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**Regional Inspector General for Audit  
Dakar**

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**AUDIT OF A.I.D.'S GRANT TO OFNAR UNDER THE CHAD AGRICULTURE  
STRENGTHENING ROAD MAINTENANCE PROJECT (NO. 677-0050),  
JANUARY 1, 1986 THROUGH JUNE 30, 1991**

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**Audit Report No. 7-677-93-05-N  
April 1, 1993**



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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 DC 20522

INTERNATIONAL ADDRESS  
RIG-DAKAR  
C. o AMERICAN EMBASSY  
BP 49 DAKAR SENEGAL  
WEST AFRICA

April 1, 1993

**MEMORANDUM**

To: Anne Williams, OAR/Chad  
*Thomas B. Ankewich*  
From: Thomas B. Ankewich, RIG/A/Dakar  
Subject: Audit of A.I.D.'s Grant to OFNAR under the Chad Strengthening Road Maintenance Project (No. 677-0050), January 1, 1986 to June 30, 1991

The attached audit report, prepared by the non-Federal audit firm, Coopers & Lybrand of Dakar, presents the results of a financial audit of A.I.D.'s grant to CFNAR under the Chad Strengthening Road Maintenance Project.

On June 28, 1985, OAR/Chad signed a grant agreement with the Government of Chad (GOC) to implement the Chad Strengthening Road Maintenance Project with the goal of maintaining the road network throughout Chad by developing a competent and responsible organization for road maintenance, known as OFNAR (The National Roads Office). Under this project A.I.D. was to finance a total of \$33.1 million for various inputs such as technical assistance, heavy equipment, road rehabilitation, training and recurrent administrative costs. A portion of the costs related to these inputs were incurred locally by OFNAR. As of June 30, 1991, OAR/Chad had disbursed \$6,534,770 for these locally incurred expenditures on behalf of and directly to OFNAR of which \$5,917,689 was subject to audit.

Coopers & Lybrand performed a financial audit in accordance with U.S. Government Auditing Standards of \$5,917,689 of the local currency disbursements to determine whether OFNAR's Statement of Expenditures for the period January 1, 1986 to June 30, 1991 was fairly presented and whether OFNAR complied with applicable laws, regulations, and agreements that may have had a material effect on the Statement of Expenditures. In carrying out this financial audit, the non-Federal auditor obtained an understanding of OFNAR's internal accounting controls over the local currency expenditures 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 disbursements totalling \$5,917,689 except for questioned costs of \$370,967 which consisted of various ineligible and unsupported expenditures. In obtaining an understanding of OFNAR's internal control structure, the auditors found material weaknesses and reported on conditions such as the

lack of a procedures manual and inadequate separation of duties. Finally, the auditor reported that, except for two instances of noncompliance which included the lack of conformity to the project tax exempt status and separate accounting for recurrent costs, OFNAR complied, in all material respects, with applicable laws, regulations, and agreement terms.

OAR/Chad agreed in general with the auditor's findings and recommendations. However, concerning the recommendations relating to the internal control structure, OAR/Chad stated that, since OFNAR will cease to exist as of June 1993, recommendation follow up action would not be feasible.

Because OFNAR will cease its operations in June 1993, only the following recommendation is included in the Office of the Inspector General's recommendation follow-up system.

**Recommendation No. 1: We recommend that OAR/Chad resolve the questioned costs of \$370,967 (\$190,451 unsupported) and recover those costs determined to be unallowable or unsupported.**

Recommendation No. 1 is considered resolved in its entirety as OAR/Chad stated that it agrees with the auditor regarding the amount of questioned costs and that amounts due to OFNAR by A.I.D. would be reduced by the amount of questioned costs. This recommendation can be closed in its entirety when OAR/Chad submits evidence to show that the amount of questioned costs have been deducted from amounts due to OFNAR from A.I.D.

Please advise RIG/A/Dakar within 30 days of receipt of this report of any actions planned or taken to close the recommendation.



