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 unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of 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 of the Welfare Committee of Pignon applicable to the components of USAID/Haiti Projects no. 521-0194 and 521-0189 for which it is responsible, in the following categories:

- o Accounting process
- o Procurement system
- o Payroll procedures
- o Receipts and disbursements
- o Travel and transportation procedures
- o Budgetary process.



Due to the inadequacy of the accounting records maintained for non USAID/Haiti funds, we were unable to obtain a sufficient understanding of the design of relevant policies and procedures relative to these funds and whether they have been placed in operation; nor were we able to assess control risk relative to other income. As a result, our study and evaluation did not extend beyond a preliminary review stage.

However, we noted the matters described as findings nos. 1 to 8 in the following pages 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 judgment, could adversely affect the entity's ability to record, process, summarize and report financial data consistent with the assertions of management in the fund accountability statement.

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 financial 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. We believe that the reportable conditions included in findings 1 to 4 in the following pages are material weaknesses.

This report is intended solely for the use of The Welfare Committee of Pignon and the U.S. Agency for International Development. This restriction is not intended to limit the distribution of this report which, upon acceptance by the Office of the Inspector General, is a matter of public record.

KPM & Peat Marwick

October 26, 1989

WELFARE COMMITTEE OF PIGNON
(COMITE DE BIENFAISANCE DE PIGNON)

USAID/Haiti Project no. 521-0194
USAID/Haiti Project no. 521-0189
Other Income

Internal Control Structure

Findings

1. The Welfare Committee of Pignon's accounting system did not include the operations of the institution as a whole

Condition:

Transactions related to project funds were recorded in accordance with procedures and accounting principles acceptable to the grantors but funds from other sources are not accounted for based on the same controls and procedures. Financial reports are not prepared for the institution as a whole.

Criteria:

A.I.D. standard provisions (paragraph 2 - 7 of Handbook 13) require grantees to maintain accounting records that contain all the financial information of the institution's activities. Records should reflect the total cost of the project, including activities not directly supported by project funds.

Cause:

The accounting system was designed to reflect separately the transactions of the individual project funds in accordance with the procedures required by the grantors.

Effect:

The existing system does not ensure that all funds provided and expensed from other sources are actually recorded in the accounting system. Consequently, we were unable to issue an opinion on the fund accountability statement of the institution as a whole.

Recommendation:

The Welfare Committee of Pignon's accounting system should be modified in order to reflect all the activities of the institution, and indentify, segregate, accumulate and record all costs incurred by the institution based on uniform controls and procedures. This system will allow management to have more accurate financial information of the institution as a whole.

2. The Committee lacked a defined method of allocating gasoline expenses between projects

Condition:

Gasoline expenses were not properly allocated between the projects managed by the Committee.

Criteria:

Allocation of expenses between the projects should be based on the level of activity of each project.

Cause:

While the Committee maintains control over the overall gasoline utilisation, it does not have established procedures related to cost allocation between projects.

Effect:

The allocation of gasoline expenses between projects is based on established budget. Since we were unable to satisfy ourselves that vehicles attached to the project were used exclusively for project purposes we have questioned fuel expenditures amounting to \$7,569.

Recommendation:

We recommend that The Committee maintain a more detailed record of gasoline expense to justify the allocation basis between the projects.

3. The Committee lacked a defined method of allocating salaries expenses between projects

Condition:

Salaries expenses were not properly allocated between the projects managed by The Committee. However, payroll activities between the projects and the hospital were separate.

Criteria:

Allocation of expenses between the projects should be based on the level of activity of each project.

Cause:

While The Committee maintains control over the salaries, it does not have established procedures related to cost allocation between projects.

However management feels that the allocation of salaries between the projects approximates the actual time involvement.

Effect:

Since both projects performed by Pignon were Aid funded and all employees were actually assigned to these projects, this deficiency has not resulted in questionable costs.

Recommendation:

We recommend that The Committee should maintain a more detailed record of time involvement to justify the allocation basis between the projects.

4. Most of the expenses of Project no. 521-0194 were paid with cash

Condition:

Most of the expenses of the Mobilizing Mothers for the Child Survival Project were paid with cash. Cash is withdrawn periodically based on a fixed amount from a bank account held in Port-au-Prince, without a supporting list of expenses. In addition, some checks were drawn payable to the order of cash. However, there was no evidence of non-project related expenses.

Criteria:

Expenses over a specified amount should be paid by check to strengthen control over expenses. Checks should be drawn in the name of the beneficiary or a responsible person to minimize the risk of loss.

