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**AUDIT OF USAID/HAITI PROJECT COMPONENTS
MANAGED BY THE CENTERS
FOR DEVELOPMENT AND HEALTH
SEPTEMBER 1, 1987 TO SEPTEMBER 30, 1989**

**Audit Report No. 1-521-91-23-N
February 27, 1991**

AGENCY FOR INTERNATIONAL DEVELOPMENT

OFFICE OF THE REGIONAL INSPECTOR GENERAL

AMERICAN EMBASSY

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February 27, 1991

MEMORANDUM

TO: D/USAID/Haiti, David Cohen

FROM: RIG/A/T, Reginald Howard 

SUBJECT: Audit of USAID/Haiti Project Components Managed by the Centers for Development and Health, September 1, 1987 to September 30, 1989

This report presents the results of a non-Federal financial audit of the Centers for Development and Health (Centers) 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. This audit also included a review of funding received by the Centers as a grantee under the USAID/Haiti Expanded Urban Health Service Project - USAID/Haiti Project No. 521-0218. The accounting firm of KPMG Peat Marwick prepared the report which is dated October 29, 1990.

The Centers is a private voluntary organization established to provide technical and practical training in community health for nurses, community health workers, family planning promoters and others. A.I.D. funds were provided to the Centers for a variety of activities. Under the Mobilizing Mothers for Child Survival Project these funds were provided to enhance child survival through expansion of primary health care services, testing, and the implementation of targeted interventions. Under the Private Sector Family Planning Project, the funds financed training courses on planned parenthood. Under the Expanded Urban Health Service Project, funds were used to implement a health services program for improving the health of impoverished residents. The audit coverage included \$3,106,592 of A.I.D. funds advanced as well as other revenue totaling \$503,660.

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

Peat Marwick found that although the Centers 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 the completeness of revenues and expenses from other sources. Because of this scope limitation, Peat Marwick disclaimed an opinion on the Centers' fund accountability statement. The auditors questioned costs totaling \$78,341 related to the Mobilizing Mothers for Child Survival Project and \$520 related to the Expanded Urban Health Services Project.

With respect to the internal control structure of the Centers, Peat Marwick conducted only a preliminary review due to the previously mentioned scope limitations. As a part of this review they identified material reportable conditions in the areas of maintenance of adequate accounting records for the Centers as a whole; inadequate accounting by subgrantees of the Centers; and methods for allocating salaries, benefits and certain other common costs between projects.

Peat Marwick was unable to express an opinion concerning the Centers' compliance with agreement terms and applicable laws and regulations, due to the previously mentioned scope limitations. The auditors did, however, identify one material area of non-compliance concerning failure to declare employees salaries to tax authorities as required by Haitian tax law. In its report on management and financial capability, Peat Marwick issued qualified opinions because there was not an adequate accounting system and because administrative procedures were undocumented and had been inconsistently applied.

The draft report was discussed with Mission officials and representatives of the Centers, who expressed general agreement with its content.

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 Centers for Development and Health for questioned costs of \$78,861 associated with project Nos. 521-0194 and 521-0218 representing various ineligible expenses, accounts receivable, and unreconcilable differences between balances per bank and accounting records identified in the Peat Marwick report dated October 29, 1990.

Recommendation No. 2

We recommend that USAID/Haiti, in conjunction with the Centers for Development and Health, develop an action plan including an implementation timetable which will enable the Centers to improve its accounting system, 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
CENTERS FOR DEVELOPMENT AND HEALTH
(CENTRES POUR LE DEVELOPPEMENT ET LA SANTE - CDS)

including the components of
Mobilizing Mothers for Child Survival
(Project no. 521-0194)
Private Sector Family Planning
(Project no. 521-0189)
Expanded Urban Health Service
(Project no. 521-0218)
Other Income

September 1, 1987 to September 30, 1989

(With independent auditor' s reports thereon)

CENTERS FOR DEVELOPMENT AND HEALTH
(CENTRES POUR LE DEVELOPPEMENT ET LA SANTE - CDS)

USAID/Haiti Project no. 521-0194
USAID/Haiti Project no. 521-0189
USAID/Haiti Project no. 521-0218
Other Income

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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 financial audit of The Centers for Development and Health (Centres pour le Développement et la Santé - CDS), including the components of the Private Sector Family Planning, the Mobilizing Mothers for Child Survival Projects and the Expanded Urban Health Service, USAID/Haiti Project nos. 521-0189, 521-0194 and 521-0218, managed by CDS for the period September 1, 1987 to September 30, 1989.

BACKGROUND

Centers for Development and Health is a private voluntary organization incorporated under Haitian Law since 1974, but legally recognized by a Law Decree no. 71 dated April 8, 1987, published in le Moniteur on August 31, 1987. CDS's main purposes are to provide technical and practical training in community health for doctors, nurses, community health workers, family planning promoters and others.

