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**AUDIT OF USAID/HAITI PROJECT COMPONENTS
MANAGED BY THE ASSOCIATION OF
PRIVATE ORGANIZATION OF HEALTH
SEPTEMBER 1, 1987 TO SEPTEMBER 30, 1989**

**Audit Report No. 1-521-91-21-N
February 26, 1991**

AGENCY FOR INTERNATIONAL DEVELOPMENT

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February 26, 1991

MEMORANDUM

TO: D/USAID/Haiti, David Cohen

FROM: RIG/A/T, Reginald Howard *Reginald Howard*

SUBJECT: Audit of USAID/Haiti Project Components Managed by the Association of Private Organization of Health, September 1, 1987 to September 30, 1989

This report presents the results of a non-Federal financial audit of the Association of Private Organization of Health (Association) 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 Association is a private voluntary organization established to promote community health and family planning activities. A.I.D. funds were provided to the Association through subgrants for a variety of activities. The major responsibilities of the Association included financing training courses on planned parenthood and maternal and child care under the Mobilizing Mothers for Child Survival Project, and providing financial support and technical assistance to member institutions under the Private Sector Family Planning Project. The audit coverage included \$1,334,616 of A.I.D. funds advanced as well as other revenue totaling \$81,397.

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

Peat Marwick found that although the Association 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 Association's fund accountability statement. The auditors identified questioned costs totaling \$2,899 related to the Mobilizing Mothers for Child Survival Project and \$61,527 related to the Private Sector Family Planning Project.

With respect to the internal control structure of the Association, 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 (1) maintenance of accounting records for the institution as a whole; (2) accounting for foreign currency transactions; and (3) compliance with USAID project management requirements.

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 two material areas of noncompliance concerning foreign currency transactions and payroll tax withholding. The auditors were also unable to express an opinion on the Association's management and financial capabilities to administer ongoing and future USAID/Haiti projects, due to the previously mentioned scope limitations.

The draft report was discussed with Mission officials and Association representatives on September 7, 1990. The Mission and Association 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 Association of Private Organization of Health for the following questioned costs identified in the Peat Marwick report dated October 29, 1990:

- a. ineligible office equipment purchases totaling \$1,039 and undeposited gains from currency exchange transactions totaling \$34,500, associated with Project No. 521-0189; and
- b. unsupported costs of \$28,887 representing various expenses incurred in connection with project Nos. 521-0194 and 521-0189.

Recommendation No. 2

We recommend that USAID/Haiti, in conjunction with the Association of Private Organization of Health, develop an action plan including an implementation timetable which will enable the Association to correct the problems with its accounting system, internal controls, compliance, and managerial and financial capability in the areas identified in the Peat Marwick audit report dated October 29, 1990.

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

Audit of

ASSOCIATION OF PRIVATE ORGANIZATION OF HEALTH
(ASSOCIATION DES OEUVRES PRIVEES DE SANTE - AOPS)

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)

ASSOCIATION OF PRIVATE ORGANIZATION OF HEALTH
(ASSOCIATION DES OEUVRES PRIVEES DE SANTE - AOPS)

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

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KPMG Peat Marwick

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October 29, 1990

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

Dear Mr. Howard:

This report presents the results of our audit of the Association of Private Organization of Health (Association des Oeuvres Privées de Santé - AOPS), including the components of Mobilizing Mothers for Child Survival and the Private Sector Family Planning Projects nos. 521-0194 and 521-0189 managed by AOPS for the period from September 1, 1987 to September 30, 1989.

BACKGROUND

The Association of Private Organization of Health (AOPS) is a private voluntary organization incorporated under Haitian Law since 1982, but recognized as a non governmental agency by a Law Decree published in "le Moniteur" on October 4, 1984. AOPS's main purposes are to contribute to the national health plan through community health and family planning activities.

USAID/Haiti signed a cooperative agreement (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 services, 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. AOPS received a subgrant from CDS for an amount not to exceed \$1,648,529, to finance training courses on planned parenthood and on maternal and child care.

On August 20, 1986 for the Project entitled "Private Sector Family Planning Project-Haiti", USAID/Haiti signed a cooperative agreement with the International Planned Parenthood Federation, Western Hemisphere Region Inc. (IPPF/WHR).



AOPS received a subgrant from IPPF/WHR within the USAID/Haiti Project no. 521-0189, for an amount of US \$ 779,933 from Title III funds, to provide financial support and technical assistance to member institutions in order for them to provide family services to their clients and communities.

AOPS also generates other revenues from annual fees paid by members and from Family Health International for the Norplant project.

AUDIT OBJECTIVES AND SCOPE

The objective was to conduct a financial and compliance audit of AOPS 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 AOPS.

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 unsupported costs or those not considered appropriately allocable or allowable under the agreements.
- 2) AOPS' internal control structure is sufficient to capture data under the agreements and is adequate for the projects' purposes.
- 3) AOPS complied with terms of agreements and applicable laws and regulations.
- 4) AOPS has sufficient management capability to administer on-going and future USAID/Haiti projects.
- 5) AOPS 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 CDS and IPPF/WHR, the funding provided to AOPS under the projects no. 521-0194 and no. 521-0189 for the period under audit.

