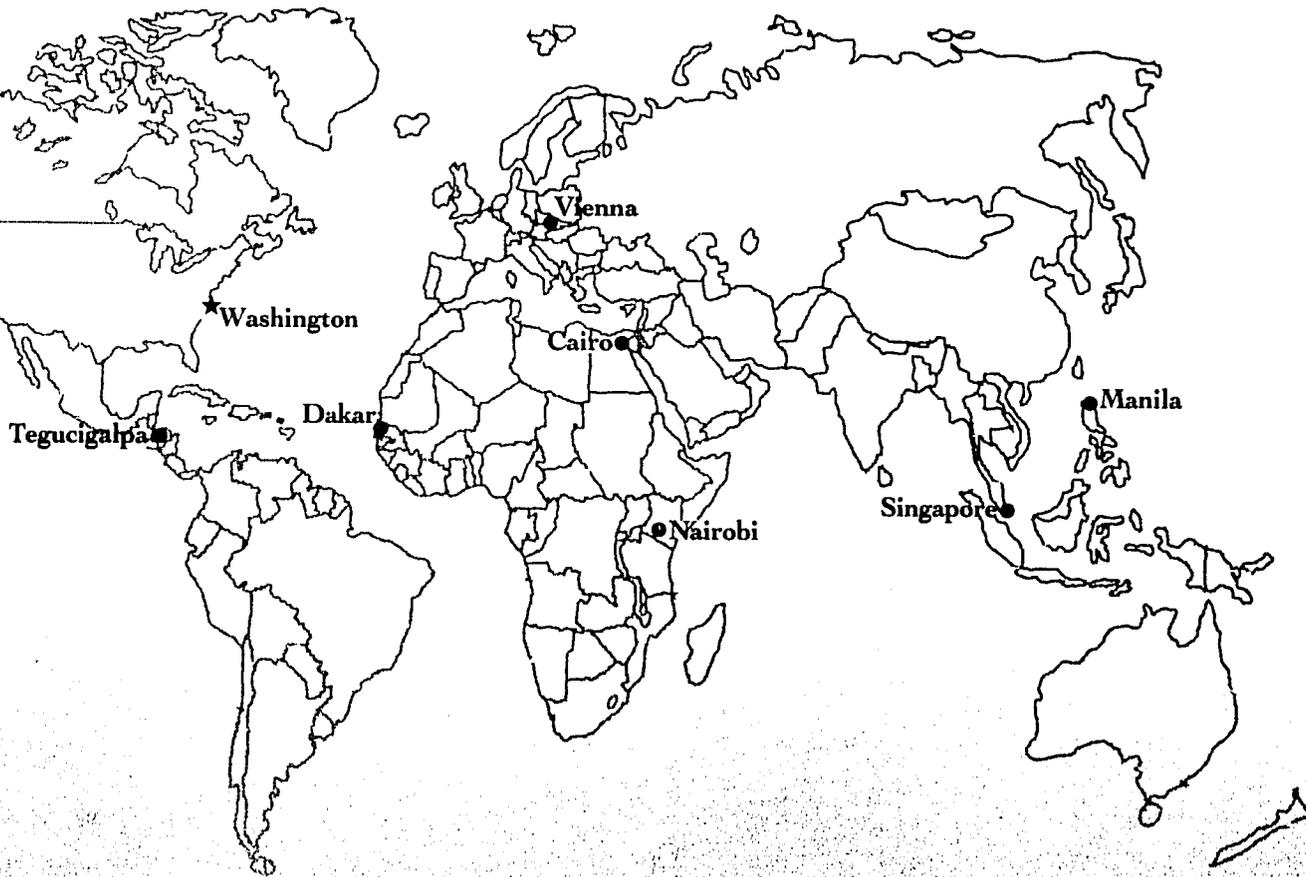


Regional Inspector General for Audit
Singapore

**AUDIT OF
CO-OPERATIVE FOR AMERICAN RELIEF
EVERYWHERE, INTERNATIONAL (CARE)
BANGLADESH**

Audit Report No. 5-388-92-17-N
June 19, 1992



**INSPECTOR
GENERAL**

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

**AUDIT OF
CO-OPERATIVE FOR AMERICAN RELIEF
EVERYWHERE, INTERNATIONAL (CARE)
BANGLADESH**

AUDIT REPORT NO. 5-388-92-17-N

June 19, 1992

The Fund Accountability Statement of CARE presents fairly the receipts and expenditures of the grant received from USAID/Bangladesh, and no material internal control weaknesses were noted. CARE complied, in all material respects, with applicable laws, regulations, and agreement terms. However, several immaterial instances of noncompliance were noted.

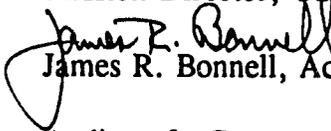
FINANCIAL INFORMATION CONTAINED IN THIS REPORT MAY BE PRIVILEGED. THE RESTRICTIONS OF 18 USC 1905 SHOULD BE CONSIDERED BEFORE ANY INFORMATION IS RELEASED TO THE PUBLIC.