USAID/Haiti signed a cooperative agreement for the Mobilizing Mothers for Child Survival Project, USAID/Haiti Project no. 521-0194, with the Haitian Arab Center (currently Centers for Development and Health - CDS) 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. The project is coordinated and managed by the Centers for Development and Health (CDS) and conducted with the participation of various subgrantees which were tested in separate reviews:

- o Medical Social Center of Cité Soleil (Complexe Médico-Social de la Cité Soleil - CMSCS)
- o Eye Care/March
- o Welfare Committee of Pignon (Comité de Bienfaisance de Pignon)
- o Child Health Institute (Institut Haitien de l'Enfance - CHI)
- o Association of Private Organization of Health (Association des Oeuvres Privées de Santé - AOPS)
- Haitian Institute of Community Health (Institut Haitien de Santé Communautaire - INHSAC).



USAID/Haiti signed a cooperative agreement for the Private Sector Family Planning Project, USAID/Haiti Project no. 521-0189, with the International Planned Parenthood Federation, Western Hemisphere Region Inc. (IPPF/WHR) on August 29, 1986.

The agreement included a subgrant to CDS to finance training courses on planned parenthood. As of September 30, 1989, total funds received from IPPF/WHR under this program amounted to \$40,698.

USAID/Haiti signed an additional cooperative agreement on June 30, 1989 with the Centers for Development and Health (CDS) for the Expanded Urban Health Service Project, USAID/Haiti Project no. 521-0218 for an amount of \$9,945,000, of which \$1,400,000 has been obligated as of September 30, 1989. The purpose of the project is to carry out a program of urban health services directed at improving the health status of impoverished residents of five urban sites.

Centers for Development and Health (CDS) also receives funds from various other sources in the form of direct or indirect grants.

AUDIT OBJECTIVES AND SCOPE

The objective was to conduct a financial audit of CDS taken as a whole, including the funds received under the Mobilizing Mothers Project, USAID/Haiti Project no. 521-0194, from IPPF/WHR for the Private Sector Family Planning Project, USAID/Haiti Project no. 521-0189 and from USAID/Haiti Project no. 521-0218 during the period September 1, 1987 to September 30, 1989, and all other revenues generated by CDS.

The audit was performed in accordance with Generally Accepted Auditing Standards and the U.S. Comptroller General's "Government Auditing Standards" (1988 Revision) and, accordingly, included such tests of the accounting records, 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 unsupported costs or those costs not considered allocable or allowable under the agreements.
- 2) CDS's internal control structure is sufficient to capture data under the agreements and is adequate for the projects' purposes.
- 3) CDS complied with the terms of the agreements and applicable laws and regulations.
- 4) CDS has sufficient management capability to administer on-going and future USAID/Haiti projects.

- 5) CDS 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 consisted of:

Receipts

Confirming directly with USAID and IPPF/WHR the funding provided to CDS under projects nos. 521-0194, 521-0189 and 521-0218 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

Fund Accountability Statement

The Centers for Development and Health maintained adequate accounting records and sufficient evidential documents for the revenues and expenses related to USAID/Haiti funding, but not for the transactions related to Other Income. We were not able 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 US \$ 78,861.

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

Internal Control Structure

We studied and evaluated the Centers for Development and Health's internal control structure relative to the components of USAID/Haiti Projects no. 521-0194, no. 521-0189 and no. 521-0218, 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 and not to provide assurance on CDS'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 relative to Other Income. As a result, our study and evaluation did not extend beyond a preliminary review phase.

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 CDS did not maintain adequate accounting records for the non-USAID funds
- o Some subgrantees supervised by CDS had major deficiencies
- o CDS lacked a defined method of allocation for common costs between projects
- o CDS lacked a defined method of allocating salary costs between the projects
- o CDS and subgrantees did not obtain quotations for some procurements
- o Salaries benefits were not properly allocated
- o Personnel files were not established by some subgrantees.

Compliance with the Terms of Agreements and Applicable Laws and Regulations

Due to the inadequacy of Centers For Development and Health's accounting records maintained for other income, we were unable to evaluate the CDS'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 on compliance with the terms of 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.

Management Capability

CDS has sufficient management capability to manage these and future projects except for the following matter described in detail in the management capability section of this report:

- o CDS administrative procedures are not documented and are not applied on a consistent basis.

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.

Financial Capability

CDS has sufficient financial capability to manage and execute the components of the USAID/Haiti Projects nos. 521-0194 and 521-0189 and 521-0218, for which it is responsible and future projects except for the matter described in the financial capability sector of this report:

- o CDS does not have an 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 6, 1990, which was attended by representatives of RIG/AT, USAID/Haiti and CDS. Additional explanation and/or evidence regarding certain findings and costs initially questioned were provided, and where appropriate, changes have been incorporated into this report. In their written comments on the report recommendations, included in annex I, management expressed their general agreement with the report comments and provided information in measures taken for the implementation of the recommendations.

KPM & Peat Marwick

Certified Public Accountants

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(CENTRES POUR LE DEVELOPPEMENT ET LA SANTE - CDS)

USAID/Haiti Project no. 521-0194

USAID/Haiti Project no. 521-0189

USAID/Haiti Project no. 521-0218

Other Income

Fund Accountability StatementIndependent Auditor's Report

We were engaged to audit the accompanying fund accountability statement of Centers for Development and Health (Centres Pour le Développement et la Santé - CDS) including the components of the Private Sector Family Planning, the Mobilizing Mothers for Child Survival, the Expanded Urban Health Service Projects managed by CDS and Other Income for the period September 1, 1987 to September 30, 1989. The fund accountability statement is the responsibility of CDS' management.

