

**Regional Inspector General for Audit
Dakar**

**AUDIT OF THE LOCAL EXPENDITURES MANAGED BY
INTERNATIONAL SCIENCE AND TECHNOLOGY INSTITUTE UNDER
THE SENEGAL FAMILY HEALTH AND POPULATION PROJECT (No.
685-0248), JULY 1, 1989 TO DECEMBER 31, 1990**

**Audit Report No. 7-685-93-01-N
December 03, 1992**



UNITED STATES OF AMERICA
AGENCY FOR INTERNATIONAL DEVELOPMENT
OFFICE OF THE REGIONAL INSPECTOR GENERAL FOR WEST AFRICA

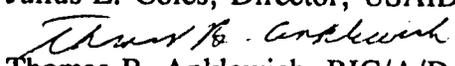
UNITED STATES ADDRESS
RIG/DAKAR
AGENCY FOR INTERNATIONAL
DEVELOPMENT
WASHINGTON, D.C. 20523

INTERNATIONAL ADDRESS
RIG/DAKAR
C/o AMERICAN EMBASSY
B.P. 49 DAKAR SENEGAL
WEST AFRICA

December 03, 1992

MEMORANDUM

To: Julius E. Coles, Director, USAID/Senegal

From: 
Thomas B. Anklewich, RIG/A/Dakar

Subject: Audit of the Local Expenditures Managed by International Science and Technology Institute Under the Senegal Family Health and Population Project (No. 685-0248), July 1, 1989 to December 31, 1990

The attached audit report, prepared by the non-Federal audit firm Coopers & Lybrand, presents the results of a financial audit of the local expenditures managed by the International Science and Technology Institute (ISTI) under the Senegal Family Health and Population Project (No. 685-0248) for the period July 1, 1989 to December 31, 1990.

In July 1985, A.I.D. signed a grant agreement with the Government of Senegal (GOS) to implement the Senegal Family Health and Population Project No. 685-0248 with the purpose of providing comprehensive support to family health activities, improving the country's institutional capacity to provide safe and effective family planning services, and increasing awareness of the impact of rapid population growth on the economic development of the country. Under this project, operating costs related to project implementation were funded in the local currency. ISTI--the U.S.-based technical assistance contractor under the project--was responsible for managing the local currency account set up to disburse these local expenditures which amounted to \$657,754 during the period July 1, 1989 to December 31, 1990.

Coopers & Lybrand performed a financial audit of the \$657,754 in local operating expenditures incurred in accordance with U.S. Government Auditing Standards to determine whether the statement of expenditures for the period July 1, 1989 to December 31, 1990 was presented fairly and whether ISTI complied with agreement terms, laws and regulations for transactions that may have a material effect on the statement of expenditures. In carrying out this financial audit, the non-Federal auditors obtained an understanding of ISTI's internal control structure related to the operation of the local currency account in order to plan the audit and to determine the nature, timing, and extent of tests to be performed.

Coopers & Lybrand found that the statement of expenditures presents fairly the financial position related to local expenditures managed by ISTI for the period audited except for \$30,031 in costs billed to USAID/Senegal which were either unallowable or unsupported.

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In obtaining an understanding of the internal control structure, Coopers & Lybrand noted certain reportable conditions. These conditions, such as the lack of controls to ensure (a) proper use of vehicles and gasoline coupons, (b) proper justification and calculation of salary-related payments including overtime, holiday, transportation, and tax payments (c) consistent and proper use of purchase orders, and (d) adequate safeguarding of project assets, were not considered to be material weaknesses. Finally, while Coopers & Lybrand reported that ISTI complied in all material respects with applicable agreements, laws and regulations, some non-material instances of noncompliance with Senegalese labor laws were identified. For example, ISTI did not properly update personnel files, compute personnel income tax, renew short-term contracts, and authorize purchase orders and invoices.

USAID/Senegal in its comments on the draft audit report requested additional information to resolve some of the auditor's findings. In other instances it agreed with the auditor's findings but proposed alternative ways for resolution. Finally, there were a few cases where it disagreed with the auditors. All USAID/Senegal comments have been fully addressed in the final audit report.

The following recommendations are included in the Office of the Inspector General's recommendation follow-up system.

Recommendation No. 1: We recommend that USAID/Senegal resolve the questioned costs of \$30,031 (\$9,331 unsupported) and recover those costs determined to be unallowable or unsupported.

Recommendation No. 1 is considered unresolved until we are advised of USAID/Senegal's determination regarding the unallowable and unsupported questioned costs. This recommendation can be resolved when we receive USAID/Senegal's determination of the amount sustained or not sustained and can be closed when any amount determined to be owed to A.I.D. is reimbursed by ISTI.

Recommendation No. 2: We recommend that USAID/Senegal in cooperation with the International Science and Technology Institute:

- 2.1 revise the project's manual of procedures to include by reference applicable Senegalese Labor laws and ensure compliance with laws relating to withholding tax calculations, short-term contracts, personnel files, and overtime, holiday, seniority, and transportation payments;
- 2.2 verify on a regular basis the proper use of vehicles, gasoline coupons, and purchase orders in accordance with the project's manual of procedures; and

- 2.3 establish adequate procedures to safeguard project assets by: (i) separating the duties of receiving and maintaining physical inventories, (ii) performing periodic physical inventories at storage sites, and (iii) making an updated list of the project's assets.**

Recommendation No. 2 is considered resolved since USAID/Senegal agreed with this recommendation. The recommendation can be closed when USAID/Senegal takes the required corrective actions.

Pease advise RIG/A/Dakar within 30 days of receipt of this report of any actions planned or taken by USAID/Senegal to implement the above recommendations.

AUDIT OF LOCAL EXPENDITURES MANAGED
BY INTERNATIONAL SCIENCE AND TECHNOLOGY
INSTITUTE UNDER THE SENEGAL FAMILY HEALTH
AND POPULATION
PROJECT No 685 - 0248

July 1, 1989 trough December 31, 1990

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AUDIT OF LOCAL EXPENDITURES MANAGED
BY INTERNATIONAL SCIENCE AND
TECHNOLOGY INSTITUTE UNDER THE SENEGAL
FAMILY HEALTH AND POPULATION PROJET
No 685 - 0248

JULY 1, 1989 THROUGH DECEMBER 31, 1990

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Mr. Paul ARMSTRONG
Regional Inspector General
For Audit
USAID/RIG DAKAR

SUBJECT : AUDIT OF LOCAL EXPENDITURES MANAGED BY
INTERNATIONAL SCIENCE AND TECHNOLOGY
INSTITUTE UNDER THE SENEGAL FAMILY
HEALTH AND POPULATION PROJECT
No 685 - 0248
JULY 1, 1989 THROUGH DECEMBER 31, 1990

Dear Mr. ARMSTRONG

This report on the above subject matter presents the results of the Audit of Local Expenditures managed by International Science and Technology Institute under the Senegal Family Health and Population Project No 685-0248 for the period from July 1989 to December 31, 1990.

The background, audit objectives and scope are contained in Part I of this report - Part II - III and IV include our audit opinions on the statement of expenditures, internal accounting controls, compliances with laws and regulations and related Findings and Recommendations.

The summarized costs claimed per expenditure analysis report, summary of questioned costs and accepted are presented in the appendices of the report.

I BACKGROUND

On July 31, 1985 AID signed a grant agreement with the Government of Senegal (GOS) to implement the Senegal Family Health and Population Project (No 685 - 0248). The initial grant amount of \$ 9.4 millions was subsequently increased to \$ 20.6 million.

From the grant, USAID/SENEGAL had obligated funds for the local operating costs of the project. These funds are managed by the International Science and Technology Institute. The local operating cost funds cover the financing of the activities of project implementing units (BNR, PSF) and small projects (VSPP).

The purposes of this project were to :

- a. provide comprehensive support to (1) Maternal and Child Health (MCH) services ; for example, the detection and treatment of sexually transmitted diseases and infertility and (2) integrated family planning and malaria treatment at the community level ;
- b. improve the existing capacity of the country to provide safe and effective contraception to 15% of married women of reproductive age (MWRA) - approximately 200,000 couples ;
- c. improve the demographic data base so that more effective development planning can take place ; and
- d. increase the awareness of policy makers and planners of the impact of rapid population growth on economic development of the country.