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

June 19, 1992

TO: Mary C. Kilgour
Mission Director, USAID/Bangladesh

FROM: 
James R. Bonnell, Acting RIG/A/Singapore

SUBJECT: Audit of Co-operative for American Relief Everywhere,
International, Bangladesh (CARE)
Audit Report No. 5-388-92-17-N

The audit firm of Coopers & Lybrand, Singapore, performed a financial audit of the Co-operative for American Relief Everywhere, International, Bangladesh (CARE) under USAID/Bangladesh's Integrated Food for Work III Project. Five copies of the audit report are enclosed for your action.

USAID/Bangladesh provided a grant to CARE for a Food-for-Work program under the Integrated Food for Work III Project. The purpose of program was to contribute to the improvement of the quality of life of 68 million rural Bangladeshis by improving farm-to-market roads and providing improved systems of water control. The program provides for 21.5 million man-days of paid employment for an average of 40 days per worker during the period of acute seasonal distress. The period covered by the audit was June 17, 1985 through June 30, 1991, during which CARE received approximately \$7.9 million from USAID/Bangladesh for program activities in the country. This audit does not include the transactions made by CARE in the United States.

The audit objectives were to: (1) determine whether the Fund Accountability Statement of CARE presents fairly the receipts and expenditures for the period June 17, 1985 through June 30, 1991; (2) report on CARE's system of internal controls; and (3) report on CARE's compliance with applicable laws, regulations, and agreement terms.

The auditors reported that the Fund Accountability Statement of CARE presents fairly the receipts and expenditures for the period audited; that no material weaknesses in the internal control structure were noted; and that for the items tested, CARE complied, in all material respects, with applicable laws, regulations, and agreement terms. However, several immaterial

instances of noncompliance were noted, one of which resulted in \$36,186 of questioned costs.

The management of CARE generally agreed with the auditors' findings and recommendations. CARE's comments are set out in its entirety in Appendix B of this report.

We are making the following recommendations to be included in the Inspector General's recommendation follow-up system.

Recommendation No. 1: We recommend that USAID/Bangladesh resolve the \$36,186 in questioned costs identified in the report (Appendix A), and recover any amount determined to be unallowable.

Recommendation No. 2: We recommend that USAID/Bangladesh verify that CARE has placed all cash advances received under the grant in interest-bearing accounts, reports the interest earned to USAID/Bangladesh, and remits, at least quarterly, these amounts to USAID less allowable administrative expenses.

Recommendation No. 3: We recommend that USAID/Bangladesh verify that CARE has established and implemented a system to report actual expenditures incurred against the approved grant budget by line items to USAID/Bangladesh.

We appreciate the courtesies and cooperation the USAID/Bangladesh and CARE extended to the auditors and our staff during the course of this audit.

Please advise me within 30 days of any actions planned or taken to close the above recommendations.



Bangladesh

Area: 55,598 sq. mi.
Population: 115 million
Capital: Dhaka

AUDIT OF
CO-OPERATIVE FOR AMERICAN RELIEF EVERYWHERE, INTERNATIONAL
PERTAINING TO ITS GRANT AGREEMENT #388-0061-G-SS-5029
WITH THE UNITED STATES AGENCY
FOR INTERNATIONAL DEVELOPMENT IN SUPPORT OF THE
INTEGRATED FOOD FOR WORK III PROJECT IN BANGLADESH

Performed and Prepared

By

COOPERS & LYBRAND
Singapore

A. QASEM & CO
Bangladesh

AUDIT OF
CO-OPERATIVE FOR AMERICAN RELIEF EVERYWHERE, INTERNATIONAL
PERTAINING TO ITS GRANT AGREEMENT #388-0061-G-SS-5029
WITH THE UNITED STATES AGENCY
FOR INTERNATIONAL DEVELOPMENT IN SUPPORT OF THE
INTEGRATED FOOD FOR WORK III PROJECT IN BANGLADESH

INDEPENDENT AUDITORS' REPORT

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**Coopers
&Lybrand**

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Singapore 9123
9 Penang Road # 12-00
Park Mall Singapore 0923

your reference
our reference **A5/PJW/9282**

Mr James B Durnil
Regional Inspector General
for Audit, Singapore,
US Agency for International Development
#17-03 Peninsula Plaza
111 North Bridge Road
Singapore 0617

8 June, 1992

Dear Mr Durnil

This report presents the results of our audit of the Co-operative for American Relief Everywhere, International ("CARE") pertaining to its grant agreement #388-0061-G-SS-5029 with the United States Agency for International Development, Bangladesh ("USAID/B") in support of the Integrated Food For Work ("IFFW") III project. The period covered by our audit was June 17, 1985, through June 30, 1991.

