

**Regional Inspector General for Audit  
Tegucigalpa, Honduras**

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**Audit of USAID/Jamaica's  
Hurricane Reconstruction Project  
Implemented by the  
Government of Jamaica  
February 15, 1989 to July 31, 1991**

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**Audit Report No. 1-517-92-26-N  
March 13, 1992**



Contractor information contained in this report may be privileged. The provisions of 18 USC 1505 should be considered before any information is released to the public.



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**AGENCY FOR INTERNATIONAL DEVELOPMENT**

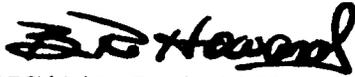
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**AMERICAN EMBASSY**  
TEGUCIGALPA - HONDURAS

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March 13, 1992

**MEMORANDUM**

TO: D/USAID/Jamaica, Robert S. Queener



FROM: RIG/A/T, Reginald Howard

SUBJECT: Audit of USAID/Jamaica's Hurricane Reconstruction Project, Implemented by the Government of Jamaica, February 15, 1989 to July 31, 1991

This report presents the results of a financial audit of USAID/Jamaica's Hurricane Reconstruction Project (Project), USAID/Jamaica Project No. 532-0158, implemented by the Government of Jamaica during the period February 15, 1989 to July 31, 1991. The audit firm of Touche Ross Thorburn & Co. prepared the report which is dated October 30, 1991, but was not received by our office until February 7, 1992.

The purpose of the Project was to provide assistance to the Government of Jamaica in its performance of various recovery and reconstruction activities required as a result of destruction caused by Hurricane Gilbert. The total budget for the Project was \$30.0 million in grant funds provided to various Government of Jamaica implementing entities. The audit coverage included USAID/Jamaica funding of \$28.0 million provided to the Government of Jamaica during the audit period.

The objectives of the audit were to determine whether: (1) the Project's fund accountability statement presents fairly, in all material respects, the financial activities of the Project for the period audited, (2) the internal control structures of the Government of Jamaica's implementing entities were adequate to manage the Project operations, and (3) the implementing entities had complied with the terms of the Project agreements and applicable laws and regulations. The scope of the audit included an examination of the Project's transactions to the extent considered necessary to issue a report thereon for the period under audit.

In the auditors' opinion the fund accountability statement presents fairly, in all material respects, the Project disbursements for the period audited.

With respect to the implementing entities' internal control structures and compliance with Project terms and applicable laws and regulations, the auditors identified certain areas where improvements were needed, but none were considered to be material.

**The report was discussed with A.I.D. management which generally agreed with the auditors' findings and conclusions and coordinated with the various Government of Jamaica entities in developing and implementing actions to correct the problems. The Mission's comments, including a description of the corrective actions already taken and in process, are included as an annex to the auditors' report.**

**This report does not contain any recommendations for inclusion in the Office of the Inspector General's audit recommendation follow-up system.**

**AUDIT OF THE  
HURRICANE RECONSTRUCTION PROJECT  
USAID/JAMAICA PROJECT NO. 532-0158  
FOR THE PERIOD  
FEBRUARY 15, 1989 TO JULY 31, 1991  
FINAL REPORT**

**AUDIT OF THE  
HURRICANE RECONSTRUCTION PROJECT  
USAID/JAMAICA PROJECT NO. 532-0158  
FOR THE PERIOD FEBRUARY 15, 1989 TO JULY 31, 1991**

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## **TRANSMITTAL LETTER AND SUMMARY**

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 Hurricane Reconstruction Project, USAID/Jamaica Project No. 532-0158, for the period February 15, 1989 to July 31, 1991.

The total grant provided by USAID/Jamaica under the Foreign Assistance Act of 1961, (as amended), was Thirty Million United States Dollars (US\$30,000,000). The original project assistance completion date (PACD) was August 14, 1990. However, this was extended to March 31, 1992 in order to complete specific activities on two project elements. We have extended auditing procedures to disbursements up to July 31, 1991 as indicated in the preceding paragraph.

## **BACKGROUND**

The Government of Jamaica (GOJ) and the Government of the United States of America (USA) entered into an agreement dated February 15, 1989 whereby the Government of the USA through its Agency for International Development Mission to Jamaica USAID/Jamaica provided assistance to the GOJ in recovery and reconstruction activities needed as a result of Hurricane Gilbert. The project has three major components:

### **Component I - Rehabilitation of Infrastructure**

Technical assistance and commodities were provided to the Jamaica Public Service Company Limited (JPS), the Telecommunications of Jamaica Limited (TOJ) and the National Water Commission (NWC) to restore electric power, telephone services and the Water and sewerage systems respectively.