From July 1, 1989 to December 31, 1990 USAID/SENEGAL had given advances totaling FCFA 162,000,000 i.e \$ 540,000. This amount added to the bank account balance as of June 30, 1989 for FCFA 68,240,010 i.e \$ 227,466.70 allows us to assess the financing of the period under review i.e FCFA 230,240,010 (\$ 767,466.70).

The reimbursements by USAID/SENEGAL for the same period amount to FCFA 191,507,022 (\$ 638,356.74). Those requests are properly documented.

The disbursements made by ISTI from July 1, 1989 to December 31, 1990 represent the audited amount which equals to FCFA 195,265,532 i.e. \$ 650,885.10.

The total amount of encumbrances FCFA 8,270,759 i.e. (\$ 27,569.10) added to the audited amount of FCFA 195,265,532 gives a total audited amount of FCFA 203,536,291 i.e. (\$ 678,454.30). See appendix 2.

Audit universe

Advances received	FCFA 230,240,010
Justified amount	FCFA 191,507,022
Outstanding amount	FCFA 38,732,988

II AUDIT OBJECTIVES AND SCOPE

The audit objectives were to :

- i. determine the reasonableness, propriety and allowability of the local costs charged to the project from July 1, 1989 to December 31, 1990 ;
- ii. review and evaluate internal controls and operating procedures ; and
- iii. determine whether project officials complied with applicable laws, regulations and agreements.

The audit covered local operating costs managed by ISTI for VSPP, BNR and PSF as they relate to the project.

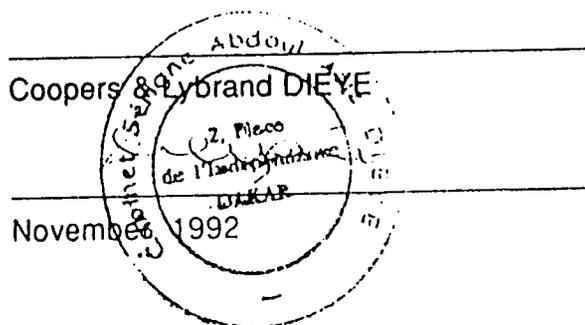
The auditors visited PSF offices at Front de Terre (Dakar) and those of BNR in Dakar - Plateau.

Project's warehouses in PNA (Hann) were also visited. VSPP, BNR, PSF and SN/SMI are management units which are to give necessary technical support to the Family Health and Population Project. The objective assigned to BNR was also to improve the national census database.

SUMMARY OF MANAGEMENT COMMENTS

Management comments are listed under findings in pages 16 and 23 to 38.

The complete text of management comments is attached to this report (appendix 10).



PART II**INDEPENDENT AUDITOR'S REPORT ON THE STATEMENT
OF EXPENDITURES**

We have audited the accompanying Statement of Expenditures for the period July 1, 1989 to December 31, 1990 of the local currency expenditures managed by ISTI under the Senegal Family Health and Population Project No 685 - 0248. The Statement of Expenditures is the responsibility of ISTI management. Our responsibility is to express an opinion on this Statement of Expenditures based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and government auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement of Expenditures is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statement of Expenditures. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall presentation of the Statement of Expenditures. We believe that our audit provides reasonable basis for our opinion.

As discussed in the notes to the Statement of Expenditures, we have questioned costs amounting to FCFA 9,009,442 (\$ 30,031.46) of which \$ 20,700.31 of ineligible costs were incurred for operating expenses (Note V page 14.). Also, \$ 9,331.15 (of unsupported costs) of the total questioned costs relate to the use of gas coupons procured directly by USAID/SENEGAL for ISTI's use (Note VIII , Reportable condition page 16).

Taking into consideration the encumbrances enables us to determine the actual situation of the budget as of December 31, 1990.

In our opinion, the statement of expenditures referred to above presents fairly, except for FCFA 9,009,442 i.e. \$ 30,031.46 of questioned costs, in all material respects, the local currency expenditures managed by ISTI under the Senegal Family Health and Population project for the period July 1, 1989 to December 31, 1990 in conformity with generally accepted accounting principles.

Coopers & Lybrand DIEYE

November, 1992

ISTI

STATEMENT OF EXPENDITURES AUDITED
AS OF JULY 1,1989 TO DECEMBER31,1990

CATEGORIES	EXPENSES			QUESTIONED COSTS		RECLASSIFICATION		ENCOMBRANCES	EXPENDITURES ACCEPTED	NOTE
	BUDGET	ACTUAL	BALANCE	INELIGIBLE	UNSUPPORTED	ADDED	SUBSTRACTED			
Training	56,874,600	22,372,195	34,502,405					933,145	23,305,340	1
Commodities	35,489,684	22,484,684	13,005,000			284,300	1,102,344		21,666,640	2
Rénovation construction	35,775,645	28,275,645	7,500,000						28,275,645	3
Operating costs	105,345,863	73,823,309	31,522,554	6,210,097		1,102,344		7,337,614	76,053,170	4
research	26,033,298	20,369,548	5,663,750				284,300		20,085,248	5
supporting projects	3,847,000	239,720	3,607,280						239,720	
Data base improvement	33,229,229	27,700,431	5,528,798						27,700,431	6
gas coupons					2,799,345					
TOTAL	296,595,319	195,265,532	101,329,787	6,210,097	2,799,345	1,386,644	1,386,644	8,270,759	197,326,194	
US \$	988,651.06	650,885.11	337,765.96	20,700.32	9,331.15	4,622.15	4,622.15	27,569.20	657,753.98	

The exchange rate for this report is \$=300 fcfa since the dollar fluctuates a great deal

10

NOTES TO STATEMENT OF EXPENDITURES FROM
JULY 1, 1989 TO DECEMBER 31, 1990

NOTE I **STATEMENT OF EXPENDITURES FROM**
JULY 1, 1989 TO DECEMBER 31, 1990

The expenditures included in the amount of FCFA 195,265,532 (\$ 650,885.10) are attributed to the three following components of the project :

- Family Health
- National Census Bureau
- Parapublic and private sector.

The expenditures are made according to these categories of the budget :

- training
- technical assistance
- commodities
- renovation
- operating costs
- research
- project support
- data base improvement

The technical assistance category which was not financed for this period is not included in our statements.

The purpose of looking at the three month period from January 1, 1991 to March 31, 1991 was to assess the encumbrances incurred from June 1st, 1989 to December 31st, 1990 based on the statement of disbursement (Etat de paiement) since we could not have information on exact amount of the encumbrances.

The exchange rate for this report is \$ 1 = 300 FCFA since the dollar fluctuates a great deal.

**NOTE II. TRAINING EXPENDITURES : FCFA 22,372,195
(\$ 74,573.98)**

Shared among the three components of the project, the training expenditures are constituted of costs pertaining to seminars, such as :

- per diem allowances to instructors and to seminar attendants. The per diem amounts to FCFA 5,000 (\$ 16.67) when the seminar does not require any travel. It amounts to FCFA 8,000 (\$ 26.67) when travel is involved.
- costs relating to documentation (the training seminar is authorized by the Project Director on proposal of the person responsible from the Ministry of Health).

There is also an amount of FCFA 933,145 (\$ 3,110.48) related to the training cost. Those encumbrances were reconstituted based on the statement of disbursement (Etat de paiement) from January 1, 1991 to March 31, 1991.

The training costs reconstituted based on the encumbrances equal FCFA 23,305,340 (\$ 77,684.47). This amount is different from the disbursements with documentation which amounts to FCFA 22,372,195 (\$ 74,573.98).

The total budget for training was FCFA 56,874,600 (\$ 189,582.00).
Therefore the budget balance is :

FCFA 56,874,600 - 23,305,340 = 33,569,260 i.e. \$ 111,897.53

NOTE III. COMMODITIES FCFA 22,484,684

This category includes office equipment and supplies, and transit costs.

We have noticed that some expenditures in the budget category "commodities" should not be included in that category.