We attempted to conduct our audit in accordance with Generally Accepted Auditing Standards and the 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.

CDS did not maintain adequate accounting records and sufficient evidential documents for the revenues and expenses from other than A.I.D. projects sources. We were not able to apply other auditing procedures to satisfy ourselves as to the propriety of such other funding and the completeness of the revenues and expenses from those other sources.

Since we are unable to reasonably determine the materiality of the other income, as previously mentioned, 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 was prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.



Included in the expenditures on the accompanying fund accountability statement is \$ 78,861 of questionable costs, as described in note 9. These costs are discussed in the "findings and recommendations" section of this report. The U.S. Agency for International Development 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 CDS. 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

December 20, 1989

CENTERS FOR DEVELOPMENT AND HEALTH (CDS)
(CENTRES POUR LE DEVELOPEMENT ET LA SANTE - CDS)

USAID/Haiti Project no. 521-0194
USAID/Haiti Project no. 521-0189
USAID/Haiti Project no. 521-0218
Other Income

Fund Accountability Statement

September 1, 1987 to September 30, 1989

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

<u>Categories</u>	<u>Project no. 521-0194</u>	<u>Project no. 521-0189</u>	<u>Project no. 521-0218</u>	<u>Other Income</u>	<u>Total</u>
Funding provided (note 1)	\$ <u>2,285,913</u>	\$ <u>40,698</u>	\$ <u>779,981</u>	\$ <u>503,660</u>	\$ <u>3,610,252</u>
Expenditures:					
AOPS	904,561	-	-	-	904,561
INHSAC	362,306	-	-	-	362,306
Private voluntary organizations (note 3)	322,219	-	-	-	322,219
Child Health Institute (CHI)	316,662	-	-	-	316,662
Operations research (note 4)	151,951	-	-	940	152,891
Eye-Care/March	78,065	-	-	-	78,065
CMSCS	66,935	-	-	-	66,935
PIGNON	54,890	-	-	-	54,890
Salaries and benefits	161,358	34,884	299,159	346,852	842,253
Office expenses	65,331	1,086	30,453	15,332	112,202
Vehicle maintenance	51,496	-	-	1,808	53,304
Audit	26,800	-	-	-	26,800
Utilities	12,497	-	-	-	12,497
Technical management	5,108	-	-	1,675	6,783
Construction and renovation (note 5)	-	-	13,159	-	13,159
Medical supplies	-	521	-	19,224	19,745
Equipment and maintenance	-	285	1,626	2,983	4,894
Travel and per diem	-	-	-	14,698	14,698
Other expenses (note 6)	-	-	-	85,718	85,718
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenditures	\$ <u>2,580,179</u>	\$ <u>36,776</u>	\$ <u>344,397</u>	\$ <u>489,230</u>	\$ <u>3,450,582</u>
Excess of funding provided (expenditures) over expenditures (funding provided)	(294,266)	3,922	435,584	14,430	159,670
Fund balance, at beginning of period	<u>360,931</u>	<u>(1,232)</u>	<u>-</u>	<u>4,925</u>	<u>370,624</u>
Fund balance, at end of period (note 7)	\$ <u><u>72,665</u></u>	\$ <u><u>2,690</u></u>	\$ <u><u>435,584</u></u>	\$ <u><u>19,355</u></u>	\$ <u><u>530,294</u></u>

See accompanying notes to the fund accountability statement.

1) Total questionable costs amount to \$ 78,861 - See note 9 to the fund accountability statement for specific questionable costs.

CENTERS FOR DEVELOPMENT AND HEALTH
(CENTRES POUR LE DEVELOPPEMENT ET LA SANTE - CDS)

USAID/Haiti Project no. 521-0194

USAID/Haiti Project no. 521-0189

USAID/Haiti Project no. 521-0218

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 Centers for Development and Health (CDS) was granted legal recognition by a decree published in "Le Moniteur" on August 31, 1987.

CDS received a grant from USAID/Haiti (Project no. 521-0194) for an amount of \$ 5,314,300 as amended in 1986. These funds have been provided to enhance child survival through expansion of primary health care service, testing and implementation of targeted interventions. The project is conducted with the participation of various subgrantees:

- o Medical Social Center of Cité Soleil (Complexe Médico-Social de la Cité Soleil - CMSCS)
- o Eye Care/March
- o Welfare Committee of Pignon (Comité de Bienfaisance de Pignon)
- o Child Health Institute (Institut Haitien de l'Enfance - CHI)
- o Association of Private Organization of Health (Association des Oeuvres Privées de Santé - AOPS)
- o Haitian Institute of Community Health (Institut Haitien de Santé Communautaire - INHSAC).

CDS also received a grant from USAID/Haiti (Project no. 521-0218) for an amount of \$9,945,000 of which \$1,400,000 has been obligated as of September 30, 1989, to carry out a program of urban health services directed at improving the health status of impoverished residents of five urban sites.