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

Salaries

Analyzing 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 complete in accordance with projects' requirements.

Determining that salaries 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

AOPS 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 Other Income. 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 US \$ 64,426.

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

Internal Control Structure

We studied and evaluated AOPS' 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 AOPS and not to provide assurance on AOPS' 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 stage.

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):

1. The Association of Private Organization of Health's accounting system did not include the operations of the institution as a whole
2. Foreign currency exchange transactions were not properly recorded nor documented
3. There was no policy on the nature of disbursements that are to be paid in U.S. dollars rather than in local currency
4. Gains on currency exchange transactions were not documented and not deposited in the proper account.
5. Procurement of goods by a subgrantee was not in compliance with USAID standard provisions
6. AOPS did not obtain bid quotations for all its procurements
7. Certain expenses incurred and equipment purchased abroad were not properly supported
8. AOPS accounting procedures were not consistently applied
9. Salary changes were not properly documented
10. Board member decisions were not documented in the minutes.

Compliance with Terms of Agreements and Applicable Laws and Regulations

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

As a result, we are not in a position to provide any assurance on 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 instances of non compliance:

1. AOPS did not comply with IPPF/WHR requirements relative to foreign currency transactions
2. Payroll taxes were not withheld.

Management Capability

Because of scope limitations, we are not in a position to express an opinion on AOPS's capability to manage the USAID/Haiti Projects nos. 521-0194 and 521-0189 activities for which it is responsible and future projects. The following deficiency was noted:

- o AOPS's management was not aware of significant procedures required by the grantors including requirements to account for revenue generated from foreign currency transactions and procedures followed were not documented in a manual.

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 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

Because of scope limitations, we are not in a position to express an opinion on AOPS's financial capability to execute the USAID/Haiti Projects no. 521-0194 and 521-0189, activities for which it is responsible and future projects. The following deficiency was noted:

- o. AOPS did not have an integral financial management information and accounting system and did not adequately document revenues generated from foreign currency transactions.

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 AOPS' officials. In this meeting and in their formal reply to our report, included in annex I, management expressed their general agreement with the report comments and provided information on measures taken to implement the recommendations.

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ASSOCIATION OF PRIVATE ORGANIZATION OF HEALTH
(ASSOCIATION DES OEUVRES PRIVEES DE SANTE - AOPS)
USAID/Haiti Project no. 521-0194
USAID/Haiti Project no. 521-0189
Other Income

Fund Accountability Statement

Independent Auditor's Report

We were engaged to audit the accompanying fund accountability statement of Association of Private Organization of Health (Association des Oeuvres Privées de Santé - AOPS) including the components of the Mobilizing Mothers for Child Survival and the Private Sector Family Planning Projects managed by AOPS and Other Income for the period September 1, 1987 to September 30, 1989. The fund accountability statement is the responsibility of AOPS's 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.

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

Since we were unable to reasonably determine the amount of other income, 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 6, the accompanying fund accountability statement includes expenditures of \$ 29,926 and revenues of \$ 34,500 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 U.S. Agency for International Development and AOPS. 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.

ASSOCIATION OF PRIVATE ORGANIZATION OF HEALTH
(ASSOCIATION DES OEUVRES PRIVEES DE SANTE - AOPS)

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

Fund Accountability Statement

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

(Expressed in U.S. dollars - Note 1(d))

| <u>Categories</u> | <u>Project</u> <u>no. 521-0194</u> | <u>Project</u> <u>no. 521-0189</u> | <u>Other</u> <u>Income</u> | <u>Total</u> |
|--|---------------------------------------|---------------------------------------|-------------------------------|---------------------|
| Funding provided (note 2) | \$ <u>881,306</u> | \$ <u>453,310</u> | \$ <u>81,397</u> | \$ <u>1,416,013</u> |
| Expenditures: | | | | |
| Salaries | 283,662 | 98,379 | ~ | 382,041 |
| Subgrants (note 5) | 174,201 | 187,820 | - | 362,021 |
| Construction and re- novation | - | 22,689 | - | 22,689 |
| Training seminars | 113,703 | 4,630 | - | 118,333 |
| Workshop | - | 8,589 | - | 8,589 |
| Office equipment | - | 7,596 | - | 7,596 |
| Office supplies | 74,252 | 22,278 | 74,778 | 171,308 |
| Mothers training | 54,405 | - | - | 54,405 |
| Family training | 75,675 | - | - | 75,675 |
| CHI | 823 | - | - | 823 |
| Local per diem | 29,489 | 2,335 | 93 | 31,917 |
| Transport | 95,063 | 31,298 | - | 126,361 |
| International travel | 3,539 | 17,431 | - | 20,970 |
| Acceptors Club | - | 2,000 | - | 2,000 |
| Audit | - | 3,800 | - | 3,800 |
| Vehicle | - | 15,042 | - | 15,042 |
| Total expenditures | \$ <u>904,812</u> | \$ <u>423,887</u> | \$ <u>74,871</u> | \$ <u>1,403,570</u> |
| Excess of funding provided (expenditures) over expen- ditures (funding provided) | (23,506) | 29,423 | 6,526 | 12,443 |
| Gains on currency exchange (note 3) | - | 34,500 | - | 34,500 |
| Fund balance, at beginning of period | <u>23,837</u> | <u>24,571</u> | <u>-</u> | <u>48,408</u> |
| Fund balance, at end of period (note 4) | \$ <u>331</u> | \$ <u>88,494</u> | \$ <u>6,526</u> | \$ <u>95,351</u> |

See accompanying notes to the fund accountability statement.