Those expenditures should be reclassified as follows :

DESCRIPTION	TYPE OF EXPENDITURE	AMOUNT	
		FCFA	U.S\$
OPERATION	Binding expenses	700,000	2,333.33
	Transportation expenses	153,600	512.00
	Transit expenses	113,744	379.15
	Health card costs	135,000	450.00
TOTAL		1,102,344	3674.48

Furthermore an expenditure amounting FCFA 284,300 (\$ 947.66) was posted in error to the research category instead of putting it in commodities category.

So, after reclassifying the commodities expenditures we came up with an amount of FCFA 21,666,640 (\$ 72,222.01) which is different from the amount posted in the financial statements i.e FCFA 22,484,684 (\$ 74,948.94).

NOTE IV. RENOVATION COSTS FCFA 28,275,645

An amount of FCFA 28,275,645 has been spent out of a budget of FCFA 35,775,645. This category shows a budget balance of FCFA 7,500,000.

The expenditures are supported by pro-forma invoices and contracts and are duly approved by the authorized people.

The renovation work concerns specially the administrative regions of Dakar, Saint Louis, Fatick and Kolda.

NOTE V. OPERATING COSTS FCFA 73,823,309

This category is the most important one of the project. It includes the following expenditures by line item :

Travel advances to staff	6,662,322
Communication and electricity	1,681,194
Office supplies	4,853,700
Personnel expenses	37,250,859
Other external services	8,556,084
Transportation	1,538,770
Car maintenance and repairs	8,994,312
Maintenance of premises	3,893,345
Car insurance	392,723

Total	73,823,309
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- The travel advances correspond to 80% of the travel expenditures of staff. Those expenditures include hotel and meals. They generally have supporting documents but are not posted in the right accounts.
- Personnel expenses are constituted of salaries paid to the Project employees, overtime paid to employees and civil servants, as well as fringe benefits.

The conclusions of our work are as follows :

QUESTIONED COSTS

	FCFA	U.S\$	REFERENCE PAGES
Car maintenance	2,769,428	9,231.43	15
Overtime - drivers	594,673	1,982.24	15 - 26
Taxes on telephone and electricity	232,874	776.25	15
Holidays with pay	2,281,042	7,603.47	15
Transportation allowance	82,080	273.60	15 - 35
Compensation Mr. NDAO	250,000	833.33	30
TOTAL	6,210,097	20,700.31	

The car maintenance and repairs expenses include repair costs of cars that do not belong to the Project, for an amount of FCFA 2,769,428 (\$ 9,231.43) which must be reimbursed to the Project given that USAID policy prohibits that the maintenance of cars not bought by USAID be provided for with USAID funds. The details are shown in appendix 7.

Temporary contractual workers have received annual leave allowances for a total sum of FCFA 2,281,042 (\$ 7,603.47) (Appendix 3). This sum must be repaid to the project..

The overtime paid to the civil servants, amounting to FCFA 594,673 (\$ 1,982.24) should not be supported by the Project (Appendix 4). The transportation allowance of FCFA 82,080 (\$ 273.60) should be reimbursed to the project since they were transported by project vehicles.

ISTI incorrectly paid tax on the telephone and electricity bills. The reconstitution of telephone and electricity disbursements allows us to come up with an amount of FCFA 232,874 (\$ 776.25) corresponding to taxes paid. The project should recover those payments in conformity with the grant agreement which exonerates the project from paying taxes.

The encumbrances that we have recalculated, under this category, pertain to the salaries of November and December 1990, amounting to FCFA 7,337,614 (\$ 24,458.71). They are included in the statement of the encumbrances (Appendix 5).

After reclassification and accounting adjustments regarding expenditures in the commodities category, the operating costs are equivalent of FCFA 74,925,653 (\$ 249,752.17) instead of FCFA 73,823,309 (\$ 246,077.69) in the statement of expenditures presented by ISTI .

MANAGEMENT COMMENTS

"Given the GOS status of those personnel as being continuously seconded to USAID/SENEGAL projects with no break in service, we believe the seniority allowances are justified".

AUDITOR'S COMMENTS

Based on the additional information, since an employee can be eligible for seniority allowance after signing many work contracts with the same organization when he/she spends two years or more there, we no longer question the seniority allowance costs and have deleted them from the schedule of questioned costs of FCFA 77,000 (\$ 256.67) for NCB and FCFA 982 509 (\$ 3,275.03) for PSF.

NOTE VI. RESEARCH

FCFA 20,369,548

Fees paid to consultants for monographs are included in the research category. But salaries amounting to FCFA 5,400,000 (\$ 18,000) paid to two researchers on the AIDS disease have not been included in salaries but were accounted for in research costs. No tax has been withheld at source from this amount.

This amount has not been classified on ISTI's request.

After accounting reclassification of FCFA 284,300 to commodities category, the research expenditures are equal to FCFA 20,085,248 (\$ 66,950.82).

NOTE VII. DATA BASE IMPROVEMENT FCFA 27,700,431

These are funds spent by the National Census Bureau in relation to studies on population growth in Senegal.

Those expenditures are composed of salaries, per diem allowances and other costs pertaining to supply and services funded for the NCB.

NOTE VIII MANAGEMENT OF GAS COUPONS

The gas used by the project vehicles is managed by ISTI. ISTI receives gas coupons from USAID. The management of those coupons is performed a part from the project's funds.

Following of our audit, we found an unjustified amount of FCFA 2,799,345 i-e US\$ (9,331.15).

The breakdown of the above amount is as following.

ITEMS	FCFA	US\$	REFERENCE PAGES
Gap between coupons received and coupons justified	451,500	1,505.00	31
Coupons used for activities that are not project related	2,347,845	7,826.15	31
TOTAL	2,799,345	9,331.15	

NOTE IX BUDGET RECONSTITUTION

The budget of the Family Health and Population project is an annual budget. The project's financial year is from July 1st through June 30th.

The period covered by the audit is from July 1st 1989 to December 31st 1990.

In order to reconstitute the expenditures to be audited we have added to the expenditures of the financial year 1989 - 1990, those expenditures resulting from the first six months following financial year which is 1990 - 1991.

The following table shows the overall expenditures to be audited for the period from July 1st 1989 through December 31st 1990.

CATEGORIES	1989 - 1990 FCFA	1990 - 1991 FCFA	TOTAL	
			FCFA	U.S \$
Training	44,474,600	12,400,000	56,874,600	189,582.00
Commodities	31,989,684	3,500,000	35,489,684	118,298.94
Renovation - Construction	34,275,645	1,500,000	35,775,645	119,252.15
Operating costs	74,892,863	30,453,000	105,345,863	351,152.88
Research	20,733,298	5,300,000	26,033,298	88,777.66
Project Support	-	3,847,000	3,847,000	12,823.33
Data base improvement	28,229,229	5,000,000	33,229,229	110,764.10
TOTAL	234,595,319	62,000,000	296,595,319	988,651.06

An amount of FCFA 195,265,532 (\$ 650,885.10) has been spent out of a budget of FCFA 296,595,319 (\$ 988,651.06). The balance has been determined after incorporation of the committed expenditures. After consideration of the committed amount of FCFA 8,270,759 (\$ 27,569.19) (see appendix 5), the budget balance is FCFA 93,059,028 (\$ 310,196.76) (see appendix 7).

NOTE X PROJECT'S CASH POSITION

During the audited period, the project has received two advances of funds, totaling FCFA 162,000,000 i.e (\$ 540,000) as follows :

- FCFA 100,000,000 (\$ 333,333.33) on December 22nd, 1989
- FCFA 62,000,000 (\$ 206,666.67) on August 10th, 1990.

The audit of the project bank account balance has revealed a difference of FCFA 103,020 i.e \$ 343.40 on the Disbursement Report of December 1990 in the "miscellaneous category". This difference corresponds to an unjustified receipt.

CASH Position

-	Bank account balance as of		
	June 30, 1989	FCFA	68,240,010
-	Deposit of December 22, 1989		100,000,000
-	Deposit of August 10, 1990		62,000,000
			<hr/>
	Total received	FCFA	230,240,010
	Total expenditures		<195,265,532>
			<hr/>
-	Checks in circulation		
	as of December 31, 1990		1,029,815
-	Funds Committed		
	as of June 30, 1989		<5,712,085>
			<hr/>
	Balance		30,292,208
	Difference	FCFA	103,020
			<hr/>
	Bank account balance as of		<u><u>30,395,228</u></u>
	December 31, 1990		

All the funds used during the period were converted at an average rate of US\$ 1 = FCFA 300

PART III

INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROLS

We have audited the Statement of Expenditures for the period July 1, 1989 to December 31, 1990 of the local currency expenditures managed by ISTI under the Senegal Family Health and Population Project n° 685-0248, and have issued our report there on dated October, 1992.