Construction services were provided to a large number of primary/all-age/secondary schools and damaged equipment was replaced at the University of the West Indies to enable a normal level of instruction and research. Additionally, funds were provided to rehabilitate a number of courthouses damaged by the hurricane.

## **BACKGROUND (CONT'D)**

### Component II - Agriculture and Business Recovery

The Jamaica Agricultural Development Foundation (JADF), the National Development Foundation (NDF) and the Jamaica Promotions Limited (JAMPRO) received grants to assist in the provision of credit, technical assistance and commodities to agriculture and business recovery efforts.

### Component III - Disaster Preparedness and Relief for the Poor

Funds were provided to the Jamaica Office of Disaster Preparedness (ODP) to support action-oriented analysis leading to specific strategies to reduce the vulnerability of Jamaica's settlements to future disasters.

A grant was made to the Council of Voluntary Social Services/United Way of Jamaica (CVSS)/(UWJ) to continue its programme of relief assistance aimed to support a number of primarily non-wage-earning families.

## **AUDIT OBJECTIVES AND SCOPE**

### Objectives

The overall objectives of this financial audit were to determine whether:

1. the fund accountability statement of the Jamaica Hurricane Reconstruction Project, USAID/Jamaica Project No. 532-0158, fairly presents the project's expenditures for the period February 15, 1989 to July 31, 1991, and whether costs reported as incurred and reimbursed by USAID/Jamaica are allowable, allocable and reasonable in accordance with agreement terms and applicable laws and regulations;
2. the internal control structure of the implementing entities is adequate to manage the project operations; and
3. the Government of Jamaica and the implementing entities complied with agreement terms and applicable laws and regulations which may affect the project's goals and incurred costs.

We were also alert to situations or transactions that could be indicative of fraud, abuse, and illegal expenditures and acts.

### Scope

Our examination was carried out in accordance with generally accepted auditing standards and the US Comptroller General's "Government Auditing Standards" (1988 Revision), and accordingly included such tests of the accounting records and other auditing procedures as we considered necessary in the circumstances.

Our audit, included among others, the tests which are detailed below.

**AUDIT OBJECTIVES AND SCOPE (CONT'D)**

Scope (Cont'd)

Fund Accountability Statement

Budget

We reviewed the fund accountability statement as of July 31, 1991, and agreed the total amount of US\$30,000,000 to the grant agreement.

Disbursements

Of the total disbursements of US\$27,994,717, of which US\$12,591,702 was performed by the implementing entities and US\$15,403,015 was directly performed by USAID/Jamaica, we have examined documentary evidence in support of US\$23,361,856 which represents 84% of total disbursements.

Procedures for the receipt, recording and control of assets and commodities were reviewed as considered appropriate. We physically inspected commodities valued at US\$3,979,307. We also performed on-site physical inspections and observations of restoration and reconstruction works, poultry and banana farms and business enterprises.

Bank accounts

We have traced grant funds to special bank accounts as appropriate, and have reviewed bank account reconciliations as considered necessary.

Internal Control Structure

We have reviewed the internal control structures of the implementing entities as considered necessary, in order to determine our auditing procedures for carrying out the audit of the fund accountability statement.

Compliance with Agreement Terms  
and Applicable Laws and Regulations

In carrying out the audit of the fund accountability statement, transactions and records have been reviewed to determine compliance with agreement terms, and applicable laws and regulations as considered necessary.

**RESULTS OF AUDIT**

Fund Accountability Statement

Disbursements are recognized in the fund accountability statements on the basis of cash paid, rather than when obligation is incurred. This is a comprehensive basis of accounting, other than generally-accepted accounting principles.

In our opinion, disbursements in the amount of US\$27,994,717 shown in the fund accountability statement audited by us, presents fairly, in all material respects the cash disbursements of the Hurricane Reconstruction Project, USAID/Jamaica Project No. 532-0158 for the period February 15, 1989 - July 31, 1991, on the basis of accounting described in the preceding paragraph.

## **RESULTS OF AUDIT (CONT'D)**

### Internal Control Structures

Our evaluation was limited to an understanding of the control environment and flow of transactions through the accounting systems of implementing entities, in relation to the project activities to determine our auditing procedures for the purpose of expressing an opinion on the fund accountability statement of the hurricane reconstruction project, USAID/Jamaica project No. 532-0158. Our evaluation was not to provide assurance of the internal control structures of implementing entities taken as a whole.