Background - Bangladesh

Bangladesh continues to be one of the most densely populated, disaster prone and poorest countries in the world. Despite international development assistance of approximately \$1.82 billion per annum and Government of Bangladesh's ("BDG") own heavy commitment of resources, development has not attained a rate that would, in the foreseeable future, allow Bangladesh to achieve a measure of self sustaining growth. Several constraints that impede development are rural underemployment, underproductivity and inefficient use of development resources by local institutions. These problems are addressed directly by the Integrated Food For Work ("IFFW") III Project which USAID's grant supports.



resident partners

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1

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

CARE -The Organization and its Food For Work Programs

The PL 480 (Title 2) commodities program in Bangladesh began in 1975 with a USAID grant of \$1.47 million to CARE to assist the BDG in operating a nationwide local initiative Food For Work I project for a five-year period. Over 450,000 metric tons of PL 480 wheat was provided to the program along with \$1.37 million in Taka support. In 1980, Food For Work II committed an additional \$3.0 million to finance CARE's dollar costs of the program for 6 years. The BDG again committed itself to support CARE's local costs and the program's operational expenses. USAID/Bangladesh also pledged 120,000 metric tons of Title II commodities annually for program support.

Several evaluations demonstrated that the program was reaching its intended target population and was generally achieving its employment aims. There was, however, dissatisfaction with the program's apparent inability to foster well-planned and executed projects and to ensure resource accountability. An unfavorable USAID audit report prompted directives from CARE Headquarters that CARE-Bangladesh radically improve the program or dissociate itself from it. As a result of changes made to strengthen program administration and the success of several pilot schemes, USAID/Bangladesh approved a program expansion to include culvert and bridge construction and a third five-year Food For Work III grant covering the period June 17, 1985 through June 30 1990. Amendment no. 12 dated June 30 1991 increased the period of performance to June 30, 1992.

During this period CARE reported that approximately \$7.9m had been spent on these activities (see page 3).

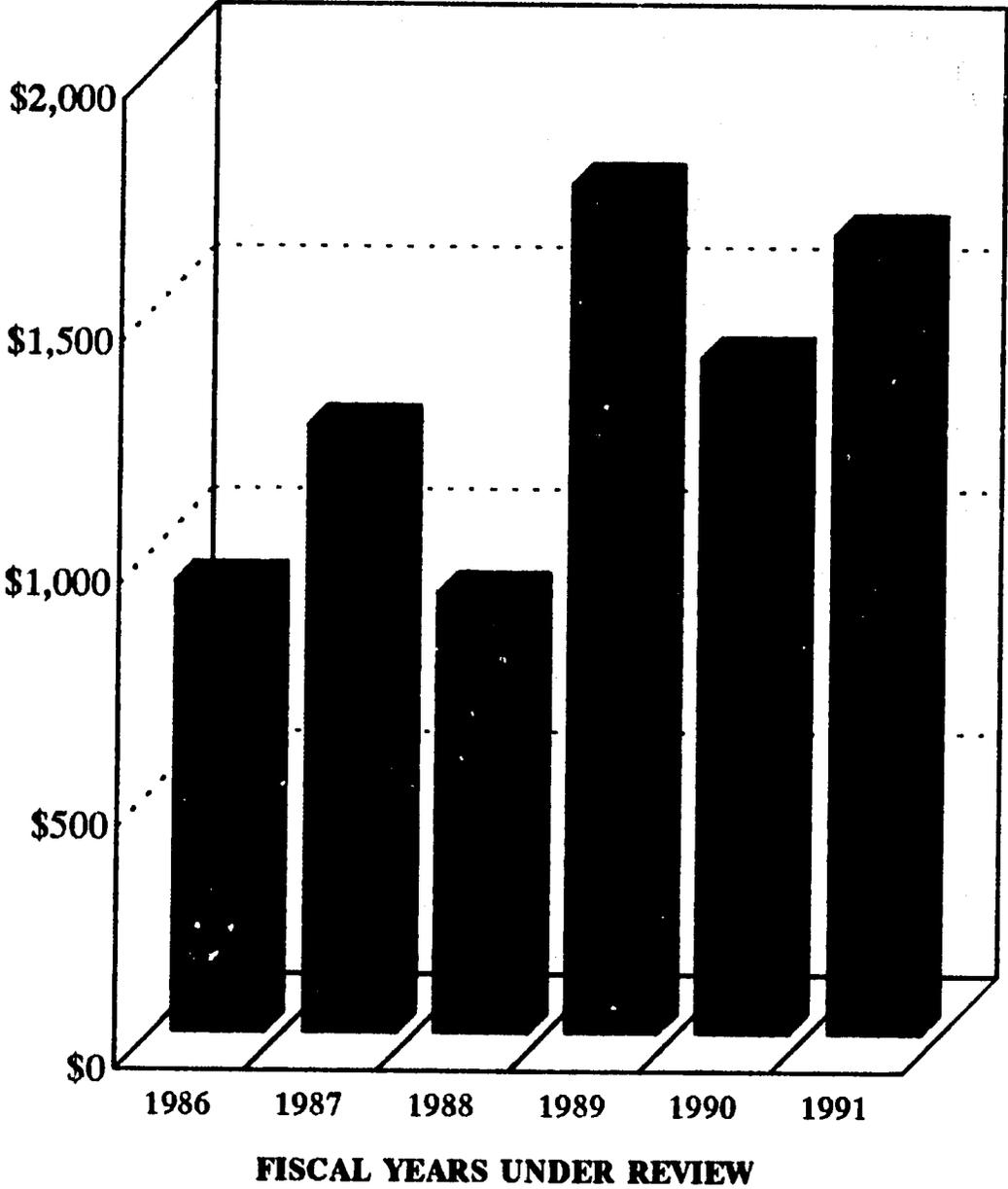
The program's objective was to contribute to the improvement of the quality of life of 68 million rural Bangladeshis by improving farm-to-market roads and providing improved systems of water control, by providing 21.5 million mandays of paid employment for an average of 40 days per worker during the period of acute seasonal distress.