We conducted our audit in accordance with generally accepted auditing standards and 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 Statement of Expenditures are free of material misstatement.

In planning and performing our audit of the ISTI Statement of Expenditures of the local currency expenditures managed by ISTI under the Senegal Family Health and Population Project n° 685-248 we considered ISTI's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the Statement of Expenditures and not to provide assurance on the internal control structure.

The management of ISTI 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 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 Statement of Expenditures 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 : documentation, recording of transactions and events, execution of transactions and events, separation of duties, supervision, and access to and accountability for resources.

For all of the control 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 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 organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the Statement of Expenditures.

The reportable conditions fall into the following categories :

a/ Documentation :

- Transactions were not always properly documented ; sometime different purchase orders forms were used
- The workers file is incomplete
- Logbooks were not properly monitored.

- b/ Recording of transactions and events
 - The overtime rates are not always properly recorded.

- c/ Execution of transactions and events
 - Lack of required signatures on purchase orders and fuel receipts.

- d/ Separation of duties
 - Logistician (comptable des matières) responsible for reception and custody of goods.

- e/ Supervision
 - Personal income tax not adequately done.
 - Lack of qualified supervision resulted in improper recording of transactions dealing with the accounting encumbrance system.

As a result also, suppliers invoices were not properly scrutinized and reviewed before payment is made.

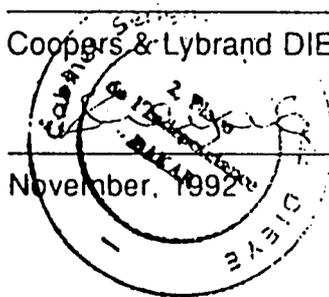
- f/ Access to and accountability for resources :
 - Abusive use of project vehicles
 - Lack of inventory of project assets.

This report is intended for the information of the audit committee, ISTI's management, Senegal Family Health and Population project personnel, and the United States Agency for International Development

This restriction is not intended to limit the distribution of this report which is a matter of public record.

Coopers & Lybrand DIEYE

November, 1992



REPORTABLE CONDITIONS

I DOCUMENTATION

I.1. The workers file incomplete

The Senegal Family Health and Population Project's workers file is incomplete as some contracts were missing, as are certain required records such as birth certificates.

All the employees should have complete records in the workers file for ISTI to conform to the Senegalese regulations.

ISTI management did not make the necessary effort to properly keep the workers file and update it if necessary.

ISTI runs potential risk of being financially penalized in case of a visit from the tax office.

Recommendation n° 1 :

We recommend that a binding contract with all the relevant documents make up the individual file for each employee.

Therefore, ISTI management should make sure that the files are complete.

Management comments

No comment.

I.2. Orders placed without purchase orders

Several orders were placed with vendors without using a purchase order form. In addition some purchase order forms were different from the sample shown in the manual of procedures.

Purchases should only be made by using the purchase order forms contained in the manual of procedures filled out and approved by ISTI.

ISTI management did not carry out proper checking in order to comply with procurement procedures, nor did it pay attention to the form used.

Unauthorized purchases can occur if purchases are made without purchase orders. Also the use of different purchase order forms may result in confusion and lack of coherence within the procurement system.

Recommendation n° 2

We recommend that ISTI take without delay all necessary steps in order to correct such practices.

Management comments

No comment.

1.3. Vehicle logbooks not well monitored

About 2/3 of the vehicle logbooks were missing. Some of the logbooks reviewed were illegible.

The logbooks should be well kept as a mean of control both for gas consumption and allowed use of project vehicles.

ISTI management did not verify on a systematic basis that logbooks were properly maintained.

The project drivers showed lack of interest by not filling out the logbooks systematically. This situation is illustrated by the following case : Mr. Fape Madiama Diallo drove 15 mn from PSF to Diamalaye "a distance of negative 3 km". This is explained by the fact that the

starting number is higher than the number of kilometers put down at destination. Also, from the "Building Administratif" to Diamalaye, the same driver did not write down the number of kilometers traveled in his logbook.

Recommendation n° 3 :

We recommend that ISTI management check the logbooks at least once a week in order to detect the irregularities that may occur.

Management comments

No comment

II RECORDING OF TRANSACTIONS AND EVENTS

II.1. The overtime rates not well monitored.

Some project employees when they go to a work assignment outside of Dakar are entitled to an overtime rate of 100% and sometimes some of those employees are not supposed to get overtime benefit.

The overtime payment should be done according to the "Convention Collective's norms in article 41 which states that the overtime rates based on the following conditions are as follow.

- In case the employee worked between 41 to 48 hours he/she is entitled to his/her hourly rate + 15%.
- If he/she worked more than 48 h he/she should get his/her hourly rate + 40%.
- If he/she worked at night, he/she should get his/her hourly rate + 60%.
- If he/she worked during holidays in daytime, he/she should get his/her hourly rate + 60%.

- If he/she worked during holidays at night , he/she should get his/her hourly rate + 100%.

ISTI management did not pay enough attention to the "Convention Collective".

Overtime payments were unduly made to some employees of the project. Some drivers from the Senegalese administration received FCFA 594,673 (US \$ 1,982.24) as overtime pay.

(appendix 4)

Recommendation 4

We recommend that the amount of FCFA 594,673 (US \$ 1,982.24) be disallowed. Also the project should act in accordance with the Senegalese labor law on overtime payments and make sure that the hours put down correspond to the hours worked, and the rates used the ones allowed.

Management comments

"..... We believe it would be extremely cumbersome and administratively infeasible to incorporate all such laws into the procedures manuel. Rather, we suggest that relevant laws be incorporated into the manuel..."

Auditors comments

Even though all such laws cannot be incorporated into the manuel, the rates suggested by the labor law (article 41) should be applied.

III EXECUTION OF TRANSACTIONS AND EVENTS

III.1. Purchase orders and invoices do not bear all the required signatures

Purchase orders and supplies invoices do not bear all required signatures in order to show that the purchase orders are duly authorized by designated officials.

All purchase orders should be signed by the designated officials mentioned by the manual of procedures.

ISTI didn't carry out proper checking in order to insure all authorizations needed are obtained. Such practices may lead to fraud and/or theft.

Recommendation n° 5

We recommend that ISTI management exercise proper checking to verify that all needed signatures are obtained. The employee carrying out the control should sign off on all accepted purchase orders

Management comments

"...This recommendation charges ISTI with following the procedures manuel.... In addition, we will discuss with ISTI the development of a procedure for verifying on a regular basis the proper use of the vehicles....and purchase orders."

Auditors comments

We agree with the management comment, hoping that proper follow up will be done to solve this problem.

IV SEPARATION OF DUTIES

IV.1. Deficient separation of task

The logistician (comptable des matières) of Senegal Family health and Population Project is responsible for receiving goods ordered and is in charge of the warehouses (physical inventory).

A principle of goods stock management implies that the employee in charge of accounting should not be in charge of the warehouses.

Principles of good stock management were not applied. The level of expertise of the employee in charge of stock management at the Senegal Family Health and Population Project does not allow a setting up of a compensation control procedure.

The lack of separation of tasks may lead to theft or unauthorized use of project assets.

Recommendation n° 6

We recommend that a warehouse keeper be hired immediately and the manual of procedures clarify the need for a separation of tasks at this level.

Management comments

"... Steps have already been taken to recruit a warehouseman who will maintain the physical inventory..."

Auditors comments

The recruitment of a warehouseman will help prevent risks of theft or unauthorized use of project assets.

V SUPERVISION

V.1. Computation of personal income tax and salary regularisation were incorrect for some project employees

Lump sum payments of three to four months in salary arrears were considered as if they were a one month salary. Withholding taxes were calculated on a three to four month basis. The salary adjustments made by ISTI did not take into consideration the extrapolation technique for the amount received for a time period of less than a year. This technique requires that salaries be annualized to correctly determine taxes to be withheld.