1) Total questionable costs amount to \$ 64,426. See note 6 to the fund accountability statement for specific questionable costs.

ASSOCIATION OF PRIVATE ORGANIZATION OF HEALTH
(ASSOCIATION DES OEUVRES PRIVEES DE SANTE - AOPS)

Notes to the Fund Accountability Statement

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

- a) The Association of Private Organization of Health (AOPS) was granted legal recognition by a Law Decree dated July 3, 1983 published in Le Moniteur on October 4, 1984. Its main objective is to promote community health in Haiti.

AOPS received a subgrant from the Centers of Development and Health (CDS) within the project no 521-0194 from USAID/ Haiti for an amount of \$1,648,852. These funds have been provided to finance training courses on planned parenthood and on maternal and child care. As of September 30, 1989 the total funds disbursed by CDS to AOPS under this program amounted to \$1,648,852.

AOPS also received a subgrant from the International Planned Parenthood Federation (IPPF/WHR) within the USAID/Haiti Project no. 521-0189 to provide financial support and technical assistance to member institutions, in order for them to provide family planning services to their clients and communities.

AOPS generates other revenues from annual fees paid by members and from Family Health International for the Norplant project.

- 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) Funding provided -- Other Income

The funds received from other sources include the following:

| | |
|-----------------------------|------------------|
| Members fees | \$ 42,400 |
| Sales of cards | 36,013 |
| Family Health International | 2,000 |
| Others | <u>984</u> |
| | <u>\$ 81,397</u> |

ASSOCIATION OF PRIVATE ORGANIZATION OF HEALTH
(ASSOCIATION DES OEUVRES PRIVEES DE SANTE - AOPS)

Notes to the Fund Accountability Statement

(3) Gains on currency exchange

AOPS disclosed gains amounting to \$ 34,500 resulting from the conversion of US dollars received from IPPF to Haitian Gourdes. We were unable to apply other auditing procedures to satisfy ourselves as to the completeness of such revenues. Those revenues were deposited in a special account, instead of the account used for IPPF funds.

(4) Fund balances

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

| | Project no. 521-0194 | Project no. 521-0189 | Other Income | <u>Total</u> |
|--|-------------------------|-------------------------|-----------------|------------------|
| Account receivable from gains on currency exchange | \$ - | \$ 34,500 | \$ - | \$ 34,500 |
| Bank balance | 12 | 23,589 | 6,526 | 30,127 |
| Petty cash for per diem | - | 506 | - | 506 |
| Account receivable | 319 | - | - | 319 |
| Expenses not yet justified | - | 3,921 | - | 3,921 |
| Expenses disallowed by IPPF/WHR | - | 25,988 | - | 25,988 |
| Others | - | (10) | - | (10) |
| | \$ <u>331</u> | \$ <u>88,494</u> | \$ <u>6,526</u> | \$ <u>95,351</u> |

(5) Subgrants

At September 30, 1989 AOPS cumulative subgrant expenditures are as follows:

Project no. 521-0194

| | |
|--------------------|-------------------|
| Dondon (Pignon) | \$ 40,832 |
| Bainet Amosse | 25,708 |
| Eye Care | 20,091 |
| Carrefour Poy | 13,500 |
| Thiotte | 12,000 |
| Bas fond Philomène | 12,000 |
| Maïssade | 7,853 |
| Phase | 9,999 |
| Save The Children | 8,000 |
| Ste Catherine | 8,000 |
| Minnessota | 4,824 |
| Dessalines | 4,394 |
| AMG Flon | 4,000 |
| Marigot | 1,000 |
| | <u>\$ 174,201</u> |

All advances have been justified as of September 30, 1989.

ASSOCIATION OF PRIVATE ORGANIZATION OF HEALTH
(ASSOCIATION DES OEUVRES PRIVEES DE SANTE - AOPS)

Notes to the Fund Accountability Statement

(5) Subgrants (Continued)

Project no. 521-0189

| | |
|--|-----------------------|
| Hopital Ste. Croix de Léogâne | \$ 40,420 |
| Centre Médico-Social des Gonaïves | 22,300 |
| Dispensaire Bon Berger | 13,550 |
| Dispensaire Samaritain | 12,800 |
| Clinique Fertilité | 12,800 |
| Dispensaire Calebasse | 11,000 |
| Centre de Santé AMG-Bassin | 9,800 |
| MEH Arcahaie | 9,800 |
| Clinique St. Paul | 9,800 |
| ADRA | 9,700 |
| Centre de Santé Christianville | 8,400 |
| Hopital Bonne Fin | 8,000 |
| Clinique Médico Chirurgicale Français | 7,050 |
| Centre de Santé Fauché | 6,200 |
| Hopital de Dufailly | <u>6,200</u> |
| | \$ <u>187,820</u> |

As of September 30, 1989, the amount remaining to be justified on the above expenditures is \$ 23,664.