**AUDIT OF AID'S GRANT TO OFNAR UNDER THE  
CHAD STRENGTHENING ROAD MAINTENANCE  
PROJECT No 677 - 0050**

**January 1, 1986 to June 30, 1991**

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AUDIT OF AID'S GRANT TO OFNAR UNDER THE  
CHAD STRENGTHENING ROAD MAINTENANCE  
PROJECT No 677 - 0050

January 1, 1986 to June 30, 1991

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Mr. Thomas B. ANKLEWICH  
Regional Inspector General  
USAID/RIG DAKAR

**SUBJECT : AUDIT OF AID'S GRANT TO OFNAR UNDER  
THE CHAD STRENGTHENING ROAD  
MAINTENANCE PROJECT  
(No 677 - 0050)**

Dear Mr. ANKLEWICH ,

The report on the above subject matter presents the results of our audit of the local expenditures incurred by the Chadien National Roads Office (OFNAR) under the Chad Strengthening Road Maintenance Project for the period January 1, 1986 to June 30, 1991. The audit covered local operating costs charged by OFNAR to the Project totalling \$5,917,689.01

The background, audit objectives and scope and results of the audit are contained in Part I of this report. Parts II, III and IV include our reports on the statement of expenditures, internal accounting controls and compliance with applicable laws, agreements and regulations.

**I. BACKGROUND**

On June 28, 1985, USAID/CHAD signed a grant agreement with the Government of Chad (GOC) to implement the Chad Strengthening Road Maintenance Project. The initial grant amount of US \$10 million was subsequently increased to US \$33.105 million. The Project's completion date, initially set for September 30, 1990 was extended to September 30, 1993.

The Project's goal is to maintain the road network throughout Chad by developing a technically competent and financially responsible organization for road maintenance.

This organization, called "OFFICE NATIONAL DES ROUTES" (OFNAR), was established in 1984 within the Ministry of Public Works. Specifically, the Project objectives are to :

- provide OFNAR on-the-job training on roads and equipment ;
- give OFNAR experience in contracting with private firms for major repairs on roads and heavy equipment, and for supervising contractors performance ;
- rehabilitate a 63 km road under private contracting and upgrade several units of road maintenance equipment ;
- Train and equip 40 operators and 30 mechanics with tools and maintenance equipment;
- assist OFNAR to better plan and administer its program and
- drill wells in targeted areas.

In order to achieve these objectives USAID/Chad financed the U.S.dollar portion of Project inputs for long-term and short-term technical assistance services, purchase of road maintenance equipment and heavy retrieval equipment, purchase of spare parts for road maintenance equipment, and purchase of tools and equipment for the OFNAR Central Workshops for maintenance and equipment repair.

The local currency expenditures for the Project-financed inputs include the local purchase of Project vehicles, rehabilitation by private contractors of OFNAR office and Central Workshop facilities, rehabilitation of the Djermaya-Dandi road through a host country contract and sub-contracts with local and foreign private contractors, operating expenses of the road maintenance Training Brigade, a decreasing rate of OFNAR recurrent operating expenses in maintaining the roads, the costs of recovery, of disabled heavy equipment, and operating and maintenance costs of Project vehicles

As of June 30, 1991, USAID/Chad had disbursed \$6,534,770 (\$5,122,059 in reimbursements to OFNAR and \$1,412,711 in direct payments made by USAID /Chad on behalf of OFNAR) for the local currency expenditures referred to above. Included in these disbursements are recurrent operating costs reimbursed by USAID/Chad as of June 30, 1991 which amounted to \$2,141,548. Under the Project Grant Agreement and related Project Implementation Letters, USAID/Chad agreed to finance these recurrent costs based on a declining percentage of USAID/Chad participation. The plan was to increase OFNAR's absorption of its recurrent operating costs from 10 % to 100% over a ten year period. The Project paper called for special accounting journals to be maintained by OFNAR in order to properly record the incurrence of these recurrent operating costs.

## II. THE AUDIT OBJECTIVES AND SCOPE

- a. The Audit Objectives were to :
  - i. determine the reasonableness, propriety and allowability of the local costs charged by OFNAR to the Project from January 1, 1986 to June 30, 1991 and to express an opinion on whether the Statement of Expenditures is fairly presented, in all material respects, and is in conformity with generally accepted accounting principles;
  - ii. review and evaluate Project internal controls and operating procedures; identify reportable conditions, including material internal control weaknesses; and report on the internal control structure, the reportable conditions, and reportable conditions considered to be material weaknesses and
  - iii. determine whether OFNAR complied with applicable laws, regulations and agreements and report on the results of the compliance testing.

b. Scope

The audit was conducted in accordance with U.S. Government Auditing Standards and covered local costs incurred by OFNAR under the Project from January 1, 1986 to June 30, 1991 as reflected in the Statement of Expenditures (page 13) . As of June 30, 1991 USAID/Chad had disbursed \$6,534,770 for local currency expenditures.