CENTERS FOR DEVELOPMENT AND HEALTH
(CENTRES POUR LE DEVELOPPEMENT ET LA SANTE - CDS)
Notes to the Fund Accountability Statement

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

CDS also received a subgrant from the International Planned Parenthood Federation (IPPF/WHR) within the USAID/Haiti Project no. 521-0189 to finance training courses on planned parenthood. As of September 30, 1989, total funds received from IPPF/WHR under this program amounted to \$40,698.

CDS also received funds from various other sources in the form of indirect grants.

- 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.
- 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) Other Income

Other Income includes the following:

Johns Hopkins University (JHU)	\$ 363,408
Helen Keller International (KHI)	77,828
Family Health International (F.H.I.)	54,147
Family Planning International Assistance (F.P.I.A.)	4,649
Program for Appropriate Technology in Health (PATH)	<u>3,628</u>
	\$ <u>503,660</u>

The bonus calculated on the salaries of Project no. 521-0194 as of September 30, 1989, and due in December 1989 has been transferred to a bank account for other income since the Project was completed on September 30, 1989.

CENTERS FOR DEVELOPMENT AND HEALTH
(CENTRES POUR LE DEVELOPPEMENT ET LA SANTE - CDS)

Notes to the Fund Accountability Statement

(3) Private Voluntary Organizations (PVO's)

This category includes the subgrants awarded to the following PVO's:

CODNE	\$ 170,545
Save The Children	34,499
Minesota International Health Volunteers (MIHV)	<u>117,175</u>
	\$ <u>322,219</u>

(4) Operations Research

This category includes subgrants awarded to the following institutions:

Eye Care NOVA	\$ 129,372
Tessa Wadlaw	19,352
William Pape	3,994
June Pierre-Louis	<u>(767)</u>
	\$ <u>151,951</u>

(5) Construction and Renovation

A contract in the amount of \$ 11,997 was signed in August 1989 with an engineer for renovation work of the roof and other areas of the administrative building. As of September 30, 1989, an advance of \$10,000 has been awarded under this contract.

(6) Other Expenses

The expenses incurred using other income are as follows:

Family Health International (FHI)	\$ 22,673
Program for Appropriate Technology in Health (PATH)	313
Johns Hopkins University (JHU)	39,132
Helen Keller International (KHI)	<u>23,600</u>
	\$ <u>85,718</u>

CENTERS FOR DEVELOPMENT AND HEALTH
(CENTRES POUR LE DEVELOPPEMENT ET LA SANTE - CDS)

Notes to the Fund Accountability Statement

(7) Fund Balances

The fund balances at September 30, 1989:

	Project # 521-0194	Project # 521-0189	Project # 521-0218
Bank	\$ 68,777	\$ 2,690	\$ 317,735
Petty cash	-	-	5,176
Advances	-	-	92,600
Account Receivable-EUHS	5,748	-	20,073
R. Boulos	(100)	-	-
Difference not identified	<u>(1,760)</u>	<u>-</u>	<u>-</u>
	<u>\$ 72,665</u>	<u>\$ 2,690</u>	<u>\$ 435,584</u>

(8) Related Party Transactions

- a) Centers for Development and Health (CDS) leases its office space from Seahan Motors, a company owned by a board member of CDS. The monthly rental fee is \$800. The total rent paid by CDS to Saehan Motors from Project no. 521-0194 amounts to \$17,600 for the twenty-five month period ended September 30, 1989. The rent for the months of July to September 1989 amounting to \$2,400 was paid under the Project no. 521-0218.
- b) During the twenty-five month period ended September 30, 1989, CDS purchased equipment from Sanyo Center, a company in which board members of Centers for Development and Health (CDS) are stockholders. Of the total expenses examined, transactions with this company were incurred for the purchase of equipment in the amount of \$2,495. These funds were disbursed from Project no. 521-0194. Some maintenance expenses amounting to \$440 were also incurred with Universal Motors, a company in which one board member of CDS is a stockholder.
- c) Some operating expenses of Project no. 521-0218 for per diem were paid to CODNE and CHA, which are related parties. Further, the operating expenses of CMSCS Health (Project no. 521-0218) were incurred in cash and reimbursed to Hospital St. Catherine or the Sisters, which are related to the Project.

(9) Questionable Costs

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

CENTERS FOR DEVELOPMENT AND HEALTH
(CENTRES POUR LE DEVELOPPEMENT ET LA SANTE - CDS)

Notes to the Fund Accountability Statement

(9) Questionable Costs (Continued)

- 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.