(6) 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 exclusion 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 line item and costs considered unreasonable under the circumstances.

ASSOCIATION OF PRIVATE ORGANIZATION OF HEALTH
(ASSOCIATION DES OEUVRES PRIVEES DE SANTE - AOPS)

Notes to the Fund Accountability Statement

(6) Questionable Costs (Continued)

The following are costs incurred by AOPS that were determined to be ineligible 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> | | | |
| Transport - Car repair | \$ - | \$ 1,912 | \$ 1,912 |
| Subgrants - Pharmaceuti- cal goods | - | 987 | 987 |
| | <u>\$ -</u> | <u>\$ 2,899</u> | <u>\$ 2,899</u> |
| <u>Project no. 521-0189:</u> | | | |
| Office supplies | \$ - | \$ 3,450 | \$ 3,450 |
| Office equipment | - | 2,185 | 2,185 |
| Transport | - | 13,623 | 13,623 |
| Workshop | - | 5,130 | 5,130 |
| Construction and renovation | - | 1,300 | 1,300 |
| International travel | - | 300 | 300 |
| Office equipment | <u>1,039</u> | <u>-</u> | <u>1,039</u> |
| | <u>1,039</u> | <u>25,988</u> | <u>27,027</u> |
| Total expenditures | <u>1,039</u> | <u>28,887</u> | <u>29,926</u> |
| Gains from currency exchange not reported | \$ <u>34,500</u> | \$ <u>-</u> | \$ <u>34,500</u> |
| | <u>\$ 35,539</u> | <u>\$ 28,887</u> | <u>\$ 64,426</u> |

(7) Related Party Transaction

A subgrant of \$ 22,300 was granted to Complexe Medico Social des Gonaives managed by CDS. CDS is a related party to AOPS.

Certified Public Accountants

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USAID/Haiti Project no. 521-0194

USAID/Haiti Project no. 521-0189

Other Income

Internal Control StructureIndependent Auditor's Report

We were engaged to audit the fund accountability statement of the Association of Private Organization of Health (AOPS) including the components of the Mobilizing Mothers of Child Survival and the Private Sector Family Planning Projects nos. 521-0194 and 521-0189, managed by the Committee for the period from September 1, 1987 to September 30, 1989 and we issued our report thereon dated March 16, 1990, in which we disclaimed an opinion due to limitations in the scope of our work.

The management of AOPS 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 AOPS applicable to components of the USAID/Haiti Projects nos. 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 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 stage.

However, we noted the matters described as findings nos. 1 to 11 in the following pages of AOPS, 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.

(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 5 in the following pages represent material weaknesses.

This report is intended solely for the use of The Association of Private Organization of 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.

KPM & Peat Marwick

March 16, 1990

ASSOCIATION OF PRIVATE ORGANIZATION OF HEALTH
(ASSOCIATION DES OEUVRES PRIVEES DE SANTE - AOPS)

USAID/Haiti Project no. 521-0194

USAID/Haiti Project no. 521-0189

Other Income

Internal Control Structure

Findings

1. The Association of Private Organization of Health'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 were 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 did 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 Association of Private Organization of Health's 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 a more accurate financial position of the institution as a whole.

2. Foreign currency exchange transactions were not properly recorded nor documented

Condition:

The transactions relative to the utilization of contributions received from IPPF/WHR in U.S. dollars were not reflected in the accounting system and were not properly documented.

Criteria:

The subgrant agreement requires that the subgrantee provide IPPF/WHR with a certificate of currency translation for any funds received in U.S. dollars exchanged for another currency. The certificate must be approved by the Director and the exchange premium should be deposited into the IPPF/WHR funds and used for the purpose of the project.

Cause:

IPPF/WHR procedures were not followed.

Effect:

The documentation supporting foreign currency transactions was not adequate and the level of approval for these transactions was not sufficient. We have reported as questionable costs the amount of revenues generated from currency exchange not reported to IPPF/WHR, amounting to \$ 34,500.

Recommendation:

Transactions related to the exchanges of U.S. dollars for local currency should be supported by a certificate of currency translation approved by the subgrantee officer and submitted to IPPF/WHR. The proceeds from the exchange should be used for the related project.

3. There was no policy on the nature of disbursements that are to be paid in U.S. dollars rather than in local currency

Condition:

AOPS used the foreign currency received from IPPF/WHR for exchanges into local currency at a premium against the official exchange rate, as well as for personnel expenses and purchases abroad. There was no policy that specifies the nature of expenses that are to be paid in U.S. dollars.

Criteria:

A policy should clearly state which disbursements may be made in foreign currency, due to the existing exchange premium on the U.S. dollar.

Cause:

A policy had not been established since disbursements other than the regular ones mentioned above were considered on a case by case basis.