Cause:

Expenses are not paid by check because banking services are not available in the town where the subgrantee is located. Checks drawn for more than one beneficiary are made to the order of cash.

Effect:

Checks have been made to the order of cash and it is difficult to determine the beneficiaries. However, based on extensive testing, we did not find any evidence of unallowable or unallocable costs.

Recommendation:

Since banking services are not available in Pignon and adequate controls over expenditures and cash balances must be maintained, we recommend that management office set up a large petty cash fund in Pignon for a fixed amount instead of depositing funds in a bank account in Port-au-Prince. A petty cash journal should then be used to record daily transactions. Management should not approve checks drawn in the order of cash.

We noted for subsequent projects that checks were mostly used as the method of disbursement.

5. There was a lack of bid quotations for some procurements

Condition:

The Committee did not obtain quotations for some purchases in excess of \$250 as required by the standard provisions included as part of the grant agreements signed with USAID/Haiti.

Criteria:

According to A.I.D requirements, three quotations must be obtained for all procurement of goods in excess of \$ 250.

Cause:

The Committee's management was not aware of these requirements.

Effect:

There is no evidence that The Committee obtained the best terms and conditions available to the project. However, the costs appeared reasonable under the circumstances.

Recommendation:

The Committee should adhere to procurement procedures and controls required by project agreement to ensure that all purchases are acquired at the most advantageous terms and conditions available to the project.

6. The Committee did not set up personnel files for the employees of Project no. 521-0194

Condition:

Personnel files were not set up for the employees of Project no. 521-0194. Therefore salary authorizations could not be verified for these employees.

Criteria:

Personnel files must be established for all employees with all pertinent information about them.

Cause:

Management had not yet established personnel policies.

Effect:

These salaries could not be verified to the prior authorization documents, but their accuracy was acknowledged by the Director.

Project no. 521-0194's activities ended in November 1988. Personnel files have been set up for projects started after that date.

Recommendation:

We recommend that personnel files be set up for all projects managed by The Committee to properly document salary authorizations and other pertinent information.

7. The Committee approved cross-use of funds

Condition:

As of September 30, 1989, the management of Pignon had advanced \$4,500 from Project no. 521-0189 to the hospital. This amount was reimbursed at the date of our report.

Criteria:

The funds received for a project should be used exclusively for that project. Cross-use of funds are not permitted by the grantors.

Cause:

When funds are needed on one Project, they are borrowed on a short term basis in order to continue the activities.

Effect:

The Committee is not complying with the requirements of the agreements. However, the funds were reimbursed.

Recommendation:

We recommend that proper planning be performed to avoid shortage of funds.

3. The Committee did not have an effective budget control system

Condition:

Per diem expenses were recorded in an inappropriate category when the budgeted amount for transport was exceeded.

Criteria:

Budget categories should reflect the nature of recorded expenses, and approval must be obtained for budget variances in excess of 15 per cent.

Cause:

Budget for transport category was exceeded before the end of the project, while there were some funds left in other categories.

Effect:

The transactions were reclassified to the proper categories, which did not result in an excess of the budget line item over the limit allowed by A.I.D. regulations.

Recommendation:

We recommend that transactions be recorded in the appropriate category. Approval should be obtained from the financing institution to amend budget categories when it is necessary.

WELFARE COMMITTEE OF PIGNON
(COMITE DE BIENFAISANCE DE PIGNON)USAID/Haiti Project no. 521-0194
USAID/Haiti Project no. 521-0189
Other IncomeCompliance with the Terms of Agreements and Applicable Laws and
RegulationsIndependent Auditor's Report

We were engaged to audit the fund accountability statement of the Welfare Committee of Pignon (The Committee) including the components of the Mobilizing Mothers of Child Survival and the Private Sector Family Planning Projects no. 521-0194 and 521-0189, managed by the Committee for the period September 1, 1987 to September 30, 1989, and we issued our report thereon dated October 26, 1989, in which we disclaimed an opinion due to limitations in the scope of our work.

The management of Welfare Committee of Pignon is responsible for the Committee's compliance with the terms of agreements and applicable laws and regulations.

Due to the inadequacy of the accounting records maintained for the non-USAID/Haiti funds, we were unable to obtain sufficient documentation supporting the Committee's compliance with the terms of agreements and applicable laws and regulations, nor were we able to satisfy ourselves as to the Committee's compliance with these requirements by other auditing procedures.

Because of the matter described in the preceding paragraph, the scope of our audit work is not sufficient to enable us to provide, and we do not provide, any assurance on tested, or untested items as to their compliance with the terms of agreements and applicable laws and regulations.