Ineligible costs are all those costs unallocable and or unallowable in accordance with the terms of 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 CDS 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>	<u>Unsupported Costs</u>	<u>Total</u>
<u>Project no. 521-0194:</u>			
Accounts receivable-CHI	\$ 66,509	\$ -	\$ 66,509
Accounts receivable- Eye Care NOVA	1,803	-	1,803
Fund balance difference	-	(1,761)	(1,761)
USPVO's (difference)	874	-	874
Save the Children (dif- ference between bank and cash status report)	488	-	488
Gasoline expenses	<u>10,428</u>	<u>-</u>	<u>10,428</u>
Total	\$ <u>80,102</u>	\$ <u>(1,761)</u>	\$ <u>78,341</u>

CENTERS FOR DEVELOPMENT AND HEALTH
(CENTRES POUR LE DEVELOPPEMENT ET LA SANTE - CDS)

Notes to the Fund Accountability Statement

(9) Questionable Costs (Continued)

<u>Budget categories</u>	<u>Ineligible Costs</u>	<u>Unsupported Costs</u>	<u>Total</u>
Balance carried over	\$ 80,102	\$ (1,761)	\$ 178,341
<u>Project no. 521-0218:</u>			
Salaries and benefits			
CDS	260	-	260
Salaries EUHS-Bonus			
incorrect	<u>260</u>	<u>-</u>	<u>260</u>
	\$ <u>80,622</u>	\$ <u>(1,761)</u>	\$ <u>78,861</u>

(10) Commitments - Project no. 521-0194

The accounts payable related to services received and goods purchased prior to September 30, 1989 are as follows:

Computer costs for AOPS	\$ 31,200
CHI expenses	5,083
Construction contract	3,485
INHSAC expenses	3,281
Purchase of two Cherokee Motors	1,586
Interest and bank service charges	
equitable banks	406
Office supplies	<u>262</u>
	\$ <u>45,303</u>

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CENTERS FOR DEVELOPMENT AND HEALTH
(CENTRES POUR LE DEVELOPPEMENT ET LA SANTE - CDS)USAID/Haiti Project no. 521-0194
USAID/Haiti Project no. 521-0189
USAID/Haiti Project no. 521-0218
Other IncomeInternal Control StructureIndependent Auditor's Report

We were engaged to audit the fund accountability statement of the Centers for Development and Health (CDS) including the components of the Mobilizing Mothers of Child Survival, the Private Sector Family Planning and the Expanded Urban Health Service Projects no. 524-0194, 521-0189 and 521-0218, managed by CDS for the period September 1, 1987 to September 30, 1989 and we issued our report thereon dated December 20, 1989, in which we disclaimed an opinion due to limitations in the scope of our work.

The management of CDS 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 Centers for Development and Health applicable to the components of USAID/Haiti Projects no. 521-0194, 521-0189 and 521-0218, for which it is responsible, in the following categories:

- o Procurement system
- o Accounting process



- o Payroll procedures
- o Receipts and disbursements
- o Travel and transport 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 phase.

However, we noted the following matters described as findings 1 to 7 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, 2, 3, 4 and 6 described in the following pages are material weaknesses.

This report is intended solely for the use of CDS 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.

KPMG Peat Marwick

December 20, 1989

CENTERS FOR DEVELOPMENT AND HEALTH
(CENTRES POUR LE DEVELOPPEMENT ET LA SANTE - CDS)

USAID/Haiti Project no. 521-0194
USAID/Haiti Project no. 521-0189
USAID/Haiti Project no. 521-0218
Other Income

Internal Control Structure

Findings

1. CDS did not maintain adequate accounting records for the non-USAID funds

Condition:

CDS did not follow uniform accounting procedures for the recording of transactions relative to Non-USAID funds. Formal accounting books were not maintained for some of these funds and financial reports were not prepared for the revenues it generated from its other activities.

Criteria:

All funds received should be recorded in an adequate manner to assure their completeness and accuracy.

Cause:

Since these funds are not material individually, CDS maintained the minimum records required by the other grantors.

Effect:

The information available relative to Other Income was insufficient and we could not assure ourselves of its completeness.

Recommendation:

We recommend that CDS follow uniform accounting and reporting procedures for all the sources of funds received.

2. Some subgrantees supervised by CDS had major deficiencies

Conditions:

- o The subgrant awarded to Minnesota International Health Volunteers (MIHV) was suspended after one year because of operational problems. Nevertheless, \$34,473 of expenses incurred by MIHV were approved by USAID although they were insufficiently supported as noted by CDS.

- o There was a breakdown of communication between CHI and CDS for over a year which resulted in unjustified advances from CHI in CDS' books of \$66,509, even after CDS project officer reviewed and accepted the documentation submitted by CHI.
- o Accounting books were not maintained by CMSCS and Tessa Wardlaw for the subgrants received from CDS.
- o There was a lack of guidelines and supervision of some subgrantees by CDS and consequently a lack of uniformity and comprehensive knowledge of the requirements of USAID by the parties involved.

Criteria:

Standard policies and procedures should be established and communicated to all subgrantees to ensure full compliance with the provisions of the agreements.

Proper supervision and follow-up procedures should be performed by the grant manager to ascertain that adequate procedures have been implemented.

Cause:

Some procedures were communicated by CDS's management office to the subgrantees when necessary or when a problem occurred. However, a general review of the subgrantees procedures and books was not done systematically by CDS.

Effect:

Control procedures for procurement, travel and salaries were not applied on a uniform basis by all subgrantees. This resulted in the unreconciled differences of \$66,509 with CHI, \$1,803 with Eye Care Nova, \$874 with the USPVOs and \$488 with Save the Children, which are considered as questionable costs, as stated in note 8 to the fund accountability statement. This lack of proper procedures also resulted in disallowed expenses by CDS for some subgrantees.