CARE's implementation requirements as Title II Co-operating Sponsor under the grant included:

- (a) working with Upazillas in identifying appropriate schemes, surveying project sites, and preparing designs and cost estimates;
- (b) scheduling, conducting and reporting on engineering studies of each project approved by the Upazillas;

**INTEGRATED FOOD FOR WORK III PROJECT
EXPENSES AND INDIRECT COSTS FOR CARE BANGLADESH**
during the fiscal years 1986-1991

COSTS (U.S. \$ '000)



■ EXPENSES ■ INDIRECT COSTS

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

CARE -The Organization and its Food For Work Programs (cont'd)

- (c) monitoring the implementation of the projects;
- (d) conducting post-work surveys to evaluate project completion status, work quality and resource use;
- (e) assisting the BDG in matters related to program management; and
- (f) providing the required PL-480 Title II and Title III certifications.

Audit Objectives and Scope of Work

We have conducted a financial audit of the Fund Accountability Statement of CARE's operations in Bangladesh pertaining to its grant agreement #388-0061-G-SS-5029 with USAID/B in support of its IFFW III project. The period covered by our audit was June 17, 1985 through June 30, 1991.

The Fund Accountability Statement comprises the Receipts and Expenditures Statement of the grant as it relates only to CARE's operations in Bangladesh for the period outlined above, and the notes thereon. The results of our work are reflected in the accompanying Independent Auditors' Reports on the:

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

The objectives of our work were to determine whether:

- (a) The Fund Accountability Statement for CARE presents fairly the receipts, expenditures and closing cash balance of CARE in respect of the grant received for the audit period noted above in accordance with generally accepted accounting principles and the terms of the Grant Agreement;
- (b) CARE's internal accounting controls are adequate to provide reasonable assurance that the assets are safeguarded against loss from unauthorized use or disposition and that transactions are properly recorded; and
- (c) CARE has complied with the applicable laws, regulations and grant terms.

The audit did not include the examination of the transactions made by CARE in the U.S. as the supporting documents for these transactions are maintained in the U.S.

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

cont'd

Our audit was conducted in accordance with generally accepted auditing standards and US Government Auditing Standards and, accordingly, included such tests as we considered appropriate to determine whether expenditures charged to the grants were in accordance with the agreement terms, other applicable program documents, and the laws of Bangladesh.

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

- (a) Holding meetings with USAID/B, CARE and USAID Regional Inspector General for Audit/Singapore ("RIG/S") officials;
- (b) Reviewing the appropriate grant agreements and amendments, OMB circulars, AID handbook regulations and mandatory standard provisions for US grantees, prior period audit reports on CARE's financial statements, correspondence and minutes of meetings between USAID/B and CARE, as well as project progress reports maintained by both CARE and USAID/B;
- (c) Obtaining an understanding of the accounting, administrative and internal control systems of CARE using questionnaires, interviews, flowcharts and narrative descriptions;
- (d) Devising and performing appropriate tests on the transactions recorded in the Fund Accountability Statement;
- (e) Designing appropriate audit steps and procedures to provide reasonable assurance of detecting errors, irregularities, and illegal acts that could have a direct and material effect on the results of our audit. We were also aware of the possibility of illegal acts that could have an indirect and material effect on the results of our audit; and
- (f) Testing the effectiveness of administrative controls applied by CARE's management to ensure compliance with applicable laws, regulations and agreement terms.

Audit Results

(a) Opinion on the Fund Accountability Statement

In our opinion, the Fund Accountability Statement presents fairly, in all material respects, the receipts and expenditures of CARE for its operations in Bangladesh for the period in question as they pertain to the grant agreement #388-0061-G-SS-5029 received from USAID/B under the IFFW III project.

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

Audit Results (cont'd)

(b) System of Internal Controls

In planning and performing our audit of CARE, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the Fund Accountability Statement and not to provide assurance on the internal control structure of CARE as a whole.

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

We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses. However, we noted certain other matters involving the internal control structure and its operation that we have reported to the management of CARE in separate letter.

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

Our tests for compliance with agreement terms and applicable laws and regulations of selected transactions and records of CARE indicated that, for the items tested, CARE complied, in all material respects, with those provisions of its agreement terms, as well as applicable laws and regulations, for the period under our review.

There were, however, instances of non-compliance which are discussed in further detail on pages 16 to 20. However, in our opinion, the overall result of these non-compliance issues is not considered to have a material effect on the Fund Accountability Statement of CARE for the period under our review.

With respect to transactions and records not tested by us, nothing came to our attention that caused us to believe that CARE had not complied, in all material respects, with the necessary agreement terms, applicable laws or regulations.

In the course of our work, we noted no findings or recommendations arising from previous audits.