Material instances of non compliance are failures 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 these failures or violations is material to the fund accountability statement. The results of our tests of compliance disclosed the material instance of non compliance described in finding 1 on the following page.

We considered this material instance of noncompliance in forming our opinion on whether The Committee's fund accountability statement is presented fairly, in all material respects in conformity with generally accepted accounting principles, and this report does not affect our report dated October 26, 1989 on this financial statement.

This report is intended solely for the use of The Welfare Cpmmittee of Pignon and U.S. Agency International Development. This restriction is not intended to limit the distribution of this report which, upon acceptance by the Office of the Inspector General, is a matter of public record.

October 26, 1989

HPME Post Marwick

WELFARE COMMITTEE OF PIGNON
(COMITE DE BIENFAISANCE DE PIGNON)

USAID/Haiti Project no. 521-0194
USAID/Haiti Project no. 521-0189
Other Income

Compliance with the Terms of Agreements and Applicable Laws and Regulations

Finding

1. Payroll taxes were not withheld

Condition:

The Committee neither declares employees' salaries to tax authorities nor makes withholdings for social security (Office National Assurance Vieillesse, ONA).

Criteria:

All organizations should comply with Haitian laws which include payroll withholdings.

Cause:

Previous laws were not explicit on the tax obligations of nonprofit organizations and their employees. Consequently, payroll taxes have never been withheld nor claimed by the tax authorities.

Effect:

The institution may have a contingent liability for taxes not withheld. We were unable to estimate the amount of the contingent tax liability, due to insufficient documentation.

Recommendation:

We recommend that the organization obtain a statement from the tax authorities or discuss with them the tax status of its employees, in view of the fact that salaries of employees of nonprofit organizations may be tax exonerated.

WELFARE COMMITTEE OF PIGNON
(COMITE DE BIENFAISANCE DE PIGNON)

USAID/Haiti Project no. 521-0194

USAID/Haiti Project no. 521-0189

Other Income

Management CapabilityIndependent Auditor's Report

We have performed a study and evaluation of The Welfare Committee of Pignon's capability to properly manage the components of the USAID/Haiti Projects no. 521-0194 and no. 521-0189 and future projects to be assigned to them for which it is responsible. Our work was conducted in accordance with Generally Accepted Auditing Standards and the U.S. Comptroller General's "Government Auditing Standards" (1988 Revision), and included the following areas we considered relevant to the criteria expressed in the statement of work for review of the above mentioned projects:

- o accuracy and timeliness of submission of reports and other project documentation
- o performance of financial management and accuracy of financial projections in relation to project needs
- o documentation and application of procedures that meet the requirements of the donors.

Based on our study and our understanding of the criteria included in the statement of work mentioned in the preceding paragraph, we believe that The Committee has sufficient management capability to manage these and future projects, except for the matters described in the accompanying finding no. 1:

- o The Committee does not have a procedures manual.

This report is intended solely for the use of the Welfare Committee of Pignon and the United States Agency for International Development. This restriction is not intended to limit distribution of this report which, upon acceptance by the Office of the Inspector General, is a matter of public record.



October 26, 1989



WELFARE COMMITTEE OF PIGNON
(COMITE DE BIENFAISANCE DE PIGNON)

USAID/Haiti Project no. 521-0194

USAID/Haiti Project no. 521-0189

Other Income

Management Capability

Finding

1. The Committee does not have a procedures manual

Condition:

The Committee does not have a procedures manual for the administration of its activities.

Criteria:

All institutions should have a procedures manual for an efficient administration of project activities, and to ensure that procedures meet the requirements of the donors.

Cause:

Management follows guidance from IPPF/WHR and CDS.

Effect:

Undocumented administrative procedures can result in inefficient controls and does not provide a reference basis for the entire personnel of the institution.

Recommendation:

We recommend that The Committee establish a procedures manual that will be followed for all projects.

WELFARE COMMITTEE OF PIGNON
(COMITE DE BIENFAISANCE DE PIGNON)USAID/Haiti Project no. 521-0194
USAID/Haiti Project no. 521-0189
Other IncomeFinancial CapabilityIndependent Auditor's Report

We have performed a study and evaluation of The Welfare Committee of Pignon's financial capability in connection with the components of the USAID/Haiti Projects no. 521-0194 and no. 521-0189 for which it is responsible. Our work was conducted in accordance with Generally Accepted Auditing Standards and the U.S. Comptroller General's "Government Auditing Standards" (1988 Revision), and included the following areas we considered relevant to the criteria expressed in the statement of work for review of the above mentioned projects:

- o adequacy of accounting records
- o adequacy of financial management information and accounting systems.