The expenses incurred by MIHV for \$34,473 were not considered as questioned costs for CDS since they were approved by USAID/Haiti, although CDS had brought the irregularities to the attention of USAID.

Recommendation:

CDS's management should document specific applicable procedures to the subgrantees and assure their enforcement by the responsible personnel prior to awarding the subgrant. These guidelines should encompass USAID and management policies to ensure compliance with the provisions of the agreement.

3. CDS lacked a defined method of allocation for common costs between projects

Condition:

Allocation of expenses such as photocopy, gasoline and supplies between projects is done on an arbitrary basis, depending on the availability of funds.

Criteria:

The allocation of expenses between the two projects should be based on the level of activity of each project.

Cause:

CDS does not have established procedures related to cost allocation between projects.

Effect:

The allocation of common cost between projects is based upon the availability of funds of the projects. Since both projects related to USAID funding, this deficiency has not resulted in questionable costs.

Recommendation:

We recommend that a policy be established for the allocation of expenses between the projects. Factors such as the percentage of activity, or direct use by a project should be taken into account.

4. CDS lacked a defined method of allocating salary costs between the projects

Condition:

Salaries allocation between the projects managed by CDS is not necessarily based on employee involvement in each project. The allocation basis is established at the beginning of the project, based on the budget established by each grant.

Criteria:

Allocation of salary costs between the projects should be based on the level of participation of each employee to the project activities.

Cause:

Salary allocations are done arbitrarily for each project, based on the availability of funding.

Effect:

The basis for the allocation of salary costs is the grant budgets, which in the opinion of management, approximates the time invested in each project. Since both projects related to USAID funding and employees were only assigned to these projects, this deficiency has not resulted in questionable costs.

Recommendation:

We recommend that CDS's management document the rationale used for the allocation of salaries based on the level of participation in each project activities, as analyzed and agreed upon by the grantors.

5. CDS and subgrantees did not obtain quotations for some procurements

Condition:

CDS and subgrantees 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 AID requirements, three bid quotations must be obtained for all procurement of goods in excess of \$ 250.

Cause:

CDS and subgrantees did not insist on the systematic application of procurement procedures. Information obtained indicates also that often only one supplier had the goods or could provide the services.

Effect:

There is no evidence that these projects obtained the best terms and conditions available to the project for these purchases. However, the prices paid were found to be reasonable in general.

Recommendation:

CDS should adhere to procurement procedures and controls required by project agreements to ensure that all purchases and services are procured at the most advantageous terms and conditions available to the project.

CDS should also assure itself that all subgrantees follow these procedures. Any exception to these procedures should be properly documented by management.

6. Salary/benefits were not properly allocated

Condition:

The salary benefits of one employee was not allocated to the projects in relation to the salaries charged and vacation policies were not applied in a uniform manner.

Criteria:

Salaries benefits should be calculated in relation to salary charged and should be consistent for all employees.

Cause:

Since the accounting is maintained on a cash basis, salaries benefits were not accrued in relation to the salaries charged. CDS started accruing benefits only recently.

Effect:

Salaries benefits were incorrectly charged to some projects. Since both projects related to USAID funding and employees were only assigned to these projects, this deficiency has not resulted in questionable costs.

Recommendation:

We recommend that vacation and other social benefits be documented in each employee's files to allow a proper follow-up and an adequate allocation.

7. Personnel files were not established by some subgrantees

Condition:

Personnel files were not properly maintained by some subgrantees of Project no. 521-0194 such as Eye Care Nova, CMSCS and Save The Children as well as by some regions of the Project no. 521-0218. Consequently, salary authorizations were not sufficiently documented.

Criteria:

All employees should have a file containing all pertinent information about the employee, such as qualification, experience, salary rate approved and salary changes.

Cause:

Management did not see the need to establish the files given the limited number of employees, and since payroll sheets are approved by management.

Effect:

Salary rates and salary increases could not be verified to the authorization document.

Recommendation:

We recommend that all subgrantees be instructed to set up files for all employees upon hiring them.

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CENTERS FOR DEVELOPMENT AND HEALTH
(CENTRES POUR LE DEVELOPPEMENT ET LA SANTE - CDS)

USAID/Haiti Project no. 521-0194
USAID/Haiti Project no. 521-0189
USAID/Haiti Project no. 521-0218
Other Income

Compliance with the Terms of Agreements and Applicable
Laws and Regulations

Independent Auditor's Report

We were engaged to audit the fund accountability statements of Centers for Development and Health (CDS) including the components of the Mobilizing Mothers of Child Survival, the Private Sector Family Planning and the Expanded Urban Health Service, Projects nos. 521-0194, 521-0189 and 521-0218, managed by CDS 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 Centers for Development and Health is responsible for CDS' 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 CDS' compliance with the terms of agreements and applicable laws and regulations, nor were we able to satisfy ourselves as to 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 as finding 1 on the following page.



We considered this material instance of noncompliance in forming our opinion on whether CDS' 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 December 20, 1989 on this financial statement.