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

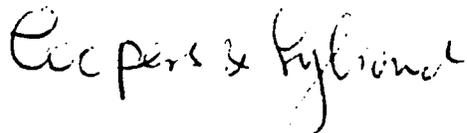
Comments on Findings and Recommendations

The management of CARE and USAID/B have generally agreed to our findings and recommendations on compliance issues, the details of which are summarized on pages 17 to 20 respectively. The full text of CARE management's comments is included in Appendix B.

Acknowledgements

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

Yours truly

A handwritten signature in cursive script, appearing to read "Cooper & Lybrand".

kmc/mk/rptbangladesh/U2

**REPORT ON THE
FUND ACCOUNTABILITY STATEMENT**

7a

your reference
our reference

**CO-OPERATIVE FOR AMERICAN RELIEF EVERYWHERE, INTERNATIONAL
PERTAINING TO ITS GRANT AGREEMENT #388-0061-G-SS-5029 WITH THE
UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
IN SUPPORT OF THE INTEGRATED FOOD FOR WORK III PROJECT
IN BANGLADESH**

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

We have audited the Fund Accountability Statement of the Co-operative for American Relief Everywhere's ("CARE") operations in Bangladesh pertaining to its grant agreement #388-0061-G-SS-5029 with the United States Agency for International Development, Bangladesh ("USAID/B") in support of its Integrated Food For Work ("IFFW") III project. The period covered by our audit was June 17, 1985 through June 30, 1991.

This Statement, comprising the Receipts and Expenditures Statement and the notes thereon, set out on page 10, is the responsibility of CARE's management. Our responsibility is to express an opinion on this Statement based on our audit. The Fund Accountability Statement presents only the transactions of CARE's operations in Bangladesh as they pertain to the grant agreement #388-0061-G-SS-5029 received from USAID/B under the IFFW III project, and is not intended to present fairly the receipts and expenditures of CARE as a whole.

We conducted our audit in accordance with generally accepted auditing standards and US Government Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, as well as evaluating the overall Fund Accountability Statement presentation. We believe our audit provides a reasonable basis for our opinion.



resident partners

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**CO-OPERATIVE FOR AMERICAN RELIEF EVERYWHERE, INTERNATIONAL
PERTAINING TO ITS GRANT AGREEMENT #388-0061-G-SS-5029 WITH THE
UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
IN SUPPORT OF THE INTEGRATED FOOD FOR WORK III PROJECT
IN BANGLADESH**

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

cont'd

In our opinion, the Fund Accountability Statement referred to above presents fairly, in all material respects, the receipts and expenditures of CARE for the period covered in conformity with generally accepted accounting principles.

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

Coopers & Lybrand
COOPERS & LYBRAND
Certified Public Accountants

Singapore, 8 June, 1992



OVERSEAS FINANCE OPERATIONS

COUNTRY SPACE 1 BUILDING * GIL PUYAT AVENUE * MAKATI * METRO MANILA * PHILIPPINES *
P.O. BOX 437 * MCPO * MAKATI * PHILIPPINES * TEL. NO. (63-2) 818-0504 * FAX (63-2) 816-3041

MISSION : CARE BANGLADESH
FUND CODE: 1023 1FFW
SUMMARY OF RECEIPTS AND DISBURSEMENTS
FY : 86-91

FY	RECEIPTS (A)	EXPENSES (B)	ICR (C)	TOTAL (D) (B)+(C)	A/C 2204 RECEIVABLE /(PAYABLE) (D)-(A)
86	896,000	850,292	77,632	927,924	
87	869,176	1,145,012	105,799	1,250,811	
88	1,284,857	833,536	73,101	906,637	
89	2,188,713	1,612,043	138,636	1,750,679	
90	961,254	1,285,875	109,299	1,395,174	
91	1,335,000	1,525,534	122,043	1,647,577	
	7,535,000	7,252,292	626,510	7,878,802	343,802

NOTES:

A) Receipts are based on estimates of the allocation of FRLC #72001483 receipts to USAID Grant No. 388-0061-G-SS-5029-12.

B) Expenses are actual expenses per FY.

C) ICR is calculated as a percentage of expense using the following rates:

FY 86	9.13%
FY 87	9.24%
FY 88	8.77%
FY 89	8.60%
FY 90	8.50%
FY 91	8.00%

CARE management is responsible for the statement provided above and certifies that it represents a fair presentation of CARE's financial figures.

Certified by:


LORA WUENNENBERG
CARE Overseas Finance Director

Date : 12 Nov 91

REPORT ON THE SYSTEM OF INTERNAL CONTROLS

your reference
our reference

**CO-OPERATIVE FOR AMERICAN RELIEF EVERYWHERE, INTERNATIONAL
PERTAINING TO ITS GRANT AGREEMENT #388-0061-G-SS-5029 WITH THE
UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
IN SUPPORT OF THE INTERNATIONAL FOOD FOR WORK III PROJECT
IN BANGLADESH**

**INDEPENDENT AUDITORS' REPORT ON THE SYSTEM
OF INTERNAL CONTROLS**

We have audited the Fund Accountability Statement of the Co-operative for American Relief Everywhere's ("CARE") operations in Bangladesh pertaining to its grant agreement #388-0061-G-SS-5029 with the United States Agency for International Development, Bangladesh ("USAID/B") in support of its Integrated Food For Work ("IFFW") III project. The period covered by our audit was June 17, 1985 through June 30, 1991.