Our consideration of the internal control structures 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.

We identified certain matters relating to the internal control structures of some implementing entities which are summarised below under the caption 'Findings During the Period'. We do not consider these to be material weaknesses.

Except for condition 1 which was the subject of letter to USAID/Jamaica dated October 30, 1991, the remaining conditions were remedied prior to the date of this report.

With regards to condition 1 below, the comments and follow up action proposed by USAID/Jamaica, are included at Annex 1. We note that action has commenced to remedy this deficiency.

### Findings during the period

1. Lack of proper recording of certain fixed assets supplied to the University of the West Indies and the National Water Commission.
2. Inadequate monitoring of commodities shipped and received, by the National Water Commission.
3. Failure by the University of the West Indies to reconcile the special bank account on a timely basis.

We also noted other matters involving the internal control structures and their operations which we have reported to USAID/Jamaica.

### Compliance with Agreement Terms and Applicable Laws and Regulations

Except for the noncompliances mentioned below, the results of our tests of compliance indicate that, with respect to the items tested, the implementing entities complied in all material respects with the terms and provisions of the agreement terms and applicable laws and regulations. With respect to items not tested, nothing came to our attention that caused us to believe that the implementing entities had not complied in all material respects, with those agreement terms and applicable laws and regulations.

**RESULTS OF AUDIT (CONT'D)**

Compliance with Agreement Terms and Applicable Laws and Regulations (Cont'd)

Findings during the period

Unresolved

1. Fixed Assets were not marked with USAID's "hand clasp" emblem.

Resolved during the period

2. Charges to the grant for the following implementing entities were in certain instances not properly substantiated in accordance with the Project Grant Standard Provisions:

Jamaica Agricultural Development Foundation (JADF)

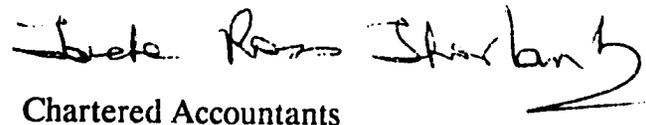
National Development Foundation (NDF)

Jamaica Promotions Limited (JAMPRO)

These were resolved during the period.

**MANAGEMENT COMMENTS**

These have been included at Annex I attached to this report.

  
Chartered Accountants



**HURRICANE RECONSTRUCTION PROJECT**  
**USAID/JAMAICA PROJECT NO. 532-0158**  
**FOR THE PERIOD FEBRUARY 15, 1989 - JULY 31, 1991**

**FUND ACCOUNTABILITY STATEMENT**  
**INDEPENDENT AUDITORS' REPORT**

We have audited the fund accountability statement of the Hurricane Reconstruction Project, USAID/Jamaica Project No. 532-0158, for the period February 15, 1989 to July 31, 1991. This fund accountability statement is the responsibility of the Director of USAID/Jamaica. Our responsibility is to express an opinion on the fund accountability statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, and the U.S. Comptroller General's "Government Auditing Standards" (1988 revision). Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the fund accountability statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the fund accountability statement. An audit also includes assessing the accounting principles used and significant estimates made by management and evaluating the overall presentation of the fund accountability statement. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 3, the fund accountability statement was prepared on the basis of cash disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles, and is not intended to be a presentation in conformity with generally accepted accounting principles.

In our opinion, the accompanying fund accountability statement audited by us presents fairly in all material respects the cash disbursements of the Hurricane Reconstruction Project, USAID/Jamaica Project No. 532-0158 for the period February 15, 1989 to July 31, 1991, on the basis of accounting described in paragraph 3 above.

Touche Ross Thorburn & Co.

This report is intended solely for the use of the Project's implementing entities and the United States 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.

A handwritten signature in black ink that reads "Touche Ross Thorburn" with a stylized flourish at the end.

Chartered Accountants

Kingston, Jamaica,  
October 30, 1991

HURRICANE RECONSTRUCTION PROJECT  
USAID/JAMAICA PROJECT 532-0158

FUND ACCOUNTABILITY STATEMENT  
PERIOD FROM FEBRUARY 15, 1989 TO JULY 31, 1991  
(All Amounts in United States Dollars)