According to the Senegalese General Tax Code, the salary payment at a precise date here an amount of money representing 3 months salary should not be used as reference to correctly calculate the withholding taxes. The time period actually worked for which the salary was paid should be used instead to calculate the withholding tax based on the Senegalese tax code specifications. However if taxes owed are not well computed, it is necessary to make a declaration to correct the error.

ISTI management seems to ignore the impact the method used has on the actual income of the employees concerned.

The lump sum of salaries made ISTI withhold excess taxes in an amount of FCFA 54,498 (US \$ 181.66). The TRIMF (minimum income tax per capita) error for the year 1989 - 1990 is FCFA 13,353 (US \$ 44.51).

Recommendation n° 7

We recommend that the tax adjustment be made, and the excess amount withheld be paid back to the employees and more care be taken to compute the taxes in the future.

Management comments

No comment.

V.2. Term contracts are renewed more than twice for some employees

The following employees have had consecutively three term contracts : Fatou Dione, Cheikh Mbodji, Mbène Ndiaye and Ndeye Ardiouma Diouf.

According to article 35 of the Senegalese labor code "no one is allowed to sign with the same company more than two term contracts nor renew more than once a term contract".

ISTI management did not follow either its manual of procedures or the Senegalese law. Also ISTI did not comply with the recommendation letter of USAID - SENEGAL dated September 15, 1989.

A law suit brought by Mr. Adama Ndao a Senegal Family Health and Population Project driver who was fired after having worked for the SFHPP for three consecutive contracts despite the USAID letter V/L n° 551 warning ISTI not to hire an employee with short term contract more than twice for "USAID" will not be liable for the consequences that might arise from such action. That law suit cost the project FCFA 250,000 i.e \$833.33 as compensation for Mr. Ndao (see letter from labor office no 02818 MDS/CAB of October 16, 1989).

Recommendation n° 8

We recommend that the amount of \$ US 833.33 be questioned since ISTI disregarded the AID/SENEGAL warning on the issue and wilfully hired Mr. Ndao more than twice.

Management comments

"... We believe it would be extremely cumbersome and administratively infeasible to incorporate all such laws into the procedures manual. Rather, we suggest that relevant laws be incorporated into the manual..."

Auditors comments

ISTI management should abide by the law and therefore stop signing more than two term contracts with the same employee.

V.3. Inadequate controls over fuel coupons and vehicle usage

Project vehicles and fuel provided by USAID/SENEGAL were used to transport project employees from home to work and vice versa. Project vehicles were kept overnight by drivers.

Using project fuel and vehicles for staff transportation from home to work and vice versa is not authorized.

The manual of procedures stipulates clearly that project vehicles should be kept at the project site after work hours.

Not keeping project vehicles at project site may lead to abuse of vehicle usage or damages.

An amount of FCFA 2,347,845 i.e US \$ 7,826.15 worth of gas was used for unauthorized activities.

There is a difference of 1290 liters between the gas amount USAID gave ISTI (30 620 l) and the gas amount ISTI gave to the Senegal Family Health and Population Project (29 330 l). The amount not accounted for is estimated at FCFA 451, 500 i.e. \$ 1 505.00 which needs to be questioned.

Recommendation n° 9

We recommend that the amount of US \$ 7,826.15 be questioned as well as the unaccounted for amount of FCFA 451, 500 (\$ 1505). We also feel that the logbooks should be used as a means of control after making the drivers aware of the importance of properly filling them out.

Management comment

How did the auditors determine the coupons which were used and for what non-related project purposes ? It seems clear that office to home transportation may be the primary reason for the questioned cost, but the report should either provide supporting schedules/narrative or otherwise provide the basis for the finding.

Auditors comments

We examined the logbooks for the period covered by the audit. We looked at each trip mentioned on those logbooks, keeping in mind the employees addresses we got from the workers files and interviews. We checked the trips from employees homes to their work place and vice versa. By using those logbooks, we came up with 60 983 km that were travelled by project vehicles for private transportation of employees not only from home to office and vice versa, but also for other purposes ; for example :

Project	-	personnel : 166 km on logbook n° 004189
Project	-	personnel : 73 km on logbook n° 017
Diamalaye	-	parcelles : 163 km on logbook n° 018.

knowing the make of the cars and the gaz mileage we made computations to come up with the amount of money spent by the project for providing employees with transportation from home to work.

The computation made is as follow :

17 472 km from 1st phase of the audit assignment
 43 511 km from 2nd phase of the audit assignment

60 983 km non operating activities
 (60 983 km x $\frac{11}{100}$ x 350 ⁽²⁾ F = 2 347 845F.
⁽¹⁾

Given that such activity was not authorized by the project, we decided to question those costs.

- (1) We estimate that the average gas consumption by car is 11 liters per 100 kilometers.
- (2) Cost of one liter of gas.

Management comment

We need information on how the auditors reached their conclusion. Under present procedures coupons are issued by USAID to ISTI when 80 % of the gas coupons received have been accounted for. Therefore, up to 20 % of coupons are always outstanding.

Auditors comments

By adding up the figures from the report justifying that the gas was received by each component, the amount we came up with is 29 330 liters. The justified amount of gas used is 17 300 liters. The amount not justified which is the difference between the amount received and the amount used at the time of the audit is 7670 liters, i.e \$ 1 505. Therefore we questioned it ; if USAID can reconcile with ISTI'S file to state that there is no discrepancy, that will resolve the finding.

V.4. Poor monitoring of the encumbrance system by ISTI's accountants.

Encumbrances of a given period are still kept on the encumbrance journal even though they have been paid during the subsequent period.

Based on good accounting principles encumbrances already paid should be deducted from the total amount of encumbrances.

ISTI's accountants do not have a solid grasp of the encumbrance system as used by USAID controller's office.

As a result, we reconstituted the encumbrances based on payment vouchers from January to March 1991. The encumbrances reconstituted amounted to at FCFA 8,270,759 (US\$ 27,569.20).

Recommendation n° 10

We recommend that ISTI's management undertake a training of its agents as to enable them to properly implement the encumbrance accounting system.

Management comments

No comment.

VI. ACCOUNTABILITY FOR RESOURCES

VI.1. The Senegal Family Health and Population Project provides transportation services and allowances at the same time.

For the period October through December 1990 project vehicles were used to take employees back and forth to work while they received transportation allowance.

As a general practice when employees receive transportation allowances, they shouldn't be provided with transportation services to go back and forth to work.

This situation occurred because ISTI management did not monitor the use of project vehicles properly.

An amount of FCFA 82,080 (US \$ 273.60) was paid out to employees as transportation allowance.

Recommendation n° 11

We recommend that the project stick to one transportation benefit : either paying out allowances to project employees, or providing transportation by the use of project vehicles. Also, the project should pay back the U.S \$ 273.60 to USAID/SENEGAL.

Management comment

To assert a claim the data must support the fact that personnel who received transportation allowances were also transported to their homes after having followed a normal work schedules.

Auditors comments

All the Family Health and Population Project were taken to work and back to their homes.

In addition, the employees Fatou Diallo, Doudou Sylla and Aminata Aw received transportation allowances amounting 82 080 FCFA composed of.

	<u>Fatou Diallo</u>	<u>Doudou Sylla</u>	<u>Aminata Aw</u>	<u>TOTAL</u>
October 1990	9120	9 120	9 120	27 360
November 1990	9120	9 120	9 120	27 360
December 1990	9120	9 120	9 120	27 360
<u>TOTAL</u>				<u>82 080</u>

VI.2. Nonexistence of a system for monitoring stocks in warehouses and for identifying project assets.

Drugs and other products stored in project warehouses are not monitored closely. No inventory system is used to identify project assets and their location.

Perishable products should be subject to a very close monitoring in order to avoid waste.

A lack of a system to monitor products under the supervision of ISTI in conformity with the project manual of procedures is the cause of such a problem.

ISTI is unable presently to provide a comprehensive list of project assets and to give their location. Therefore, there is a risk of theft or loss of project assets.

Recommendation n° 12

We recommend that ISTI immediately undertake an inventory of all the project assets and continue doing it on a quarterly basis. Inventory should identify assets and give the places where they are located. ISTI should also design a system for monitoring stocks in warehouses.