This Statement, comprising the Receipts and Expenditures Statement and the notes thereon, is set out on page 10, and we have issued our report thereon dated 8 June 1992.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. 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.

In planning and performing our audit of CARE, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the statements and not to provide assurance on the internal control structure of CARE as a whole.



resident partners

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**CO-OPERATIVE FOR AMERICAN RELIEF EVERYWHERE, INTERNATIONAL
PERTAINING TO ITS GRANT AGREEMENT #388-0061-G-SS-5029 WITH THE
UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
IN SUPPORT OF THE INTEGRATED FOOD FOR WORK III PROJECT
IN BANGLADESH**

**INDEPENDENT AUDITORS' REPORT ON THE SYSTEM
OF INTERNAL CONTROLS**

cont'd

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

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

Accounting Controls:

- Cash receipts
- Cash disbursements
- Payroll
- Procurements

Administrative Controls:

- Cost allocation and allowability
- Monitoring
- Reporting

**CO-OPERATIVE FOR AMERICAN RELIEF EVERYWHERE, INTERNATIONAL
PERTAINING TO ITS GRANT AGREEMENT #388-0061-G-SS-5029 WITH THE
UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
IN SUPPORT OF THE INTEGRATED FOOD FOR WORK III PROJECT
IN BANGLADESH**

**INDEPENDENT AUDITORS' REPORT ON THE SYSTEM
OF INTERNAL CONTROLS**

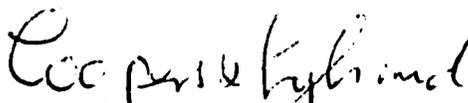
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For all the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they had been placed in operation, and we assessed control risk.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce, to a relatively low level, the risk that errors or irregularities, in amounts that would be material in relation to the Statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

However, we noted a matter involving the internal control structure and its operation that we have reported to the management of CARE in a separate letter.

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


COOPERS & LYBRAND
Certified Public Accountants

Singapore, 8 June, 1992

**REPORT ON COMPLIANCE WITH AGREEMENT
TERMS, APPLICABLE LAWS AND REGULATIONS**

your reference
 our reference

**CO-OPERATIVE FOR AMERICAN RELIEF EVERYWHERE, INTERNATIONAL
 PERTAINING TO ITS GRANT WITH THE
 UNITED STATES AGENCY AGREEMENT #388-0061-G-SS-5029
 FOR INTERNATIONAL DEVELOPMENT
 IN SUPPORT OF THE INTEGRATED FOOD FOR WORK III PROJECT
 IN BANGLADESH**

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
 AGREEMENT TERMS, APPLICABLE LAWS AND REGULATIONS**

We have audited the Fund Accountability Statement of the Co-operative for American Relief Everywhere's ("CARE") operations in Bangladesh pertaining to its grant agreement #388-0061-G-SS-5029 from the United States Agency for International Development, Bangladesh ("USAID/B") in support of its International Food For Work ("IFFW") III project. The period covered by our audit was June 17, 1985 through June 30, 1991.

This Statement, comprising the Receipts and Expenditures Statement and the notes thereon, is set out on page 10, and we have issued our report thereon dated 8 June, 1992.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, grants and binding policies and procedures applicable to CARE is the responsibility of CARE's management. As part of our audit, we performed tests of CARE's compliance with certain provisions of laws, regulations, contracts, grants and binding policies and procedures. However, it should be noted that, whilst we performed those tests of compliance as part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, our objective was not to provide an opinion on compliance with such provisions.



resident partners

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**CO-OPERATIVE FOR AMERICAN RELIEF EVERYWHERE, INTERNATIONAL
PERTAINING TO ITS GRANT AGREEMENT #388-0061-G-SS-5029 WITH THE
UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
IN SUPPORT OF THE INTEGRATED FOOD FOR WORK III PROJECT
IN BANGLADESH**

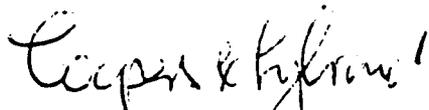
**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
AGREEMENT TERMS, APPLICABLE LAWS AND REGULATIONS**

cont'd

Our testing of transactions and records disclosed instances of non-compliance with those laws and regulations. All instances of non-compliance that we found, are identified in the accompanying schedules of findings on pages 16 to 20.

The results of our tests indicate that with respect to the items tested, CARE complied, in all material respects, with the provisions referred to in the fourth paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that CARE had not complied, in all material respects, with those provisions.

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


COOPERS & LYBRAND
Certified Public Accountants

Singapore, 8 June, 1992

CO-OPERATIVE FOR AMERICAN RELIEF EVERYWHERE, INTERNATIONAL

IN BANGLADESH

SUMMARY OF AUDIT FINDINGS ON COMPLIANCE ISSUES

- 1 Money advanced during August and September, 1989, was not placed in an interest bearing account which resulted in the loss of interest of \$2,171, net of administrative fees of \$100.
- 2 Vehicle costs amounting to \$36,186 were wrongly charged to the grant.
- 3 Quarterly budget versus actual reports were not submitted by CARE/B to USAID/B.