As mentioned in the findings no. 1 and 2 described on the following pages, although the Committee maintained adequate accounting records for the project funds, the transactions relating to Other Income generated from the Hospital were not properly accounted for. The Committee did not maintain adequate accounting records for the operations of the Hospital and we were unable to obtain reliable financial information for the funds managed for the Hospital.

Based on our study and our understanding of the criteria included in the statement of work mentioned in the first paragraph, we believe that The Committee has sufficient financial capability to manage these and future projects, except for the matters described in the accompanying findings nos. 1 and 2:

- o The Committee did not maintain adequate records for the Hospital funds
- o The Committee did not have adequate and integrated financial management information and accounting systems.

This report is intended solely for the use of The Welfare Committee of Pignon and the United States Agency for International Development. This restriction is not intended to limit distribution of this report which, upon acceptance by the Office of the Inspector General, is a matter of public record.

KPMG Post Marshall

October 26, 1989

WELFARE COMMITTEE OF PIGNON
(COMITE DE BIENFAISANCE DE PIGNON)

USAID/Haiti Project no. 521-0194

USAID/Haiti Project no. 521-0189

Other Income

Financial Capability

Findings

1. The Committee did not maintain adequate records for the Hospital funds

Condition:

Although transactions related to the hospital funds were not accounted for with adequate controls and procedures, transactions related to project funds were recorded in accordance with procedures and accounting principles acceptable to grantors.

Criteria:

Adequate accounting records should be maintained for all other sources of funds to properly reflect all the operations of the project, including activities not directly supported by project funds.

Cause:

The accounting system was designed to reflect separately the transactions of the individual project funds in accordance with the procedures required by the Grantors. The Committee was not aware that similar controls have to be maintained for other sources of funds.

Effect:

The existing system does not ensure that all funds received and expensed from other sources are actually recorded in the accounting system.

Recommendation:

The Committee should maintain adequate accounting records for the Hospital funds.

2. The Committee did not have adequate and integrated financial management information and accounting systems

Condition:

The Committee prepares its financial reports only for individual project funds, as requested by the grantors. Financial statements for the institution as a whole were not prepared.

Criteria:

Properly integrated financial management information systems for the institution as a whole, as well as for its individual programs, are necessary for proper management and decision making.

Cause:

The accounting system was designed to reflect the transactions of individual project funds.

Effect:

The financial information generated by the current financial accounting system was incomplete.

Recommendation:

The Committee should adopt a financial accounting and management information system capable of generating complete and reliable information.

WELFARE COMMITTEE OF PIGNON
(COMITE DE BIENFAISANCE DE PIGNON)

USAID/Haiti Project no. 521-0194

USAID/Haiti Project no. 521-0189

Other Income

List of Report Recommendations

- I. Internal control structure
 1. Accounting system needs to be improved
 2. A more detailed gasoline record expense must be maintained
 3. The allocation of salaries between projects should be well defined
 4. Pignon's management office should set up a large petty cash fund for a fixed amount and management should approve checks drawn in the order of cash
 5. Pignon must control and document adequate procurement procedures which are in line with USAID regulations
 6. Personnel files should be set up for all employees
 7. The committee should not approve any cross-use of funds
 8. The committee should improve the budget control system of the institution.
- II. Compliance with agreement terms and applicable laws and regulations
 1. Pignon should adhere to the payroll tax requirements in relation to employees tax withholding and employers' contributions.
- III. Management capability
 1. The Committee should establish a procedures manual.
- IV. Financial capability
 1. Adequate accounting records should be maintained for the hospital funds
 2. Financial accounting and management information system should be improved



COMITE DE BIENFAISANCE DE PIGNON

O.N.G. - Le Moniteur No. 64 - 6 septembre 1984

CMP-MCA HAITI
% MFI BOX 15665
WEST PALM BEACH, FL. 33416

P.O. BOX 13026
DELMAS, PORT-AU-PRINCE, HAITI



Comite de Bienfaisance (HAITI)

Daviles Pierre, Pasteur
President

Franco Chanel,
Vice-President

Emmanuel Sylvestre
Secrétaire

Millus Rock
Secrétaire-Adjoint

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Secrétaire-Adjoint

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Field Director

Management Comments
of the audit of
Welfare Committee of Pignon
(Comité de Bienfaisance de Pignon)
on the activities of
Mobilizing Mothers for Child Survival
(Project No. 521-0194)
Private Sector Family Planning
(Project No. 521-0189)
Other Income
September 1, 1987 to September 30, 1989

Q1- The Committee's accounting system did not include the operations of the institution as a whole.