Management comment

To the best of our knowledge, the auditors are reporting on the inventory system for contraceptives and drugs.

Auditors comments

ISTI is unable to give us a comprehensive listing of project assets and their location. This does not only include drugs and contraceptives, but also the other assets.

VI.3. Procedures related to the release of fuel coupons to project management are not well implemented

Receipts intended to certify that fuel coupons have been released to the project bear different signatures. There are cases where only lower-level ISTI staff did sign to certify the release of fuel coupons to the project. Fuel coupons are sometimes released without full justification by the project of the prior allowance.

According to the project's manual of procedures, the distribution of fuel coupons should involve the project director and the project logistician. The project's manual of procedures also stipulates that "no fuel allowance should be made before justification of at least 80% of the prior allowance" on a monthly basis.

A systematic checking of gas consumption is not done in order to make sure that the people who receive the fuel are the designated officials in accordance with the manual of procedures.

The non implementation of procedures may lead to confusion and make it possible for diversion of project fuel.

Recommendation n° 13

We recommend that ISTI implement with vigor procedures related to fuel management. Designated people should be the only people to receive fuel coupons. Also, no new release of fuel coupons should be made before justification of at least 80% of the prior allowance.

Management comments

"...This recommendation charges ISTI with following the procedures manual.... In addition, we will discuss with ISTI the development of a procedure for verifying on a regular basis the proper use of the vehicles, gasoline coupons..."

Auditors comments

Following the procedures manual will help safeguard the project assets and also identify who is accountable for what in case something happens.

PART IV

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
AGREEMENT TERMS AND APPLICABLE LAWS AND
REGULATIONS**

We have audited the Statement of Expenditures related to the local currency fund managed by ISTI under the Senegal Family Health and Population Project for the period July 1, 1989 to December 31, 1990, and have issued our report.

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 Statement of Expenditures is free of material misstatement.

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

Our testing of transactions and records selected disclosed instances of noncompliance with those laws and regulations.

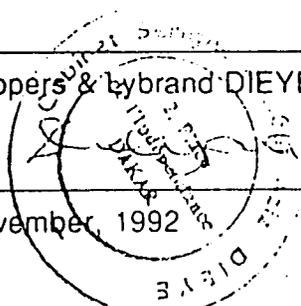
The results of our tests indicate that, with respect to the items tested, ISTI complied, in all material respects, with the provisions referred to in the third paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that ISTI had not complied,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

This report is intended for the information of ISTI's management, Senegal Family Health and Population project personnel, and the United States Agency For International Development.

This restriction is not intended to limit the distribution of this report which is a matter of public record.

Coopers & Lybrand DIEYE

November, 1992



**FINDINGS RELATED TO NON COMPLIANCE
WITH AGREEMENT TERMS AND APPLICABLE
LAWS AND REGULATIONS**

The findings related to non compliance with agreement terms and applicable laws and regulations that came to our attention during our audit assignment are already mentioned in the internal control section of our report.

They are :

- a. The workers file incomplete (see page 22) ;
- b. Bad computation of personal income tax and salary regularisation (see page 23) ;
- c. Term contracts are renewed more than twice for some employees (see page 25) ;
- d. Purchase orders and invoices do not bear all the required signatures.

Page 6 of ISTI manual of procedures specifies all the required documents in the workers files. The 1987 tax schedule gives a clear illustration of how to go about computing TRIMF (per capital income tax) and salary regularisation. The method of extrapolation used was valid until 1990. According to the article 35 of the Senegalese labor code "no one is allowed to sign with the same company more than two term contracts nor renew more than once a term contract".

ISTI management did not make necessary effort to keep properly the workers file and update it if necessary. ISTI was not concerned about the legal implications of contracts renewal, and was not aware of the extrapolation method.

We recommend that ISTI take due care to make the salary adjustments and follow the applicable tax laws.

Appendix 1

STATEMENT OF EXPENDITURES BY COMPONENT
 JULY 1, 1989 TO DECEMBER 31,1990

CATEGORIES	FAMILY HEALTH	NATIONAL CENSUS BUREAU	PUBLIC AND PARAPUBLIC SECTOR	TOTAL
Training	13,433,541	1,832,990	7,105,664	22,372,195
Commodities	19,186,820	113,744	3,184,120	22,484,684
Renovation - construction	28,275,645	-	-	28,275,645
Operating costs	52,325,652	21,497,657	-	73,823,309
Research	20,369,548	-	-	20,369,548
Supporting Project	239,720	-	-	239,720
Improvement of data base	-	27,700,431	-	27,700,431
TOTAL				
FCFA	133,830,926	51,144,822	10,289,784	195,265,532
US \$	446,103.09	170,482.74	34,299.28	650,885.11

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**STATEMENT OF EXPENDITURES, QUESTIONED
COSTS, AND EXPENDITURES AUDITED
JULY 1, 1989 TO DECEMBER 31,1990**

CATEGORIES	EXPENDITURES DONE	EXPENDITURES QUESTIONED	EXPENDITURES ACCEPTED	EXPENDITURES AUDITED
Training	22,372,195		22,372,195	23,305,340
Commodities	21,666,640		21,666,640	21,666,640
Renovation - Construction	28,275,645		28,275,645	28,275,645
Operating costs	74,925,653	6,210,097	68,715,556	80,382,017
Research	20,085,248		20,085,248	21,966,498
Supporting projects	239,720		239,720	239,720
Data base Improvement	27,700,431		27,700,431	27,700,431
TOTAL				
FCFA	195,265,532	6,210,097	189,055,435	203,536,291
US \$	650,885.11	20,700.31	630,184.78	678,454.30

DETAIL OF UNALLOWABLE LEAVE BENEFITS PAID TO EMPLOYEES WITH TERM CONTRACTS

NAME	Aug. 1989	TOTAL 1989	Feb. 1990	May 1990	July 1990	Sept. 1990	Nov. 1990	TOTAL 1990	TOTAL PAID	
									FCFA	US \$
Fatou DIONE	72.843	72.843				93.680		93.680	166.523	555.08
Cheikh MBODJI	70.117	70.117							70.117	233.72
Mbene NDIAYE	72.843	72.843				96.911		96.911	169.754	565.85
Ndèye A. DIOUF	70.117	70.117				77.301		77.301	147.418	491.39
Serigne Baba CAMARA	70.000	70.000				75.950		75.950	145.950	486.50
Bineta TANDIAN	64.167	64.167							64.167	213.89
Fatou NDOYE			54.596					54.596	54.596	181.99
Abdoul Aziz WADE			58.333					58.333	58,333	194.44
Pape Maring FALL			58.333					58.333	58,333	194.44
Balla FAYE			58.333					58.333	58,333	194.44
Atia DIOP				20.933				20.933	20,933	69.78
Mite CAMARA .				20.933				20.933	20,933	69.78
M. COLY					33.654			33.654	33,654	112.18
Mbacké NDIAYE					24.942			24.942	24,942	83.14
Assane FALL					24.118			24.118	24,118	80.39
Ibrahima TOURE					24.118			24.118	24,118	80.39
Cheikh T. DIOP					50.000			50.000	50,000	166.67
Modou SARR					24.118			24.118	24,118	80.39
Abdourahmane THIONGANE					24.118			24.118	24,118	80.39
Khadidiatou ANN					30.449			30.449	30,449	101.50
Abdoulaye MALE					50.000			50.000	50,000	166.67
AL COLY					33.654			33.654	33,654	112.18
Gabou DIEF. IOU					33.654			33.654	33,654	112.18
Jacques B. GUEYE					33.654			33.654	33,654	112.18
Jacques NDIAYE					33.654			33.654	33,654	112.18
Oulimata THIONGANE						75.834		75.834	75,834	252.78
Mommar GADIAGA							7.292	7.292	7,292	24.31
Edmond RODRIGUE							14.583	14,583	14,583	48.61
Cheikh DIOUF					33.654			33.654	33,654	112.18
Mamadou SARR					50.000			50.000	50,000	166.67
Autres					30.449 x 19 = 578,531		21.875 x 3 = 65,625	644.156	644,156	2.147.19
TOTAL	420,087	420,087	229,595	41,866	1,082,318	419,676	87,500	1,860,955	2,281,042	7,603.47