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IN BANGLADESH

SCHEDULE OF FINDINGS OF NON-COMPLIANCE

1 Money Advanced not Invested in an Interest - Bearing Account

Condition

CARE/B had unliquidated cash advances amounting to \$165,949 and \$61,124 at the end of August and September 1989, respectively. These amounts were not separately placed in an interest-bearing account.

Criteria

Article D to the grant agreement, as updated by clause 4 of amendment #8, effective August 24, 1989, requires CARE/B to maintain unliquidated cash advances of funds from USAID in interest-bearing accounts and to remit at least quarterly to USAID, the interest earned thereon, less \$100 to cover administrative expenses.

Effect

If the amount advanced had been placed in a three-month certificate of deposit with American Express Bank in Bangladesh, it would have yielded \$2,171, net of administrative fees of \$100.

Cause

We have been informed that CARE's Corporate headquarters had been monitoring its funding position globally, on all its grants for which money is received via a Federal Letter of Credit agreement with USAID/Washington. This monitoring position was not carried down to individual grant level, because the organisation's management believed that an advance position on an individual grant could justifiably be treated as an "offset" against amounts due on other grants i.e. that it is the overall position which is important. However, the offsetting of amounts has not been demonstrated to us.

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IN BANGLADESH

SCHEDULE OF FINDINGS OF NON-COMPLIANCE

**1 Money Advanced not Invested in an Interest - Bearing Account
(cont'd)**

Recommendation

CARE/B should comply with clause 4 of Amendment #8, or request for a waiver from the requirements of clause 4 from USAID. Furthermore, USAID/B should investigate CARE/B's compliance with the cited provision of the grant agreement during the periods noted above, and consider whether to recover the amount interest of \$2,171 from CARE/B.

Management's Response

It is agreed that CARE/B was in an advance position as stated. However, it is our understanding that CARE as a global entity cannot be in an advance position with regard to the total global contracts between CARE and USAID. Your examination of one contract is not sufficient to determine CARE's global position.

Auditors' Response

Our concern was whether CARE/B had complied with the terms of the grant agreement. We re-iterate our recommendation that USAID/B investigate CARE/B's compliance with the cited provision of the grant agreement.

CO-OPERATIVE FOR AMERICAN RELIEF EVERYWHERE, INTERNATIONAL

IN BANGLADESH

SCHEDULE OF FINDINGS OF NON-COMPLIANCE

2 Vehicle Costs Wrongly Charged to the Grant

Condition

CARE/B has wrongly charged \$36,186 to the grant during fiscal year 1986 for the purchase of 2 Jeeps. The supporting vouchers show that these were purchases for fiscal year 1985, prior to the commencement of the grant period. The costs were charged to CARE/B A/C# 4570 entitled "material/equipment-US".

Criteria

Expenditure incurred prior to the grant period should not be charged to the grant. Specifically, paragraph B of attachment I to the grant agreement states that the effective date from which funds are available for program expenditures is July 1, 1985.

Effect

The amount of \$36,186 has therefore been wrongly claimed and is questioned.

Cause

The amount was inadvertently charged but not detected, because CARE/B was not preparing and submitting to USAID/B quarterly reports summarising actual expenses against approved budget line items (Refer finding #3). Due to the low amount of procurements at the beginning of the grant period this could have been detected had this been done.

Recommendation

USAID/B should resolve the \$36,186 in questioned costs and recover the amounts considered unallowable.

Management's Response

At the time of the negotiations for the USAID grant now under audit, CARE/B was operating under the previous USAID contract that ended as of 30 June, 1985. As sufficient funding existed under the contract that ended as of 30 June, 1985, the costs of these vehicles should have been accrued as of 30 June, 1985. As noted by the auditor, such as entry was not made and expenses were made against the new contract.

CO-OPERATIVE FOR AMERICAN RELIEF EVERYWHERE, INTERNATIONAL
IN BANGLADESH

SCHEDULE OF FINDINGS OF NON-COMPLIANCE

3 Quarterly Budget Versus Actual Reports not Prepared and Submitted

Condition

CARE/B has not been preparing and submitting to USAID/B quarterly reports of actual expenses against approved budget line items.

Criteria

In accordance with the reporting section of attachment 1 to the grant agreement, at clause 1(a), CARE/B is required to submit to USAID/B quarterly reports of actual expenses against approved budget line items.

Effect

Any overruns on approved budget lines items cannot be discovered timely by the management or USAID.

Cause

CARE/B management has been concentrating on monitoring actual expenditures against the total budget, rather than making comparisons in accordance with the categories established by the grant financial plan.

Recommendation

CARE/B should comply with the reporting requirements contained in the grant agreement.

Management's Response

CARE/B is currently submitting such reports.