This report is intended solely for the use of Centers for Development and Health 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.

KPMG Rest Manovich

December 20, 1989

CENTERS FOR DEVELOPMENT AND HEALTH
(CENTRES POUR LE DEVELOPPEMENT ET LA SANTE - CDS)

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

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

Findings

1 Payroll taxes were not withheld

Condition:

CDS neither declares employees' salaries to tax authorities nor makes withholdings for Social Security (Office Nationale d'Assurance, 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.

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CENTERS FOR DEVELOPMENT AND HEALTH
(CENTRES POUR LE DEVELOPPEMENT ET LA SANTE - CDS)

USAID/Haiti Project no. 521-0194
USAID/Haiti Project no. 521-0189
USAID/Haiti Project no. 521-0218
Other Income

Management Capability

Independent Auditor's Report

We have performed a study and evaluation of Centers for Development and Health's capability to properly manage the components of the USAID/Haiti Projects no. 521-0194, no. 521-0189, no. 521-0218 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 CDS has sufficient management capability to manage these and future projects, except for the following matter as described below and more fully explained in finding 1 on the following page:

- o CDS administrative procedures are not documented and are not applied on a consistent basis.

This report is intended solely for the use of Centers For Development and Health 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 Peat Marwick

December 20, 1989



CENTERS FOR DEVELOPMENT AND HEALTH
(CENTRES POUR LE DEVELOPPEMENT ET LA SANTE - CDS)

USAID/Haiti Project no. 521-0194
USAID/Haiti Project no. 521-0189
USAID/Haiti Project no. 521-0218
Other Income

Management Capability

Finding

1. CDS administrative procedures are not documented and are not applied on a consistent basis

Condition:

CDS 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 CDS establish a procedures manual that will be followed for all projects.

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CENTERS FOR DEVELOPMENT AND HEALTH
(CENTRES POUR LE DEVELOPPEMENT ET LA SANTE - CDS)USAID/Haiti Project no. 521-0194
USAID/Haiti Project no. 521-0189
USAID/Haiti Project no. 521-0218
Other IncomeFinancial CapabilityIndependent Auditor's Report

We have performed a study and evaluation of Centers For Development and Health's financial capability in connection with the components of the USAID/Haiti Projects no. 521-0194, no. 521-0189, no. 521-0218, 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 those 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 finding no. 1 described on the following page, although CDS maintained adequate accounting records for the project funds, the transactions relating to Other Income from various other sources were not properly accounted for. CDS did not maintain adequate accounting records for the operations and we were unable to obtain reliable financial information for those other funds.

Based on our study and our understanding of the criteria included in the statement of work mentioned in the first paragraph, we believe that CDS has sufficient financial capability to manage these and future projects, except for the matter described in the accompanying finding no. 1.

This report is intended solely for the use of Centers for Development and Health 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.

December 20, 1989

KPMG Peat Marwick

CENTERS FOR DEVELOPMENT AND HEALTH
(CENTRES POUR LE DEVELOPPEMENT ET LA SANTE - CDS)

USAID/Haiti Project no. 521-0194
USAID/Haiti Project no. 521-0189
USAID/Haiti Project no. 521-0218
Other Income

Financial Capability

Finding

1. CDS did not have adequate and integrated financial management information and accounting systems

Condition:

CDS 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 and 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:

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

CENTERS FOR DEVELOPMENT AND HEALTH
(CENTRES POUR LE DEVELOPPEMENT ET LA SANTE - CDS)

USAID/Haiti Project no. 521-0194
USAID/Haiti Project no. 521-0189
USAID/Haiti Project no. 521-0218
Other Income

List of Report Recommendations

I. Internal Control Structure

1. Uniform accounting and reporting procedures should be followed.
2. Specific applicable procedures to the subgrantees should be documented.
3. A policy for allocation of expenses between projects should be established.
4. Allocation of salaries based on the level of participation on each project should be documented
5. CDS should adhere to procurement procedures and controls required by project agreements
6. Vacations and other social benefits should be documented
7. All subgrants should be instructed to set up personnel files for all new employees.

II. Compliance with the Terms of Agreement and Applicable Laws and Regulations

Recommendations

1. A statement from the tax authorities should be obtained in view of the fact that salaries of employees of non profit organizations may be tax exempt.

III. Management Capability

1. A procedures manual should be established for all projects managed by CDS.

CENTRES POUR LE DEVELOPPEMENT ET LA SANTE

Centers for Development and Health

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P.O. Box 1666, Port-au-Prince, Haiti
Tél.: 6-0961, 6-0971 Télex : 3490244

Port-au-Prince, September 19, 1989

Mr. David Lieberman
RHC/AT
DAVID / HAITI

Dear Mr. Lieberman,

Following the meeting last Thursday, we are pleased to submit to your attention our management comments relating to Herove Pierre's financial audit for the period September 1, 1987 to September 30, 1989.

We have enclosed copies of all related documents, and remain at your disposal for any further clarifications needed.