Effect:

The absence of a well defined policy as to the nature of disbursements authorized in U.S. dollars increased the risk of irregularities.

Our procedures revealed that foreign currency was used as follows:

- o \$ 13,950 to board members as director fees
- o \$ 40,500 to AOPS employees as additional benefit
- o \$ 59,115 to purchase goods or services from foreign suppliers
- o \$ 219,700 sold to third parties for a premium against the official exchange rate. This premium amounted to \$34,500 in local currency.

Recommendation:

AOPS executive committee and the grantor should approve a policy on the type of disbursements to be paid in U.S. dollars. Transactions not covered by that policy should be approved by the committee on a case by case basis and be approved by the grantor.

4. Gains on currency exchange transactions were not documented and not deposited in the proper account

Condition:

All gains resulting from currency exchange transactions were deposited in a special bank account.

Criteria:

USAID requires that a copy of each currency translation be kept, stipulating the rate of exchange, and the bank where the exchange took place. The entire amount must be deposited in the account related to the specific project.

Cause:

Management considered the gains as other revenues in a special account which was not reported to the auditors. This account was used for expenditures that were not financed by the grants, such as board fees, travel expenses etc.

Effect:

These gains were not reflected in the financial information provided to the auditors.

Recommendation:

Records of all currency exchange transactions must be kept in an adequate manner. The accounting books must reflect these transactions and the related gains must be deposited in the proper bank account.

5. Procurement by one subgrantee was not in compliance with USAID standard provisions

Condition:

Pharmaceuticals were purchased by a subgrantee under USAID funds, without prior approval by USAID, as required in the standard provisions.

Criteria:

Purchases of pharmaceuticals are restricted under USAID standard provisions and they cannot be procured without the prior written authorization of the grant officer.

Cause:

AOPS management was not aware of this USAID regulation.

Effect:

These purchases may be rejected by USAID. They have been reported as questionable costs for an amount of \$ 987.

Recommendation:

AOPS management should be aware of USAID regulations and assure that all subgrantees respect them.

6. AOPS did not obtain bid quotations for all its procurements

Condition:

AOPS did not obtain bid 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 bid quotations must be obtained for all procurement of goods in excess of \$250.

Cause:

Information obtained indicated that often only one supplier had the goods needed or that some suppliers did not want to provide quotations.

Effect:

There was evidence that AOPS obtained the best terms and conditions available to the project for these purchases. The prices paid were found to be reasonable based upon current market conditions.

Recommendation:

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

Any exception to these procedures should be properly documented by management.

7. Certain expenses incurred and equipment purchased abroad were not properly supported

Condition:

Expenses for car repair totalizing \$1,912 and the purchase of equipment in the U.S. in the amount of \$1,039 by a member of management were not supported with formal invoices.

Criteria:

All purchases must be supported by formal, detailed invoices. In addition, the grantee needs to document why purchases are made abroad, since there are specific procedures for purchases in the U.S.

Cause:

An invoice was submitted but it did not provide adequate information on the transaction.

Effect:

AOPS did not comply with the procurement procedures prescribed by USAID. These costs have been reported as questionable costs in the amounts of \$1,912 (car repairs) and \$1,039 (equipment) respectively.

Recommendation:

We recommend for all purchases that a formal, detailed invoice be submitted which mentions vendor's name, address, date of purchase, and bears a seal "paid". The grantee must also document the reason for purchasing abroad.

8. AOPS accounting procedures were not consistently applied

Conditions:

- o Petty cash was not maintained on an imprest basis
- o AOPS did not record audit adjustments agreed upon
- o Two exceptions were noted in the established procedures for voucher approval.

Criteria:

Grantee must maintain adequate accounting procedures to assure the reliability of the financial information reported and achieve a proper management of funds.

Cause:

AOPS did not implement the proposed accounting procedures.

Effect:

The absence of properly implemented procedures increases the risk of irregularities. However, we did not note any irregularities in the course of our work.

Recommendation:

AOPS management should implement a comprehensive accounting system, which should include specific control procedures.

9. Salary changes were not properly documented

Condition:

We did not find in the employees' files the approval of salary increases by AOPS management.

Criteria:

All salary increases must be properly approved and documented.

Cause:

Management believed that approval of the payroll sheets including the rate increases was sufficient documentation, since it was already included in the budget.

Effect:

Employees' salary increase could not be verified to the authorization document. However the salary sheets were signed by management as evidence of their approval.

Recommendation:

We recommend that all salary increases be documented in the employee files bearing the approval of AOPS management.

10. Board member decisions were not documented in the minutes

Conditions:

Decisions such as the foreign currency transactions taken by board members are generally not documented in minutes. Only certain notes were taken on decisions made by the board.

Certain transactions by some projects are made with companies or parties related to board members, which may give an appearance of lack of independence.

Criteria:

Major decisions taken by the board should be properly documented, as evidence of their approval. USAID rules require that board members do not participate in decisions directly related to them.

Cause:

Minutes documenting the board actions were not maintained.

Although pro-forma quotations were obtained in some instances, it was not sufficient to eliminate the appearance of a conflict of interest in all instances.