However, the audit did not cover local currency disbursements for host country construction contracts which amounted to \$617,080.91 . Therefore, the total amount of local currency expenditures covered by the audit is \$5,917,689.01 (\$6,534,769.02- 617,080.91).

In order to accomplish the audit objectives, we carried out audit procedures which included, but were not limited to, the following :

- A/ Review of Project documents including :
- Project Grant Agreement and Amendments thereto ;
  - Project implementation letters No 8,10,18,25,27,28;
  - USAID's Handbook 1B ;
  - Audit report No 7-677-88-05 N by KOOH and MURE Douala September 6, 1988;
  - Reorganization of OFNAR's accounting system and evaluation and control by Fiduciaire de la Tour, Paris, 1988 and 1989 ;
  - Project evaluation reports - 1989, and ;
  - Investigation report by RIG//D July 13, 1989.
- B/ Selective examination and testing of supporting documents in respect to costs charged to USAID/Chad by OFNAR ;

- C/* Review of payments made with respect to recurrent costs in order to ascertain that OFNAR is meeting its required contribution;
- D/* Review and evaluation of the internal accounting procedures of OFNAR to the extent necessary to render an opinion on the statement of expenditures;
- E/* Evaluation of OFNAR's assets' management procedures to determine if Project assets are properly protected and safeguarded ; and
- F/* Review of Project documents to determine compliance with the grant agreement and applicable laws and regulations.

The audit field work was carried out in Ndjamena, Chad during the periods January 27 to February 29, 1992 and June 30 to July 29, 1992.

### III. RESULTS OF THE AUDIT

#### A . Statement of Expenditures

The audit revealed that the Statement of Expenditures presents fairly disbursements totalling \$5,917,689.01 except for questioned costs of \$370,967.45. These questioned costs consist of FCFA 55,977,958 (US\$180,515.83) in unallowable costs and FCFA 59,059,048 (US\$190,451.62) in unsupported costs.

The breakdown of questioned costs with respect to internal control weaknesses and instances of non compliance with the Grant agreement, laws and regulations is as follows :

- The Project has unduly paid taxes amounting to FCFA 52,156,552 (US \$168,192.69)

- Lack of a coherent filing system has led to the fact that an amount of FCFA 59,059,048 (US \$190,451.62) has been classified as unsupported costs because we were not provided with the relevant supporting documents.
- An amount of FCFA 3,303,783 (US \$10,653.93) is questioned because OFNAR purchased and charged USAID/Chad for items that were not budgeted. Inaccurate vendor invoices resulted in OFNAR overcharging USAID/Chad by FCFA 517,623 (US \$1,669.21).

## **B. Internal Control Findings**

We found internal control weaknesses related to :

- documentation (lack of a procedures manual...);
- recording of transactions and events (transactions were not properly classified and recorded...);
- separation of duties (the accountant of the N'djamena subdivision, the head of OFNAR carried out duties with a total disregard to the separation of duties principle...);
- supervision (lack of control over budgeted expenditures and Project payments...);
- access to and accountability of resources (lack of inventory control system).

## **C. Compliance with Laws and Regulations :**

The terms of reference requested that we ascertain the compliance with the provisions of the Grant Agreement and the applicable laws and regulations. In that respect we realized that :

- the Project tax exoneration was poorly monitored;
- there was an extension of USAID tax exoneration to OFNAR;
- the determination of recurrent costs was not based on the Project Grant Agreement and related Project Implementation Letters.

The detail of the compliance matters are in part IV of this report.

#### **IV. MANAGEMENT COMMENTS (Synopsis)**

USAID/Chad accepts all the findings and recommendations in the report. But since OFNAR, as an operating organization, will cease to exist as of the end of June, 1993 no follow up action will be taken to implement these recommendations.

Concerning the questioned costs, USAID suggests that compensation be made since USAID/Chad owes OFNAR \$ 245,000 of recurrent costs. The balance due shall be reduced further by not reimbursing OFNAR for the cost of materials and spare parts provided from OFNAR's central warehouse to the projet.