	<u>Budget</u> US\$	<u>Disbursements</u>		Unliquidated Commitments (USAID/Jamaica) US\$
		<u>Performed by Implementing Entities</u> US\$	<u>Directly Performed by USAID/Jamaica</u> US\$	
<b>DISBURSEMENTS</b>				
<b>POWER</b>				
Data base	1,103,603	-	1,049,465	45,269
Equipment and related technical assistance	1,931,122	-	1,879,260	51,413
JPS disaster preparedness plan	400,000	-	357,653	42,347
Line upgrading and rehabilitation	7,155,914	-	7,100,110	53,807
<b>TELECOMMUNICATION COMMODITIES</b>	500,000	-	478,146	-
<b>WATER</b>				
Mechanical/electrical equipment and equipment supplies	486,504	-	486,504	-
System repairs and reconstruction	2,727,909	1,088,700	1,448,446	176,249
Operating and maintenance and administrative facilities reconstruction	466,874	82,981	100,000	282,799
Temporary personnel	374,694	-	373,725	879
Vehicles	509,000	-	507,191	1,809
<b>EDUCATION</b>				
Refurbishing buildings	3,222,662	3,108,376	-	38,201
University of the West Indies	<u>596,500</u>	<u>94,698</u>	<u>486,237</u>	<u>7,065</u>
Balance carried forward	19,474,782	4,374,755	14,266,737	699,833

HURRICANE RECONSTRUCTION PROJECT  
USAID/JAMAICA PROJECT 532-0158

FUND ACCOUNTABILITY STATEMENT  
PERIOD FROM FEBRUARY 15, 1989 TO JULY 31, 1991  
(All Amounts in United States Dollars)

	<u>Budget</u> US\$	<u>Disbursements</u>		<u>Unliquidated</u> <u>Commitments</u> <u>(USAID/Jamaica)</u> US\$
		<u>Performed by</u> <u>Implementing</u> <u>Entities</u> US\$	<u>Directly</u> <u>Performed by</u> <u>USAID/Jamaica</u> US\$	
Balance brought forward	19,474,782	4,374,755	14,266,737	699,833
ADMINISTRATION OF JUSTICE	386,560	371,298	-	15,261
AGRICULTURAL CREDIT	4,573,997	3,571,423	253,805	748,768
NATIONAL DEVELOPMENT FOUNDATION (NDF)	2,245,000	1,964,970	-	280,030
JAMAICA PROMOTIONS LIMITED (JAMPRO)				
Micro and small enterprises	295,366	292,619	-	2,747
Export Recovery	140,583	140,583	-	-
DISASTER PREPAREDNESS				
Shelter	13,824	-	12,070	1,754
Institutional support	293,000	-	268,501	-
COUNCIL OF VOLUNTARY SOCIAL SERVICES/ UNITED WAY OF JAMAICA (CVSS/UWJ)	1,973,769	1,876,054	84,098	13,616
MONITORING/TRACKING/AUDIT	397,747	-	329,687	68,017
CONTINGENCY/INFLATION	133,322	-	125,621	7,654
PROCUREMENT SERVICES	<u>72,050</u>	<u>-</u>	<u>62,496</u>	<u>9,554</u>
	<u>30,000,000</u>	<u>12,591,702</u>	<u>15,403,015</u>	<u>1,847,239</u>
TOTAL DISBURSEMENTS			<u>27,994,717</u>	

**HURRICANE RECONSTRUCTION PROJECT**  
**USAID/JAMAICA PROJECT NO. 532-0158**  
**FUND ACCOUNTABILITY STATEMENT**  
**NOTES TO THE FUND ACCOUNTABILITY STATEMENT**

**NOTE 1 - OBJECTIVE OF PROJECT**

The Government of Jamaica (GOJ) and the Government of the United States of America (USA) entered into an agreement dated February 15, 1989 whereby the Government of the USA through its Agency for International Development Mission to Jamaica (USAID/Jamaica) provided assistance to the GOJ in recovery and reconstruction activities needed as a result of Hurricane Gilbert.

These activities included:

- restoration of infrastructure for electric power, telecommunications, water, schools, and court houses;
- provision of credit and other assistance to agriculture and business recovery efforts; and
- disaster preparedness assistance and relief to the poor.

In pursuant of the above, USAID/Jamaica provided a grant, under the Foreign Assistance Act of 1961 and in accordance with the agreement referred to above, in the amount of thirty million United States dollars (US\$30,000,000).

The project assistance completion date (PACD) as stated in the grant agreement was August 14, 1990. However, this has been extended to March 31, 1992, in order to complete specific activities on two project elements.

**NOTE 2 - EXPLANATIONS OF COLUMN HEADINGS**

Budget

Funds provided for use under the agreement signed by the United States Government and the Government of Jamaica.