Effect:

The approval process of the board members for certain major financial decisions was not documented, and we did not find sufficient evidential documents to support the foreign currency transactions and those performed with related parties.

Recommendation:

We suggest that board members document in the minutes the major decisions taken by the board. The board should systematically approve certain decisions such as foreign currency transactions for major purchases, salary levels of management, major contracts, etc.

Transactions with related parties should be fully documented justifying the criteria used for the choice made. We also suggest, as required by USAID rules, that board members do not participate in decisions directly related to them.

ASSOCIATION OF PRIVATE ORGANIZATION OF HEALTH
(ASSOCIATION DES OEUVRES PRIVEES DE SANTE - AOPS)

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 RegulationsIndependent Auditor's Report

We were engaged to audit the fund accountability statement of the Association of Private Organization of Health (AOPS) including the components of the Mobilizing Mothers of Child Survival and the Private Sector Family Planning Projects nos. 521-0194 and 521-0189, managed by AOPS for the period from September 1, 1987 to September 30, 1989 and we issued our report thereon dated March 16, 1990, in which we disclaimed an opinion due to limitations in the scope of our work.

The management of AOPS is responsible for AOPS' 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 AOPS' 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 instances of non compliance described as findings 1 and 2 on the following pages.



We considered these material instances of noncompliance in forming our opinion on whether AOPS' 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 March 16, 1990 on this financial statement.

This report is intended solely for the use of the Association of Private Organization of 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 Peat Marwick

March 16, 1990

ASSOCIATION OF PRIVATE ORGANIZATION OF HEALTH
(ASSOCIATION DES OEUVRES PRIVEES DE SANTE - AOPS)

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. AOPS did not comply with IPPF/WHR requirements relative to foreign
currency transactions

Condition:

AOPS exchanged for a premium, the funds received in foreign currency from IPPF/WHR, without complying with clause 5 of the subgrant agreement. Further, the revenues generated from the exchange transactions were deposited in a bank account which was not disclosed to the auditors at the start of the audit. These funds were used mainly for director fees, additional compensation and loans to members of the personnel.

Criteria:

Clause 5 of the subgrant agreement signed between AOPS and IPPF/WHR requires that the grantee submit to IPPF/WHR a certificate of currency translation for any funds received in U.S. dollars exchanged for another currency. These certificates must be approved by the Director. In addition, A.I.D. regulations require that all revenues generated from activities financed by USAID funds must be deposited in the project funds and used for the purposes of the projects.

Cause:

Based on our discussions with management, the board members were of the opinion that since the foreign currency funds received from IPPF/WHR were properly recorded in the books of AOPS and IPPF/WHR at the historical rate of 5 to 1, any incremental revenue from these funds, negotiated by the board, were non-budgeted income that were to be used at the discretion of the board.

The board decisions relative to the utilization of the foreign currency funds and to the utilization of the foreign currency gains were not contained in minutes nor documented elsewhere.

Effect:

We became aware at a very late stage of our audit, through extensive investigative procedures, of the existence of foreign currency gains, as well as the existence of the bank account used to deposit proceeds from foreign currency transactions.

We were unable to examine sufficient supporting documentation on those transactions to enable us to determine with accuracy the total revenues generated from the foreign currency transactions, nor were we able to review the purpose of the utilization of these revenues.

Recommendation:

We have been informed that IPPF/WHR no longer provides funds in U.S. dollars, except for purchases abroad or justified transactions in foreign currency. Nevertheless, in the event AOPS receives funds in U.S. dollars which are to be exchanged in local currency, they must comply with the requirements of the agreements and adequately document the transactions indicating the beneficiary, the exchange rate used and the treatment of the revenues generated. We also suggest that AOPS establish a policy relative to the nature of the expenses that can be incurred utilizing foreign currency.

2. Payroll taxes were not withheld

Condition:

AOPS 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.

ASSOCIATION OF PRIVATE ORGANIZATION OF HEALTH
(ASSOCIATION DES OEUVRES PRIVEES DE SANTE - AOPS)USAID/Haiti Project no. 521-0194
USAID/Haiti Project no. 521-0189
Other IncomeManagement CapabilityIndependent Auditor's Report

We have performed a study and evaluation of the Association of Private Organization of Health (AOPS') capability to properly manage the components of the USAID/Haiti Projects no. 521-0194 and no. 521-0189, components for which it is responsible. Except as discussed in the following paragraph, our work was conducted in accordance with generally accepted auditing standards and the United States 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.

We were unable to obtain sufficient competent evidential documentation to support foreign currency transactions and the resulting gains. Consequently we were unable to reflect in other income the financial information related to foreign currency transactions and the scope of our work was not sufficient to enable us to express and we did not express an opinion on the related fund accountability statement. Due to the above scope limitation, we are not in a position to express and we do not express an opinion on AOPS' capability to manage USAID projects no. 521-0194 and no. 521-0189. The deficiencies noted are described in the accompanying finding no. 1.