#### **AUDITOR'S COMMENTS**

The questionned costs is composed of \$ 180,515.83 of disallowances and \$ 190,451.62 of unsupported costs.

We suggest that the disallowances be taken out of the questioned costs amount. The insuppoted costs should be justified by OFNAR before any compensation can taken place.

In case the insupported costs remain unjustified, the balance due shall be reduced further by not reimbursing OFNAR for the cost of material and spare parts provided from OFNAR's central warehouse to the projet.

Since the recommendation n°2 cannot be implemented we agree to drop that recommendation.

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Coopers & Lybrand DIEYE -



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July 29, 1992

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**PART II**

## PART II

### INDEPENDENT AUDITOR'S REPORT ON THE STATEMENT OF EXPENDITURES

We have audited the Statement of Expenditures incurred by OFNAR under the Chad Strengthening Road Maintenance Project No 677-0050 for the period January 1, 1986 to June 30, 1991. This Statement of Expenditures is the responsibility of OFNAR 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 the standards for financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. 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 a reasonable basis for our opinion.

The Statement of Expenditures was prepared to present costs charged to the Project by OFNAR and reimbursed by USAID/Chad as well as direct payments made by USAID/Chad on behalf of OFNAR under the Chad Strengthening Road Maintenance Project (677-0050) and is not intended to be a complete presentation of OFNAR's financial position.

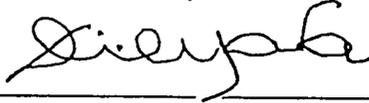
As described in Note I, the Statement of Expenditures was prepared on the basis of cash disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

As described in Note II to the Statement of Expenditures our audit revealed costs totalling FCFA 115,037,006 (US \$370,967.45) which we consider questionable because they were either ineligible per the agreement terms or unsupported by proper documentation.

In our opinion, except for the effects of adjustments related to the questioned costs discussed in paragraph 5 of this report, the Statement of Expenditures referred to above presents fairly, in all material respects, the local expenditures charged to USAID/Chad by OFNAR under the Chad Strengthening Road Maintenance Project for the period from January 1, 1986 to June 30, 1991 in conformity with the basis of accounting described in Note I to the Statement of Expenditures.

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Coopers & Lybrand DIEYE



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July 29, 1992

STATEMENT OF EXPENDITURES  
FROM 01/01/1986 TO 06/30/1991

Description	USAID DIRECT PAIEMENTS 1	OFNAR EXPENDITURES 2	TOTAL EXPENDITURES 3=1+2	QUESTIONED COSTS 4	COSTS ACCEPTED 5=3-4
<b>EQUIPMENTS</b>	94,980,023	669,153,268	764,133,291	26,531,373	737,601,918
heavy equipment	24,738,000	22,920,787	47,658,787	145,855	47,512,932
Vehicles		22,737,213	22,737,213	11,175,000	11,562,213
machines and handtools	18,060,000	41,066,104	59,126,104	1,617,620	57,508,484
Spares parts	50,829,423	457,583,803	508,413,226	12,554,564	495,858,662
road maint.material		70,487,792	70,487,792		70,487,792
Office supplies and equip.	1,352,600	54,357,569	55,710,169	1,038,334	54,671,835
<b>Contractors services</b>		56,928,522	56,928,522	8,295,003	48,633,519
Building rehabilitation		42,992,482	42,992,482	5,145,003	37,847,479
Road rehabilitation		3,150,000	3,150,000	3,150,000	
Drilling wells		10,786,040	10,786,040		10,786,040
<b>Others costs</b>	112,446,457	852,423,142	964,869,599	70,365,092	894,504,507
Equipment recovry		34,132,095	34,132,095	86,825	34,045,270
Administ.support		80,436,966	80,436,966	7,819,411	72,617,555
rents utilities		10,470,065	10,470,065	1,144,378	9,325,687
Training material	4,730,490	13,712,169	18,442,659		18,442,659
Vehicles O.M.		79,315,262	79,315,262	4,951,711	74,363,551
Training brigade		168,183,343	168,183,343	39,776,358	128,406,985
Ndjamena subdivision	107,715,967	466,173,242	573,889,209	16,586,409	557,302,800
not specified		9,845,538	9,845,538	9,845,538	
unjustified expenses		10,059,965	10,059,965	10,059,965	
billing variances		-214,427	-214,427	-214,427	
<b>TOTAL CFA</b>	<b>207,426,480</b>	<b>1,588,350,470</b>	<b>1,795,776,950</b>	<b>115,037,006</b>	<b>1,680,739,944</b>
<b>TOTAL USS</b>	<b>795,630.09</b>	<b>5,122,058.92</b>	<b>5,917,689.01</b>	<b>370,967.45</b>	<b>5,546,721.56</b>
Reference pages or appendices				page 15	