Disbursements - Performed by Implementing Entities

Actual payments made and reported to USAID/Jamaica by:

- (a) the following entities from cash advances received under subgrants:

Jamaica Agricultural Development Foundation (JADF)

National Development Foundation (NDF)

Jamaica Promotions Limited (JAMPRO)

University of the West Indies (UWI)

Council for Voluntary Social Services/United Way of Jamaica (CVSS/UWJ)

All-Island Banana Growers Association (AIBGA).

- (b) local contractors under fixed-cost type contracts for renovation and refurbishing work as performed under contracts administered by:

National Water Commission

Ministry of Education

APEC; ADEB; Dumbarton Rock - Consultants

Ministry of Justice.

Disbursement - Directly Performed by USAID/Jamaica:

Actual payments made directly by USAID/Jamaica from project funds locally or through USAID/Washington, for procurement of commodities, fixed assets, technical assistance and for training of participants.

Unliquidated Commitments (USAID/Jamaica):

This represents the unspent portion of funds committed by USAID/Jamaica through documents such as contracts, purchase orders and sub-grant agreements. Of the total amount of US\$1,847,239 reported in the Fund Accountability Statement as unliquidated commitment, the amount of US\$1,028,798 was in respect of sub-grants for the Jamaica Agricultural Development Foundation and the National Development Foundation, on which elements disbursement activities have been extended to March 31, 1992. In addition US\$510,465 was disbursed subsequent to July 31, 1991. Details of unliquidated commitments are disclosed in the fund accountability statement to enhance the completeness and clarity of the statement. Our tests of these amounts were restricted to a review of the underlying commitment documents for significant items.

**NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The policy of USAID/Jamaica is to prepare the fund accountability statement of the project on the basis of cash disbursements. Consequently expenses are recognised when paid rather than when the obligation is incurred. Therefore, the fund accountability statement does not purport to present disbursements in accordance with generally accepted accounting principles.

The costs of fixed assets are charged directly to the project and are not depreciated. Using the same accounting policies, materials, supplies and services are charged directly to the project when the payment is made and not when the goods are received or services rendered.

Exchange Rate

The basic records of the project are kept in United States dollars. Disbursements made in Jamaican dollars are translated to United States dollars at the rate of exchange prevailing at the transaction date.

**NOTE 4 - EXTENSION OF PROJECT COMPLETION DATE**

Jamaica Agricultural Development Foundation (JADF)  
Banana Rehabilitation Grant

Disbursements reported in the fund accountability statement in respect of the captioned grant, represent loans committed to farmers. Activities involving actual disbursement to the farmers are extended to March 31, 1992.

National Development Foundation (NDF)

The completion date for this grant was extended to March 31, 1992 to permit additional lending activities by the NDF.

The activities of JADF and NDF beyond July 31, 1991 will not be subjected to our scrutiny.

**NOTE 5 - DISBURSEMENTS - POWER**

Payments - USAID/Washington

Payments totalling US\$1,226,471, which are included in our audit sample for the element - power - have not been vouched, as supporting documentation is not available locally. Details of the amount were supplied to the controller USAID/Jamaica, on October 19, 1991, for follow-up with USAID/Washington.

Receipt of Commodities

Included in the fund accountability statement are disbursements totalling US\$88,890 in respect of six (6) vehicles procured through USAID/Washington for the Jamaica Public Service Company Limited (JPS Co.). The vehicles were not received by the company as certain problems with documentation had delayed clearance.

We are therefore unable to conclude the relevant audit tests which will ensure receipt of these commodities by the end-user.



**HURRICANE RECONSTRUCTION PROJECT**

**USAID/JAMAICA PROJECT NO. 532-0158**

**INTERNAL CONTROL STRUCTURE**

**INDEPENDENT AUDITORS' REPORT**

We have audited the fund accountability statement of the Hurricane Reconstruction Project - USAID/Jamaica Project No. 532-0158 for the period February 15, 1989 to July 31, 1991 and have issued our report thereon dated October 30, 1991.

We conducted our audit in accordance with generally accepted auditing standards and the United States Comptroller General's "Government Auditing Standards" (1988 Revision). These standards require that we plan and perform the audit to obtain reasonable assurance whether the fund accountability statement is free from material misstatement.

In planning and performing our audit of the fund accountability statement of the Hurricane Reconstruction Project, USAID/Jamaica Project No. 532-0158 for the period February 15, 1989 to July 31, 1991, we considered the internal control structure of each implementing entity as it relates to project activities, solely to determine our auditing procedures for the purpose of expressing an opinion on the fund accountability statement and not to provide assurance on the internal control structure of the implementing entity taken as a whole.