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March 16, 1990

KPMG Peat Marwick

ASSOCIATION OF PRIVATE ORGANIZATION OF HEALTH
(ASSOCIATION DES OEUVRES PRIVEES DE SANTE - AOPS)

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

Management Capability

Finding

1. AOPS's management was not aware of significant procedures required by the grantors and procedures followed were not documented in a manual

Condition:

AOPS management performed foreign currency transactions without being aware of the procedures required in the circumstances, even though they were specifically mentioned in the grant agreement. The procedures followed by AOPS and its policies were not documented in a procedures manual.

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 did not fully comprehend the conditions of the grant agreements.

Effect:

Undocumented procedures can result in inefficient controls or give rise to irregularities.

Recommendation:

We recommend that AOPS establish a procedures manual that encompasses all relevant conditions and restrictions imposed by the grantors. This manual should serve as a reference basis for the entire personnel of the institution.

Certified Public Accountants

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ASSOCIATION OF PRIVATE ORGANIZATION OF HEALTH
(ASSOCIATION DES OEUVRES PRIVEES DE SANTE - AOPS)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 Association of Private Organization of Health's financial capability in connection with the USAID/Haiti Projects no. 521-0194 and no. 521-0189, components for which it is responsible. Except as discussed in the following paragraph, 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 system.

We were unable to obtain sufficient competent evidential documentation to support foreign currency transactions and the resulting gains. Consequently we were unable to reflect in other income the financial information related to foreign currency transactions and the scope of our work was not sufficient to enable us to express and we did not express an opinion on the related fund accountability statement. Due to the above scope limitation, we are not in a position to express and we do not express an opinion on AOPS' capability to manage USAID projects no. 521-0189 and no. 521-0194. The deficiencies noted are described in the accompanying finding no. 1.

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KPMG Peat Marwick

March 16, 1990



ASSOCIATION OF PRIVATE ORGANIZATION OF HEALTH
(ASSOCIATION DES OEUVRES PRIVEES DE SANTE - AOPS)

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

Financial Capability

Finding

1. AOPS did not have an integral financial management information and accounting system and did not adequately document revenues generated from foreign currency transactions

Condition:

AOPS prepares financial reports only for individual grant funds, as requested by the donors. Financial statements for the institution as a whole were not produced and AOPS has no control in place to assure that all transactions were adequately processed and reflected in the accounting books. As a result, revenues generated from foreign currency transactions were not adequately recorded.

Criteria:

Properly integrated accounting and budget control systems for the institution as a whole, as well as for its individual programs, are necessary for proper management and decision making process, and to assure that all transactions are processed.

Cause:

A draft accounting system chart of accounts was submitted by our firm in September 1988, but has not been implemented yet by AOPS, since it was not officially approved by management.

Effect:

The financial information generated by the current financial accounting system did not reflect the overall operations of the institution and as a result other income from foreign currency transactions could not be properly supported.

Recommendation:

AOPS should implement a financial accounting and management information system capable of generating complete and reliable information.

ASSOCIATION OF PRIVATE ORGANIZATION OF HEALTH
(ASSOCIATION DES OEUVRES PRIVEES DE SANTE - AOPS)

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. Foreign currency exchange should be properly recorded and documented
3. AOPS should have a policy on the type of disbursement to be paid in U.S. dollars
4. Gains on currency exchange transactions should be documented and deposited in the proper account
5. All AOPS subgrantees must develop and document adequate procurement procedures which are in line with the USAID regulations
6. AOPS should obtain bid quotations for all procurements in excess of the limit stipulated by USAID
7. All purchases must be supported by adequate documentation
8. AOPS accounting procedures should be consistently applied
9. Salary changes should be properly documented
10. Board member decisions should be documented in the minutes.

II. Compliance with agreement terms and applicable laws and regulations

1. AOPS should comply with AID regulations concerning foreign currency transactions
2. AOPS should adhere to the payroll tax requirements in relation to employees tax withholding and employer's contribution.

III. Management capability

1. AOPS should establish a procedures manual

IV. Financial capability

1. Financial management information and the accounting system need to be improved.

Management Comments
of the audit of
ASSOCIATION OF PRIVATE ORGANIZATION OF HEALTH
(ASSOCIATION DES OEUVRES PRIVEES DE SANTE - AOPS)

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



ASSOCIATION DES OEUVRES PRIVÉES DE SANTÉ

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1- The Association or Private Organization of Health's accounting system did not include the operations of the institution as a whole.

Management was not aware of USAID Standards provisions (paragraph 2 - 7 of Handbook 13) requiring grantees to maintain accounting records that contain all the financial information of the institution's activities. This is one recognized weakness for which the corrective measures are already underway. Starting in January 1990, the Den School, a branch of Indiana University in Haiti, (under contract with URC) is installing a computerized accounting system called NEWVIEWS which will allow AOPS to analyze activities by funding source including : USAID/VACS, USAID/IPPF, Family Health International, and AOPS private revenues. The system will be able to generate consolidated reports of AOPS operations while, at the same time, producing required individual donor financial reports, data necessary for both short and long term financial forecast, cash flow forecast, detailed costs analyses and calculation of overhead costs. Management expects that this system will be operational October 15. See annex 1.

2- Foreign currency exchange transactions were not properly documented and approved.