CO-OPERATIVE FOR AMERICAN RELIEF EVERYWHERE, INTERNATIONAL

IN BANGLADESH

SCHEDULE OF QUESTIONED COSTS

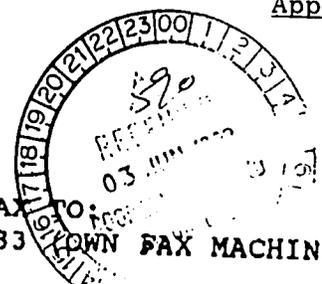
<u>Finding</u>	<u>Condition</u>	<u>Basis of Questionability</u>	<u>US\$</u>
Finding 2	Vehicle costs wrongly charged to grant	Allocability - expenditure incurred prior to the grant period should not be charged against the grant	<u>36,186</u>

Appendix B

DATE: 2 JUNE, 1992

TO : COOPERS AND LYBRAND
COUNTRY : SINGAPORE
FAX : 3362539 / 3390048
TLX : RS 22137

REPLY BY FAX TO:
880-2-814183
OR
880-2-832915 ATTN
CARE-BANGLADESH



FROM : CARE-BANGLADESH
ATTN : PHILIP WOODBURN
SUBJ : DRAFT AUDIT OF CARE/USAID
REF : YOUR FAX OF 29/5

AA. SORRY FOR DELAY IN RESPONDING TO DRAFT AUDIT COMMENTS. HAVE ONLY RECENTLY RETURNED FROM TEMPORARY DUTY IN THE SUDAN. BELOW ARE COMMENTS TO THE COMPLIANCE SECTION OF THE AUDIT REPORT:

Comments formerly made here, relate to matters not incorporated into the final report.

: - 2 - :

- 1) CARE-BANGLADESH IN AN ADVANCE POSITION OF 165,949 IN AUGUST AND SEPTEMBER 1989: IT IS AGREED THAT CARE-BANGLADESH WAS IN AN ADVANCE POSITION AS STATED. HOWEVER, IT IS MY UNDERSTANDING THAT CARE AS A GLOBAL ENTITY CANNOT BE IN AN ADVANCE POSITION WITH REGARD TO THE TOTAL GLOBAL CONTRACTS BETWEEN CARE AND USAID. GIVEN THAT YOU HAVE EXAMINED ONLY ONE CONTRACT AND THAT CONTRACT WAS IN ADVANCE POSITION DOES NOT MEAN THAT CARE AS A GLOBAL ENTITY WAS IN AN ADVANCE POSITION AT THAT TIME. IN THE GLOBAL SENSE, CARE MIGHT HAVE HAD MANY OTHER CONTRACTS IN A RECEIVABLE POSITION AT THAT TIME. AS SUCH THE POSITION OF CARE WITH USAID MAY HAVE BEEN EITHER A NET PAYABLE OR RECEIVABLE POSITION. AGAIN, YOUR EXAMINATION OF ONE CONTRACT IS NOT SUFFICIENT TO DETERMINE CARE'S GLOBAL POSITION.
- 2) TWO JEEPS WRONGLY CHARGED TO THE PROJECT IN JULY 1985 IN THE AMOUNT OF USD 36,186: AT THE TIME OF THE NEGOTIATIONS FOR THE USAID GRANT NOW UNDER AUDIT, CARE-BANGLADESH WAS OPERATING UNDER THE PREVIOUS USAID CONTRACT THAT ENDED AS OF 30 JUNE, 1985. HOWEVER, AT THE TIME OF THE NEGOTIATIONS, USAID AND CARE-BANGLADESH WERE UNSURE WHETHER TO EXTEND THE PREVIOUS CONTRACT BY AMENDMENT OR DEVELOP A NEW CONTRACT. IT WAS DECIDED TO DEVELOP A NEW CONTRACT EFFECTIVE 1 JULY, 1985. AS SUCH, VEHICLES ORDERED UNDER THE CONTRACT THAT ENDED AS OF 30 JUNE, 1985 WERE RECEIVED AND EXPENSED IN JULY 1985. AS SUFFICIENT FUNDING EXISTED UNDER THE CONTRACT THAT ENDED AS OF 30 JUNE, 1985, THE COSTS OF THESE VEHICLES SHOULD HAVE BEEN ACCRUED AS OF 30 JUNE, 1985. AS NOTED BY THE AUDITOR, SUCH AN ENTRY WAS NOT MADE AND EXPENSES WERE MADE AGAINST THE NEW CONTRACT.
- 3) QUARTERLY BUDGET VERSUS ACTUAL REPORTS NOT PREPARED: IT IS AGREED THIS DID NOT OCCUR. MISSION IS CURRENTLY SUBMITTING SUCH REPORTS.

BB. AGAIN, SORRY FOR THE DELAY. I AM TRANSFERRING TO CARE-MOZAMBIQUE THE END OF THIS MONTH. MOST LIKELY OUR PATHS WILL CROSS AGAIN IN FUTURE. IF YOU NEED FURTHER CLARIFICATION, PLEASE LET ME KNOW.

BEST REGARDS,

LITTLE - UNNUMBERED

cc. Confirmation Copy to Coopers and Lybrand by Post
 Ed Brand
 Jonathon Hodgdon
 Earl Goodyear
 CARE-USA/Asia RMU
 CARE-Manila/OFOU
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