Sincerely yours,


Dr. Réginald Boulton
Executive Director

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DE LA CITE SOLEIL

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Centre Médico-Social
Brooklyn
Dispensaire CHAPI,
Centre Haitiano-Arabe,
Centre International
Hôpital Sainte Catherine
Mbouré
Centre Professionnel Papa Yo
Centre de Récupération
nutritionnelle

INSTITUT HAITIEN
SANTE COMMUNAUTAIRE

Cours de Santé
Communautaire
Unité de Production
Unité de Recherches

CENTRE HAITIANO-ARABE
représentant AmériCares
Fondation en Haiti
Distribution de Médicaments
Développement de l'Agriculture

COMPLEXE MEDICO -SOCIAL
DES GONAIVES

Centre de Raboteau
Centre KA-Soleil

CITE DE DEVELOPPEMENT
DU NORD-EST

Centre Médico-Social de
St-Liberty
Centre Médico-Social de
Manamthe
Centre Médico-Social de
Mont Organize et Carice

CENTRE MEDICO -SOCIAL
DE LA FOSSETTE

GRAND HOPITAL DE
PORT-AU-PRINCE

COMPLEXE MEDICO -SOCIAL
DE LA SALINE

CENTRE MEDICAL
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PLEXE MEDICO-SOCIAL
DE LA SALINE

CENTRE MEDICAL
ETTE PLACE CAZEAU

AUDIT OF C.D.S.
SEPTEMBER 1, 1987 - SEPTEMBER 30, 1989
MANAGEMENT COMMENTS

Internal Control Structure

- 1.- CDS did not maintain adequate accounting records for the non-USAID funds.

CDS receives funding from several donor agencies and private individuals with different requirements as to the adequate accounting procedures. For each donor and following their requirements, a financial report is prepared, and records are kept. In this sense, CDS did maintain adequate accounting records for the non- USAID funds, since they responded to the needs.

Nevertheless, CDS does recognize that a consolidated accounting system was not in place during the period under auditing. Yet, the need for uniform accounting procedures for all the sources of funds is well understood by the management. This is why CDS has engaged a firm, COGESA, who is currently establishing a system of accounting and operational controls. (re. Cogesa Proposal and Contract for Technical Assistance to CDS, scope of work #1)

2.- CDS lacked control over some subgrantees

~ The subgrant awarded to Minesota International Volunteers (MIHV) has always been questioned by CDS. (re. Letter to Mike White, May 24, 1988) In fact, the final MIHV voucher was sent separately to USAID. Enclosed you will find the correspondence held by CDS on that matter, along with a copy of the final voucher.

~ As far as the Child Health Institute (CHI) is concerned, CDS has tried everything it could to come into agreement. The problem resulted in the fact that CHI was not keeping adequate accounting records, so CDS decided that until they did, no advances would be made. (re. letter to Dr. Augustin, January 19, 1988) Expenses were done as direct payments and reported to USAID on the monthly vouchers. Unfortunatetly, CHI did not oblige to these direct payments and made payments other than what was agreed upon.

Eventhough our project officer has tried to reconcille the disallowed expenses, these reports do not coincide with the reporting of CDS to USAID. (re. Letter to Merove Pierre, September 6, 1990)

3.- CDS lacked a defined method of allocation for common costs between projects

Eventhough allocation of expenses between projects was not done following a defined method, CDS management used estimates of utilization in billing different projects. We understand that "estimates" are not the preferred procedures, and are working on establishing a good policy for the allocation for common costs between projects. (Re. COGESA's scope of work)

- 4.- CDS lacked a defined method of allocating salary costs between the projects.

CDS has since the end of 1989 established a method of allocating salary costs based on the level of participation of each employee to the project activities. (re. payroll list)

Moreover, CDS is considering, following Ernst and Young's recommendations (dec. 5, 1989) the establishment of a single payroll account and for that purpose CDS will be asking for USAID's and other donors' concurrence.

- 5.- CDS and other subgrantees did not obtain quotations for some procurements.

CDS obtained quotations for all expenses in excess of \$500, as written in its procedures file. (re. purchasing procedures and memo on January 15, 1986)

- 6.- Salaries benefits were not properly allocated.

This was the case for only one situation, i.e. a paid vacation because the employee was asked not to take his vacation due to the workload at the office.

Moreover, with the consolidated accounting system soon to be installed, and the salary allocation based on the participation in project activities, such a situation will hardly be repeated.

- 7.- Personnel files were not established by some subgrantees.

CDS was aware of this pitfall and constantly reminded the subgrantees of the need for them to update their personnel files. Unfortunately, eventhough CDS instructed the subgrantees to set up files for all its employees upon hiring them, it was not in CDS' power to actually established these files for the subgrantees, who remain responsible in the end. (re. copies of some of the memos to subgrantees)

Management Capability

- 1.- CDS administrative procedures are not documented and are not applied on a consistent basis.

CDS did not have a procedure manual, but there existed several memos to the file that provided a reference basis for the entire personnel of the institution. (re. Memos for the procurement procedures, for the preparation of financial reports; for per diems, etc...)

Moreover, CDS in an effort to improve its management system has included in COGESA's scope of work the establishment of a comprehensive set of written policies which should serve as the basis for establishing a manual of administrative and accounting procedures. (re. COGESA's scope of work.)