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NOTES TO STATEMENT OF EXPENDITURES FROM  
JANUARY 1, 1986 TO JUNE 30, 1991

**NOTE I**    **BASIS OF ACCOUNTING**

The Statement of Expenditures was compiled from records submitted to USAID/Chad by OFNAR on the cash basis of accounting whereby expenditures are recorded when the related disbursements are made.

**NOTE II**    **TRANSLATION INTO US \$**

FCFA amounts were translated at 310 FCFA/1 US \$ which was the average FCFA/US \$ rate in effect during the period covered by the audit, except for the direct payments made by USAID/Chad that were directly translated in the Statement of Expenditures.

**NOTE III**    **QUESTIONED COSTS**

During the course of our review of the Statement of Expenditures, we identified questioned costs of FCFA 115,037,006 (US \$370,967.45) which were either ineligible (\$180,515.83) or unsupported (\$190,451.62). These questioned costs are itemized in the table on the following page.

STATEMENT OF QUESTIONED COSTS  
FROM 01-01-1986 TO 06-30-1991

DESCRIPTION	DISALLOWANCES				UNSUPPORTED	TOTAL FCFA	TOTAL \$ US	REFERENCE APPENDIX OR PAGE
	TAX	UNALLOWABLE	OVERCHARGED	TOTAL				
<b>EQUIPMENT</b>	2,616,863		539,000	3,155,863	23,375,510	26,531,373	85,557.48	
4. Heavy equipment	145,855			145,855		145,855	470.35	Appendix 1
5. Vehicules					11,175,000	11,175,000	36,036.76	Appendix 1
6. Machine & hand tools	32,132			32,132	1,585,488	1,617,620	5,216.45	Appendix 1
7. Spares parts	1,400,542		539,000	1,939,542	10,615,022	12,554,564	40,485.53	Appendix 2
8. Road maint mat closed								
9. Furn/office equipment	1,038,334			1,038,334		1,038,334	3,348.38	Appendix 2
<b>Constructions</b>	1,117,705			1,117,705	7,177,298	8,295,003	26,749.45	
10. Building rehabilitation	1,117,705			1,117,705	4,027,298	5,145,003	16,591.43	Appendix 2
11. Road rehabilitation					3,150,000	3,150,000	10,158.01	Appendix 1
<b>Other costs</b>	48,421,984	3,303,783	193,050	51,918,817	18,446,275	70,365,092	226,910.97	
12. Equipement recov. closed								
13. Adm. support service					86,825	86,825	279.99	Appendix 2
14. Rents/utilities	2,234,758	1,278,913	193,050	3,706,721	4,112,690	7,819,411	25,215.77	Appendix 3
16. Véhicule O & M	1,144,378			1,144,378		1,144,378	3,690.35	Appendix 3
17. Training brigage	4,674,311			4,674,311	277,400	4,951,711	15,968.11	Appendix 4
19. Ndjaména subdivision	37,184,157	2,024,870		39,209,027	567,331	39,776,358	128,269.46	Appendix 5
	3,184,380			3,184,380	13,402,029	16,586,409	53,487.29	Appendix 6
<b>NOT SPECIFIED</b>			-214,427	-214,427	10,059,965	9,845,538	31,749.56	
					10,059,965	10,059,965	32,441.04	Appendix 7
			-214,427	-214,427		-214,427	691.48	appendix 4
<b>TOTAL FCFA</b>								
US \$	52,156,552	3,303,783	517,623	55,977,958	59,059,048	115,037,006	370,967.45	
	168,192.69	10,653.93	1,669.21	180,515.83	190,451.62	370,967.45		
<b>Référence page</b>	page 36	page 30	page 9		page 22			

All the funds used during the period were converted at an average rate of US \$ 1 = FCFA 310.10.