The management of each implementing entity is responsible for establishing and maintaining the internal control structure of the respective entity. In fulfilling this responsibility estimates and judgements by management are required to assess the expected benefits and related costs of internal control structure policies and procedures.

The objectives of an internal control structure as it relates to project activities are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorised use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the proper preparation of the fund accountability statement.

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 and evaluated the following significant internal control categories, as applicable to respective implementing entities:

- assets and commodities management including receipts and monitoring.
- contracts administration procedures including awards and approvals.
- management of sub-projects comprising receipt of loans and grants and distribution to defined beneficiaries.
- bank accounts and funds control.
- procurement system.
- cash receipts and disbursements.
- accounting and reporting systems.

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

We noted certain matters in relation to the internal control structures and operations of some entities that are considered reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions, involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgement, could adversely affect the entity's ability to record, process, summarize and report financial data consistent with the assertions of management in the fund accountability statement. The reportable conditions noted are included at pages 16 to 20. The conditions disclosed at pages 19 and 20 were remedied prior to the date of this report. Pages 16 to 18 disclose certain conditions which were the subject of an internal control letter dated October 30, 1991 to USAID/Jamaica. These matters were not completely resolved at the date of our report although remedial action had commenced.

The comments of USAID/Jamaica regarding follow up action proposed, are contained at Annex 1, and summarized under "Management Comments".

A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements do not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the fund accountability statement 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 our attached report do not constitute material weaknesses.

Touche Ross Thorburn & Co.

For reasons outlined at paragraph 3 on page 13 above, we do not express an opinion on the internal control structures of the implementing entities taken as a whole.

This report is intended solely for the use of the Project's implementing entities and the United States 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.

A handwritten signature in cursive script, reading "Touche Ross Thorburn & Co.", with a long horizontal flourish extending to the right.

Chartered Accountants

Kingston, Jamaica,  
October 30, 1991

**HURRICANE RECONSTRUCTION PROJECT**  
**USAID/JAMAICA PROJECT NO. 532-0158**  
**REPORT ON INTERNAL CONTROL STRUCTURE**

**FINDINGS**

1. Non recording of Assets - University of the West Indies (UWI)

Condition:

Assets procured through USAID/Washington at a cost of approximately US\$486,237 and supplied to the University of the West Indies are not inventoried.

Criteria:

Section B.5 of Article B of the Project Grant Standard Provisions requires the grantee to maintain books and records to adequately record the assets received.

Cause:

Procedures were not in place to ensure the timely updating of the register with the assets received. Although activities are currently in progress to inventory the assets, a date for completion of the exercise was not available.

Effect:

There is not sufficient control to safeguard the recording of the existence of the assets.

Recommendation:

USAID/Jamaica should follow up with the University of the West Indies to ensure that all the assets are inventoried.

2. Non-recording of Grant proceeds - University of the West Indies (UWI)

**Condition:**

The accounting policy of the UWI is to record the grant at the end of the project. The grant to the UWI was fully disbursed within its financial year ended July 31, 1991. As at September 30, 1991 the grant had not been recorded in the books of the UWI. The financial statements had however not been finalised at that date.

**Criteria:**

Section B.5 of Article B of the Project Grant Standard Provisions requires the Grantee to maintain books and records to adequately record the grant.

**Cause:**

The proceeds of the grant are not reflected in the accounting records of the grantee on a timely basis.

**Effect:**

The grant may be unrecorded in the financial statements of the UWI and thereby reduce control over the safeguarding of the assets.

**Recommendation**

USAID/Jamaica should follow up with the UWI to ensure that the grant is recorded in the University's books and reflected in its financial statements.

3. Non-recording of Fixed Assets and Grant - National Water Commission (NWC)

**Condition:**

Of a total of 42 vehicles received by the NWC, 19 Toyota vehicles were recorded on the register of fixed assets. Those unrecorded comprised, 19 Ford Ranger Pickups and 4 Cherokee jeeps supplied at a cost of US\$324,615. Other assets valued at US\$142,638 were also not recorded. Except for the cost of the 19 Toyota vehicles the accounts of the NWC were not updated to reflect the total proceeds of the grant.

**Criteria:**

Section B.5 of Article B of the Project Grant Standard Provisions (Annex 2) requires the Grantee to maintain books and records to adequately record the assets and the grant.

**Cause:**

Procedures were not in place to ensure the timely updating of the register with the assets received, and the updating of the accounting records with the grant proceeds.