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DETAILS OF UNALLOWABLE OVERTIME PAYMENT TO DRIVERS, CIVIL SERVANTS

	PAPE MADIAMA DIALLO	TOTAL	MBAR FAYE	TOTAL	ADAMA NDAO	TOTAL	TOTAL PAID	
							FCFA	US \$
July 89								
August 89								
September 89	9.442 + 17.362 + 12.723	39.527	18.846 + 17.517 + 12.792 =	49.155	27.117 + 8.925 =	36.042	124.724	415.75
October 89								
November 89	18.493 + 10.494 + 13.407 11.802 + 7.767	61.963	12.179 + 27.123 + 16.969 + 16.256 + 22.635	95.162			157.125	523.75
December 89	1.604	1.604	28.084	28.084			29.688	98.96
TOTAL PERIOD 1		103,094		172,401		36,042	311,537	1,038.46
Jan-90		24.791		31.615			56.406	188.02
February 90		22.579		30.931			53.510	178.37
March 90		34.152		26.369			60.521	201.74
April 90				33.378			33.378	111.26
May 90		22.145		21.080			43.225	144.08
June 90		5.706		18.247			23.953	79.84
July 90		5.500		6.640			12.140	40.47
August 90								
September 90								
October 90								
November 90								
December 90								
TOTAL PERIOD 2		114,873		168,260			283,133	943.78
TOTAL 1 + 2		217,967		340,661		36,042	594,670	1,982.23

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TABLE OF RECONSTITUTION OF COMMITMENTS

ITEM	Date of Request of Purchases and services	DATE OF SETTLEMENT	AMOUNT	
			FCFA	US \$
Salary Aminata LY (Family Health)	Oct. 90	4/1/91	105,913	353.04
Salary Aminata LY (Family Health)	Nov.90	4/1/91	105,913	353.04
Salary Aminata LY (Family Health)	Déc 90	4/1/91	105,913	353.04
Ndongo YADE mission expenses	7/11/90	7/1/91	24,000	80.00
Fees - Babacar MANE Monograph	30/11/90	-	400,000	1,333.33
Dioutala DIEME	30/11/90	-	2,500	8.33
Salary Cheikh Tidiane SECK	Oct. 90	8/1/91	79,941	266.47
Ense NGOM (rep. Microspe)	4/12/90	-	42,800	142.67
Salary Fatou DIONE Sal (National Census Bureau)	Nov. 90	-	62,548	208.49
Mbène NDIAYE	Nov. 90	-	62,548	208.49
Ndèye Ard. DIOUF	Nov. 90	-	60,862	202.87
Cheikh MBODJ	Nov. 90	-	60,862	202.87
Serigne Ba. CAMARA	Nov. 90	-	57,299	191.00
Oulimata THIONGANE	Nov. 90	-	62,548	208.49
Health Insurance	Dec. 90	9/1/91	21,600	72.00
Health Insurance	Nov. 90	-	25,163	83.88
Salary Fatou Dione	Déc 90	-	68,037	226.79
Amount to be carried forward			1,348,447	4,494.82

TABLE OF RECONSTITUTION OF COMMITMENTS

ITEM	Date of request of Purchases and services	DATE OF SETTLEMENT	AMOUNT	
			FCFA	US \$
Amount carried forward			1,348,447	4,494.82
Cheikh MBODJ (NCB)	Déc. 90	9/1/91	67,594	225.31
Mbène NDIAYE	Déc. 90	9/1/91	68,948	229.83
Ndèye Ardiouma DIOUF	Déc. 90	9/1/91	67,594	225.31
S. Babacar CAMARA	Déc.90	9/1/91	66,210	220.70
Oulimata THIONGANE	Déc.90	9/1/91	67,228	224.09
Social Security Fund - 4th quarter (NCB)	Déc. 90	10/1/91	75,600	252.00
Salary - Doudou SYLLA (Family Health)	Oct. 90	11/1/91	64,778	215.93
Doudou SYLLA (Family Health)	Nov. 90	11/1/91	64,778	215.93
Doudou Sylla (Family Health)	Nov. 90	11/1/91	84,281	280.94
Taxes withheld at source	Nov. 90	14/1/91	62,068	206.89
Draining of sump - Maintenance of vehicles 3783 TTB1 (Family Health)	22/11/90	16/1/91	17,285	57.62
Taxes withheld at source	Déc.90	17/1/91	22,910	76.37
Health Insurance (Family Health)	Nov. 90	18/1/91	21,174	70.58
Health Insurance (Family Health)	Déc.90	18/1/91	10,800	36.00
Taxes withheld at source (NCB)	Nov.90	18/1/91	56,730	189.10
Mbar FAYE	Déc.90	18/1/91	37,501	125.00
Amount to be carried forward			2,203,926	7,346.42

TABLE OF RECONSTITUTION OF COMMITMENTS

REPORT	Date of Request of purchases and salaries	DATE OF SETTLEMENT	AMOUNT	
			FCFA	US \$
Amount carried forward			2,203,926	7,346.42
Tax withheld at source (NCB)	Déc-90	25/1/91	216,743	722.48
Social Security (FH) - 4th quarter	90	29/1/91	42,000	140.00
Superannuation Plan	90	-	263,346	877.82
BRS Tax (NCB) - 2nd Semester	2e trim	30/1/91	53,216	177.39
BRS Tax (NCB)	-	-	2,750	9.17
BRS Tax (NCB)	Déc. 90	-	6,260	20.87
Superannuation Plan - NCB - 4th quarter	90	-	229,126	763.75
Pierre Informatique (NCB)	5/12/90	-	53,550	178.50
Maintenance Draining of sump "505" (FH)	9/7/90	7/2/91	4,970	16.57
"Femme d'Afrique" Magazine (FH)	17/7/90	-	100,000	333.33
Transportation Alassane Coly (FH)	7/7/90	-	42,000	140.00
Transportation Caroline Mané (FH)	8/6/90	-	50,000	166.67
Transportation Aissatou NDIAYE (FH)	8/6/90	-	50,000	166.67
Maintenance Draining of sump "505" (FH)	12/7/90	-	11,545	38.48
Training seminar (NCB)	17/5/90	-	284,060	946.87
Per diem Sokhna DIAGNE (FH)	13/6/90	-	67,200	224.00
Amount to be carried forward			3,680,692	12,268.97

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TABLE OF RECONSTITUTION OF COMMITMENTS

ITEM	Date of Request of purchases and salaries	Date of settlement	Amount	
			FCFA	US \$
Amount carried forward			3,680,692	12,268.97
Masseck SECK	1990	8/2/91	2,585,189	8,620.63
AFRICAUTO vehicle maintenance	6/12/90	8/3/91	39,973	133.24
Per diem Aissatou NDIAYE (FH)	8/6/90	8/3/91	29,600	98.67
Per diem Caroline MANE	8/6/90	8/3/91	29,600	98.67
Sokhna DIAGNE	13/6/90	8/3/91	6,480	21.62
SENELEC 6th quarter (FH)	1990	8/3/91	47,640	158.80
Total PT E	4/12/90	8/3/91	17,630	58.77
Graphitex supplies (NCB)	5/12/90	11/3/91	38,000	126.67
Caroline MANE per diem (FH)	8/6/90	20/3/91	23,700	79.00
Fees Boubacar MANE (Research FH)	30/11/90	27/3/91	425,000	1,416.67
TANDIAN Printing house = supplies (FH)	28/12/90	29/3/91	1,053,750	3,512.50
Richard Equipement : Training (NCB)	17/5/90	29/3/91	292,500	975.00
Amount to be carried forward			8,270,759	27,569.20

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MAINTENANCE COSTS QUESTIONED

LICENCE PLATE NUMBER	USER DEPARTMENT	AMOUNT	
		FCFA	US\$
12796 SO	MDS	5,000	16.66
AD 242	NCB	76,390	254.63
12713 SO	NCB	598,992	1,996.64
12844 SO	NCB	1,108,675	3,695.58
13154 SO	NCB	263,700	879.00
12250 SO	NCB	292,000	973.33
13653 SO	NCB	361,415	1,204.71
12843 SO	NCB	44,446	148.15
124965 SO	NCB	18,810	62.70
TOTAL		2,769,428	9,231.42