AOPS Management has provided to the auditors all documents, and information, that are available concerning gains from the conversion of U.S. Dollars received from IPPF. The books on the use of that money were also made available.

Management places in annex 2 a report showing all entries and withdrawals made on this account, and copies of all documents available on the management of this account. It must to be recognized however that some currency exchange transactions were not properly documented and approved.

Management is ready to take all necessary actions recommended by the auditors to correct this problem and to prevent its repetition.



ASSOCIATION DES OEUVRES PRIVÉES DE SANTÉ

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3- There was no policy on the nature of disbursements that are to be paid in U.S. Dollars rather than in local currency.

Since 1989 the money AOPS receives from all sources of funding for Expenses in Haiti are in local currency (Gourdes). If something should be bought abroad AOPS obeys the donors policy and gets prior donor approval to get the money in U.S. Dollars.

4- Gains on currency exchange transactions were not documented and not deposited in proper account.

There is however some revenues amounting to \$34,500.00. According to the former President of the board this money comes from U.S. Dollars provided to AOPS by IPPF. The gain was deposited in a special account to be used for AOPS purposes.

There is no documentation on the transactions but when we try to match the amount of money taken out from the U.S. Dollars reserve and the amount deposited in the special account #2 for the same period we find the rate at which the money was sold. If the current management cannot explain how this account was opened and funded, it can show that expenses from this account have sufficient evidential documents. (see annex 3)

5- Procurement of goods by a subgrantee was not in compliance with USAID standard provisions.

AOPS management will take necessary steps to ensure that USAID regulations are available and that all subgrantees know them and respect them. A summary of the standard provisions will be prepared and distributed to all management staff in AOPS and the subgrantees.

6- AOPS did not obtain bid quotations for all its procurements.

Management recognizes that there is some weaknesses in the system of bid quotations. Nevertheless, since July 1989, management has been requesting three proformas for all expenses over Two Hundred Dollars (\$200.00). Selection are then made, and a purchase order issued for all procurements. Whenever it is not possible to get three proformas, management provides an explanation to support the purchase.



ASSOCIATION DES OEUVRES PRIVÉES DE SANTÉ

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7- Certain expenses incurred and equipment purchased abroad were not properly supported.

Concerning the car repair totalizing \$1,912.00 the receipts for this expenses that AOPS received from Antillean Motors are in annex (4).

The purchase of equipment in the U.S. for the amount of \$1,039.00 is one management mistake that has since been corrected. AOPS has the draft of an accounting procedures manual prepared by Merovee PIERRE. This manual will be updated by "The Den", with the installation of our new computerized accounting system. When properly followed, these procedures will prevent the repetition of such mistakes. (see annex 5)

8- AOPS accounting procedures were not consistently applied.

Petty Cash is now maintained on an imprest basis. It is regularly replenished when receipts are furnished for management control. All withdrawals are made with management approval evidenced by authorized signatures.

Adequate accounting procedures are being implemented now with the help of the Den consultation under contract with URC.

9- Salary changes were not properly documented.

The recommendations of auditors stating that all salary increases be documented in the employee files bearing the approval of AOPS management is fully accepted. AOPS has already conducted a performance appraisal this year during the month of March. A second one will be conducted in September. Based on the result of the second performance appraisal, salary increase will be given and a letter documenting that increase will be put in each employee's file. (see annex 6)

10- Board member decisions are not documented in the minutes.

Board member decisions are partly documented. Since July 24, 1990 an agenda has been prepared by General Director for all boards meetings. Notes were taken on decisions made by the board. (see annex 7)



ASSOCIATION DES OEUVRES PRIVÉES DE SANTÉ

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Management Capability.-

AOPS does not have a personnel manual

With the help of URC, AOPS has designed a Personnel Manual that has been in use for about nine months. (see annex 8)

Financial Capability.-

Aops did not have an integrated financial management information and accounting system and did not adequately document revenues generated from foreign currency transactions.

This is true however, AOPS is now in the last phase of implementation of such a system. As a result of the Computerized Accounting System that "The Den" is putting in place, AOPS will to have monthly consolidated financial reports. Also, in the Task Summary of the Den, it is specified that management accounting procedures will be written. This manual will include all necessary steps for an effective budget control, for forecast of actual expenditures and requests for amendments of the budget when necessary.

Due, to new regulations, AOPS will does not routinely receive financing in foreign currency, except for specially approved purchases. AOPS will follow the donors policy for requesting foreign currency and properly documenting its usage..

On page 16 of the audit it is said :

"Our procedures revealed that foreign currency were used as follows :

- o \$ 13,950.00 to board members as director fees
- o \$ 40,500.00 to AOPS employees as additional compensasation
- o \$ 59,115.00 to purchase goods or services from foreign suppliers
- o \$ 219,700.00 sold to third parties for a premium against the official exchange rate. This premium amounted to \$34,500 in local currency."

The \$40,500.00 to AOPS employees was not an additional compensation. It was just money exchange at the rate of 5 gourdes to 1 dollar. This was a practice adopted by AOPS board of directors to help employees who asked for that facility.

19 Septembre 1990

Therese Simon 140/1990
Directeur Général