**Effect:**

The total grant may be unrecorded in the financial statements of the NWC thereby reducing control over the safeguarding of the fixed assets and grants.

**Recommendation:**

USAID/Jamaica should follow up with the NWC the recording:

- in the fixed assets register the omitted fixed assets;
- in the books of accounts the related proceeds of the grant.

4. Non-reconciliation of Bank Account - University of the West Indies (UWI)

**Condition:**

Failure by the UWI to reconcile the Special Bank Account on a monthly basis, for the period September 1989 to January 1990.

**Criteria:**

The preparation of monthly bank reconciliations is required in accordance with the internal control procedures applicable to the UWI.

**Cause:**

We were informed by management that transactions on the account during the early periods were few and infrequent.

**Effect:**

The absence of the monthly bank reconciliations created the risk of errors and irregularities remaining undetected for protracted periods.

**Recommendation:**

UWI to reconcile the bank account on a timely basis.

**Remedial Action by Entity:**

The UWI prepared regular monthly bank reconciliations from January 1990 up to July 31, 1991.

5 Inadequate Procedures - Monitoring of Receipt of Commodities - National Water Commission (NWC)

**Condition:**

Absence of procedures to adequately monitor items shipped with those received at the stores of the NWC. During the early stages of the project's implementation, shipping documents and invoices were not received by the stores on a timely basis, and in advance of deliveries of commodities by the clearing agents.

**Criteria:**

Proper control dictates that details of items shipped be agreed with actual deliveries.

**Cause:**

In the early stages of implementation copies of shipping documents and invoices supplied to the NWC by USAID/Jamaica were not routed to the stores on a timely basis.

**Recommendations:**

Arising out of discussions with the NWC's management, and USAID's project officer, it was agreed that copies of shipping documents and invoices should be routed to the stores through the NWC's project officer.

**Remedial Action by Entity:**

Subsequent checks and discussions with stores personnel revealed that documents were received on a more timely basis.



**HURRICANE RECONSTRUCTION PROJECT**  
**USAID/JAMAICA PROJECT NO. 532-0158**  
**FOR THE PERIOD FEBRUARY 15, 1989 TO JULY 31, 1991**  
**COMPLIANCE WITH AGREEMENT TERMS AND**  
**APPLICABLE LAWS AND REGULATIONS**  
**INDEPENDENT AUDITORS' REPORT**

We have audited the fund accountability statement of the Hurricane Reconstruction Project - USAID/Jamaica Project No. 532-0158 for the period February 15, 1989 to July 31, 1991 and have issued our report thereon dated October 30, 1991.

We conducted 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 whether the fund accountability statement is free of material misstatement.

Compliance with agreement terms, laws and regulations applicable to the Project is the responsibility of the implementing entities. As part of obtaining reasonable assurance about whether the fund accountability statement is free of material misstatement, we performed tests of compliance by the entities with certain provisions of agreement terms and applicable laws and regulations. However, our objective was not to provide an opinion on overall compliance with such terms and provisions.

Material instances of noncompliance 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 those failures or violations is material to the fund accountability statement. The results of our tests of compliance disclosed the following reportable instances of noncompliance, the effect of which except for item 1, have been corrected in the fund accountability statement for the period February 15, 1989 to July 31, 1991.

Findings during the Period

Resolved during the period.

1. Charges to the grant for the following implementing entities were in certain instances not properly substantiated in accordance with the Project Grant Standard Provisions:
  - Jamaica Agricultural Development Foundation (JADF)
  - National Development Foundation (NDF)
  - Jamaica Promotions Limited (JAMPRO)

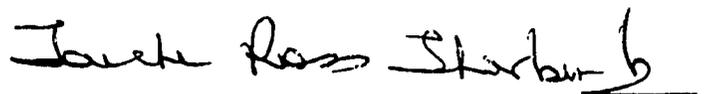
Unresolved

2. Some fixed assets were not marked with USAID's "hand clasp" emblem.

We considered this instance of noncompliance in forming our opinion on whether the fund accountability statement of the Hurricane Reconstruction Project is presented fairly in all material respects.

Except for the reportable non-compliance described above, the results of our tests of compliance indicate that with respect to the items tested, the implementing entities complied, in all material respects, with the terms and provisions referred to in the third paragraph on page 21 of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the implementing entities had not complied, in all material respects with those terms and provisions.

This report is intended solely for the use of the Project's implementing entities 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.