APPENDIX 7

BUDGET FROM JULY 1, 1989 TO DECEMBER 31, 1990

CATEGORIES	BUDGET	DISBURSMENTS OF THE PERIOD	ENCUMBRANCES	EXPENDITURES	BUDGET BALANCE FCFA	BUDGET BALANCE US \$
Training	56,874,600	22,372,195	933,145	23,305,340	33,569,260	111,897.53
Commodities	35,489,684	21,666,640		21,666,640	13,823,044	46,076.81
Rénovation - Construction	32,775,645	28,275,645		28,275,645	7,500,000	25,000.00
Operating cost	105,345,863	74,925,653	5,456,364	80,382,017	24,963,846	83,212.82
Research	26,033,298	20,058,248	1,881,250	21,966,498	4,066,800	13,556.00
Supporting project	3,847,000	239,720		239,72	3,607,280	12,024.27
Data Base improvement	33,229,229	27,700,431		27,700,431	5,528,798	18,429.32
TOTAL	296,595,319	195,265,532	8,270,759	203,536,291	93,059,028	310,196.75

QUESTIONED COSTS

	FCFA	U.S\$	REFERENCE PAGES
Car maintenance	2,769,428	9,231.43	15
Overtime - drivers	594,673	1,982.24	15 - 26
Taxes on telephone and electricity	232,874	776.25	15
Holidays with pay	2,281,042	7,603.47	15
Transportation allowance	82,080	273.60	15 - 35
Compensation Mr. NDAO	250,000	833.33	30
Fuel for non operating activities	2,347,845	7,826.15	31
Difference between coupons Received and coupons justified	451,500	1,505.00	31
TOTAL	9,009,442	30,031.47	

This table of questioned costs includes both the local currency disbursements made by ISTI of FCFA 7,269,603 (\$24,232.01) mentioned in the note n° 4 of the Statement of Expenditures and the questioned amounts from fuel management of FCFA 2,799,345 (\$9,331.15) detailed in Note 8 of the statement of expenditures.

AUDIT OF LOCAL EXPENDITURES MANAGED
BY INTERNATIONAL SCIENCE AND
TECHNOLOGY INSTITUTUE UNDER THE SENEGAL
FAMILY HEALTH AND POPULATION PROJET
No 685 - 0248

JULY 1, 1989 THROUGH DECEMBER 31, 1990

ACRONYMS

USAID	-	UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
SFHP	-	SENEGAL FAMILY HEALTH AND POPULATION PROJET
ISTI	-	INTERNATIONAL SCIENCE AND TECHNOLOGY INSTITUTE
VSPP	-	PRIVATE AND PARASTATAL SECTOR
BNR	-	NATIONAL CENSUS BUREAU OF SENEGAL
GOS	-	GOVERNMENT OF SENEGAL
PSF	-	GSO MANAGEMENT IMPLEMENTATION UNIT OF THE FAMILY HEALTH AND POPULATION PROJECT
PNA	-	SENEGAL GOS MANAGED INSTITUTION TO DISTRIBUTE DRUGS TO HOSPITALS
SN/SMI	-	NATIONAL OFFICE OF MOTHER AND CHILD HEALTH CARE

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M E M O R A N D U M

DATE: September 14, 1992

TO: Thomas B. Anklewich, RIG/A/Dakar

FROM: Julius E. Coles, Director, USAID/Senegal

SUBJECT: Response to Draft Non-Federal Audit of Local Expenditures Managed by International Science and Technology Institute Under the Senegal Family Health and Population Project (No. 685-0248) July 1, 1989 to December 31, 1990

My staff has reviewed the findings and recommendations of subject draft report. Our comments follow.

I. Recommendation No. 1

This recommendation requests USAID/Senegal to resolve questioned costs of \$33,563 of which \$24,232.01 are reported as "ineligible" and \$9,331.15 are reported as unsupported.

A. Ineligible Costs

This category of questioned costs is made up of eight (8) items, four of which require clarification and additional information to enable our Contracting Officer to address the recommendation.

1. Seniority Allowance disallowance (FH) -
Appendix 5: FCFA 982,509 (US\$ 3,275.03)

Personnel listed as having received seniority allowances were those who had been assigned to the previous USAID/Senegal Project Santé Familiale (Project No. 685-0217). These individuals were retained, or carried over, in their secondment to the Family Health and Population program. Therefore, from the standpoint of the Government of Senegal, they were still engaged in one continuous activity, the USAID Family Planning Project. From an A.I.D. project view of the world, one project ended and a new one began. Given the GOS status of those personnel as being continuously seconded to USAID/Senegal projects with no break in service, we believe the seniority allowances are justified.

We request that the auditors review this recommendation based on the additional information provided.

2. Transportation Allowance

Insufficient information is included in the report to permit our Contracting Officer to make a reasonable interpretation as to the validity of the claim. The audit report should provide names of individuals, description and dates of unauthorized trips.

To assert a claim, the data must support the fact that personnel who received transportation allowances were also transported to their homes after having followed a normal work schedule. When personnel return from field trips, especially after working hours, it is common practice and allowable for them to be driven to their homes.

II. Unsupported Costs (pages 7 and 16)

Management of Gas Coupons

- A. Gap between coupons received and coupons justified - FCFA 451,500 (US\$ 1,505.00); and
- B. Coupons used for activities that are not project related - FCFA 2,347.845 (US\$ 7,826.15)

Item A. The supporting narrative (page 28) relative to this finding does not provide sufficient information to enable us to take action. To pursue this finding, we need information on how the auditors reached their conclusion. Under present procedures, coupons are issued by USAID to ISTI when 80% of the gas coupons received have been accounted for. Therefore, up to 20% of coupons are always outstanding. Is there some misunderstanding relative to this procedure?

To enable us to make a proper review, please assure that the auditors provide serial numbers of missing coupons. If missing coupons cannot be identified, provide other data supporting the auditors' conclusions.

Item B. Please assure that the auditors provide details to support this claim. This finding is presumably related to the finding under "Transportation Allowances" as well as recommendation No. 11 (page 30) under Part III (Independent Auditor's Report on International Controls, Reportable Conditions).

However, resolution of this finding will require that we be provided more information. Specifically, how did the auditors determine the coupons which were used and for what non-related project purposes? It seems clear that office to home transportation may be the primary reason for the questioned cost, but the report should either provide supporting schedules/narrative or otherwise provide the basis for the finding.

III. Recommendation No. 2

2.a. We agree with the finding that relevant Senegalese labor laws should be followed by ISTI in its management of project funds. However, we believe it would be extremely cumbersome and administratively infeasible to incorporate all such laws into the Procedures Manual. Rather, we suggest that relevant laws be incorporated into the manual by reference by such means as our Contracting Officer deems appropriate.

2.b. We agree with the substance of this recommendation. In essence, this recommendation charges ISTI with following the procedures manual which we have insisted on throughout the contract.

In addition, we will discuss with ISTI the development of a procedure for verifying on a regular basis the proper use of the vehicles, gasoline coupons and purchase orders.

2.c.i. Steps have already been taken to recruit a warehouseman who will maintain the physical inventory, thus achieving the separation of duties called for in the recommendation.

2.c.ii. This recommendation is based, we believe on recommendation 12 of Part III (Internal Controls) of the report, which states that "...No inventory system is used to identify project assets and their location..."

To the best of our knowledge, the auditors are reporting on the inventory system for contraceptives and drugs. Under this decentralized system, commodities are stored at central, regional and district warehouses. Inventories are monitored by ISTI and the GOS logistician quarterly or when reports are received.

A centralized inventory system is not maintained by ISTI. Rather, inventories are maintained in bin cards at the central, regional and district storage sites (warehouses).. Periodically, ISTI physically verifies by direct observation that reports are accurate. However, these verification reviews are not performed as frequently nor as systematically as needed.

We agree that the system is in need of improvement, primarily in monitoring the GOS system and verifying movement of commodities.

Government of Senegal owned office and medical furniture, equipment and supplies have been under the supervision of ISTI. A complete project inventory of all these purchased commodities was undertaken by ISTI from February through July 1992. The listing will be used to turn over project materials to the GOS in the near future. These commodities, to the best of our knowledge, have been properly accounted for and controlled.

ISTI does not have a perpetual inventory system over assets it owns.

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