A1- From September 1987 to May 1989, the Hospital did not keep books or a bank account. We have kept books for the Hospital since June 1989: "Cash disbursements and Receipts Journal, Petty Cash, General Ledger.

IPPF has agreed to our request for technical assistance to design, develop and install a integrated accounting system before the end of 1990.

Q2- The Committee lacked a defined method of allocation gasoline expenses betwen projects.

A2- We are already using special gasoline allocation slip concerning to what project the gasoline is being used and what vehicle is absorbing the allocated fuel. (Please see attached copies).

As our community health project (VACS) and our family planning (IPPF) are a combined project, we are going to discuss with the donors how to procede as when a car is being used for the two projects simultaneously, at what percentage to allocate gasoline and personnel espenses.

Q3- The Committee lacked a defined method of allocating salaries expenses between projects.

A3- Again as the community health project (VACS) and the family planning project (IPPF) are a combined project in process at time simultaneously with a personnel working at the same time on the two, we will discuss with the donors as to procede for the allocation of salaries, in what percentage.

- Q4- Most of the expenses for project No. 521-0194, were made by cash.
- A4- If project No 521-0194 had expenses made in cash; but since January 1989, all our expenses since then are made by checks.
- Q5- Lack of bid quotations for some procurement.
- A5- We have been applying the bid quotation or 3 proformas system since January 1989 after verbal recommendation has been made to us. We document any exceptions to system (i.e in the case of Motorcycle HONDA 125).
- Q6- The Committee did not set up personnel files for the employees of project No. 521-0194.
- A6- We currently do have personnel files for the employees. In fact we are reviewing now our "personnel Manual" with a consultant from URC. (Please see attached Manual)
- Q7- The Committee approved cross-up of funds.
- A7- This happened only once and since we are aware that it is a wrong procedure, we assure you it will not be repeated.
- Q8- The Committee did not have an effective budget control system.
- A8- As explained under A1, IPPF will assist us in installing an integrated accounting system. Part of that system will be a monthly report comparing actual expenditures to the budget by budget uses and by donor.

Again we will comply to the recommendation concerning payroll taxes withholding; the committee will consult appropriate agencies for declaring.

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Employees salaries to taxes authorities and making withholdings
for Social Security (Office National Assurance Vieillesse "ONA").

Guy D. Theodore
GUY D. THEODORE MD, FACS
GENERAL DIRECTOR.

Judith B. Joseph
ADMINISTRATIVE DIRECTOR

C/C: Mme Mireille MEROVE-PIERRE
CABINETS D'EXPERTS-COMPTABLES.

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COMITE DE BIENFAISANCE DE PIGNON

O.N.G. - Le Moniteur No. 64 - 6 septembre 1984

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%MFI BOX 15665
WEST PALM BEACH, FL. 33416

P.O. BOX 13026
DELMAS, PORT-AU-PRINCE, HAITI



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Guy D. Theodore, M.D., F.A.C.S.
Field Director

Please find attached the management's comments to the RIG/A audit performed on the Comite de Bienfaisance of Pignon. Due to the distance between Pignon from Port-au-Prince some supporting documentation is not included with the comments but will be sent to the auditors and the RIG/A office by the end of October:

- For A1: A copy of the books and ledger listed.
- For A5: Copies of three proformas.

Also the following information should be considered as an integral part of the management comments:

A1: An IPPF technical assistance team visited Pignon from September 24 to 28 1990 to begin the work on the integration of the accounting systems. The team is planing an other visit at the end of November 1990. It is expected that Pignon will have an integrated financial reporting system in place and running by the end of March 1991.

A2 & A3: A meeting between IPPF and URC/VACS and Pignon is scheduled for October 26, 1990 to discuss a method of allocating shared expenses between the projects.

A4: Please see attached VACS monthly report.

A6: URC consultant Jim Villalobos visited Pignon to work with Pignon staff on an updated personnel manual on August 20 to 30 th and October 2 to 3. We expect to send the updated personal manual at the end of October 1990.

A8: See A1.

For Dr. Guy Theodore,
Yann Derriennic URC/VACS

MISSION
CHRETIENNE
CHRISTIAN MISSION

HOPITAL
HOSPITAL &
COMMUNITY HEALTH

ELEVAGE
ANIMAL HUSBANDRY

AGRICULTURE &
REFORESTRATION
AGRICULTURE &
REFORESTATION

DEVELOPPEMENT
COMMUNAUTAIRE
COMMUNITY
DEVELOPMENT

EAU POTABLE
CLEAN WATER
SUPPLY

ALPHABETISATION
LITERACY