Chartered Accountants

Kingston, Jamaica,  
October 30, 1991

**HURRICANE RECONSTRUCTION PROJECT  
USAID/JAMAICA PROJECT NO. 532-0158  
FOR THE PERIOD FEBRUARY 15, 1989 TO JULY 31, 1991  
COMPLIANCE WITH THE AGREEMENT TERMS AND  
APPLICABLE LAWS AND REGULATIONS**

**FINDINGS**

**Marking of Assets**

**Condition:**

A majority of assets received by implementing entities did not meet USAID's marking requirements as stipulated by the Project Implementation Orders.

**Criteria:**

Section B8 of Article B of the Project Grant Standard Provisions, require that the Grantee mark goods financed by USAID as described by Project Implementation Orders.

**Cause:**

Unknown

**Effect:**

Non-compliance with a condition in the grant agreement.

**Recommendation:**

USAID/Jamaica should procure emblems and follow up the marking of the assets.

**HURRICANE RECONSTRUCTION PROJECT**  
**USAID/JAMAICA PROJECT NO. 532-0158**  
**FOR THE PERIOD FEBRUARY 15, 1989 TO JULY 31, 1991**

**LIST OF REPORT RECOMMENDATIONS**

**INTERNAL CONTROL STRUCTURE**

(a) Unresolved

Recommendation 1:

USAID/Jamaica should follow up with the University of the West Indies to ensure that all the assets are inventoried.

Recommendation 2:

USAID/Jamaica should follow up with the University of the West Indies to ensure that the grant is recorded in the University's books and reflected in its financial statements.

Recommendation 3:

USAID/Jamaica should follow up with the National Water Commission, the recording:

- in the fixed assets register the omitted fixed assets.
- in the books of accounts the related proceeds of the grant.

(b) Resolved

Recommendation 4:

University of the West Indies to reconcile the bank account on a timely basis.

Recommendation 5:

USAID/Jamaica will ensure that copies of shipping documents and invoices are routed to the stores through the National Water Commission's project officer.

**COMPLIANCE WITH AGREEMENT TERMS AND APPLICABLE LAWS AND REGULATIONS**

Unresolved

Recommendation 6

USAID/Jamaica should procure emblems and follow up the marking of assets.

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT  
KINGSTON, JAMAICA

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KINGSTON 5, JAMAICA  
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KINGSTON (ID)  
DEPARTMENT OF STATE  
WASHINGTON, D.C. 20521-3210

January 15, 1992

Mr. Donald Reynolds  
Touche Ross Thorburn & Co.  
7 West Avenue  
Kingston Gardens  
Kingston 4

Dear Mr. Reynolds:

Thank you for the opportunity to review and comment on the draft report on the Hurricane Reconstruction Project. Your comments throughout the period of the audit have been helpful in managing the grant and have allowed us to take corrective action on a current basis.

Regarding the findings in the draft report, please include the following Mission comments. They are referenced to the draft report by page number.

p. 12 Documents provided by AID/W in response to Mission requests did not have the level of supporting documentation required for the audit. In view of the issuance of the final audit report, Mission has discontinued requests to obtain further support.

p. 12 The vehicles have been received in Jamaica and cleared through customs. They are currently in use by Jamaica Public Service Company (JPS Co.).

p 16 & 17 USAID was notified by UWI on January 8, 1992 that the amount of the grant has been recorded in the official accounts. The Mission is working with the accounting staff and auditors of the University of the West Indies (UWI) to see that the assets provided with USAID funds are included on the new inventory. The University advised on January 8, that extensive progress had been made on the new inventory, but that it will not be completed before January 31, 1992. The Mission staff will continue to monitor this situation until it is rectified.

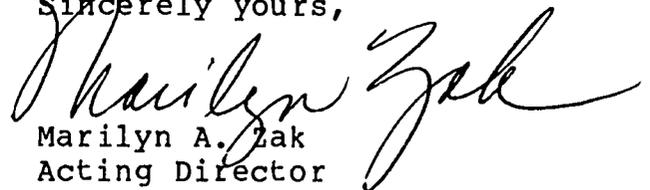
p. 18 The Mission has obtained the documentation for the 23 vehicles not previously recorded by NWC and provided it to NWC. As a result of this, NWC has recorded the vehicles as fixed assets and increased the amount of the grant accordingly.

p. 21 AID emblems have been obtained in the USAID Mission and will be placed on unmarked commodities during January 1992.

These comments also apply to the summary of recommendations which is on page 24.

I would like to take this opportunity to thank you for the helpful attitude demonstrated by your staff and the patience they exhibited while we obtained information for them.

Sincerely yours,



Marilyn A. Zak  
Acting Director

**APPENDIX**

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