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## ***PART III***

**PART III****INDEPENDENT AUDITOR'S REPORT  
ON INTERNAL ACCOUNTING CONTROL**

We have audited the Statement of Expenditures incurred by OFNAR under the Chad Strengthening Road Maintenance Project No 677-0050 for the period January 1, 1986 to June 30, 1991 and have issued our report thereon dated July 29, 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 Statement of Expenditures is free of material misstatement.

In planning and performing our audit of OFNAR Under the Chad Strengthening Road Maintenance Project, we considered its 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 OFNAR 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 review 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 are 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, Projections 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 relevant policies and procedures, 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

- Lack of a procedures manual
- Deficient filing system
- Vendor invoices are not centralized in the accounting department and transmissions of documents among departments are not properly recorded.

B/ Recording of transactions and events

- supporting documents of AID direct Project payments are not always forwarded to OFNAR.

C/ Separation of duties

- There is a lack of segregation of duties among the accountant of the Ndjamenena subdivision, the head of OFNAR personnel department and the assistant engineer.
- No specific department is designated by OFNAR as being in charge of placing procurements.

D/ Supervision

- The required technical assistance approval over material receipts is not always evident
- Need for coordination during the transition of technical assistance contractors
- lack of control over budgeted expenditures and Project payments.

E/ Access to and accountability of resources

- Deficient inventory control system
- The accounting department is not properly monitoring Project assets and all Project assets are not identifiable
- Spare parts inventory at the N'djamena subdivision warehouse is not properly monitored by OFNAR's accounting department.

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 Statement of Expenditures being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all internal control matters that might be reportable conditions that are also considered to be material weaknesses as defined above.

We believe the reportable conditions described above are material weaknesses. Because of these material weaknesses, we did not rely on the internal control structure in determining our audit procedures for the purpose of expressing our opinion on the Statement of Expenditures.

This report is intended for the information of OFNAR's management, and others within the organization and AID. This restriction is not intended to limit the distribution of this report which is a matter of public record.

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Coopers & Lybrand DIEYE



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July 29, 1992

## REPORTABLE CONDITIONS

### I DOCUMENTATION

#### I.1. Lack of a formal manual of written policies and procedures

OFNAR management policies and procedures related to the Project are not contained in a coherent written manual of procedures. Accordingly, written guidance needed to comply with OFNAR and USAID/Chad requirements to perform the administrative functions of this Project are not available to OFNAR employees.

Management policies and procedures should be formally laid down and well presented in a manual in order to help guide employees carrying out their duties. Such documents are needed to ensure that there is an effective and reliable system of internal control in place.

At the start of the Project OFNAR did not prepare a manual of procedures needed to comply with OFNAR's management procedures and the requirements set forth in the grant agreement and PILS.

Lack of formal procedures makes it very difficult to design and implement a separation of tasks. Furthermore without formal procedures managers can manipulate policies and procedures. As a result there can be much confusion in terms of providing the organization with definite placement of responsibility and clear cut lines of authority.

#### Recommendation n° 1 :

We recommend that OFNAR, with the assistance of USAID/Chad undertake the drafting of a manual of procedures in order to enhance the quality of Project's management. Such a manual will have to be in line with USAID/Chad guidelines and also should take into account OFNAR constraints which are related to its status as a semi-public body.

## **I.2. Deficient filing system of supporting documents**

Supporting documents covering Project expenditures are not contained in a coherent filing system.

Transactions and other significant events should be well documented and all documents are to be properly filed in order to facilitate their safeguarding and retrieval during and after Project implementation.

The lack of formal procedures prescribing a coherent filing system resulted in management not being able to instruct and advise methods of properly filing all relevant documents.

The absence of a coherent filing system contributed to the fact that some supporting documents of Project expenditures were missing and not available for review during the audit. As a result, Project expenditures amounting to FCFA 59,059,048 (US \$190,451.62) could not be tested. This amount is included as unsupported costs in our statement of questioned costs.

### Recommendation n° 2

OFNAR with the assistance of LBII and USAID/Chad should assess and analyze the flow of documents generated by the Project and subsequently design a reliable filing system. USAID/Chad should request OFNAR to provide justification for the unsupported amount of \$190,451.62 Any amounts which cannot be supported should be reimbursed to USAID/Chad

## **I.3. Vendor invoices are not always centralized in the accounting department. Logbooks do not exist that would show the transmission of documents among departments**

Suppliers invoices sent to OFNAR are received by various departments rather than forwarded to the accounting department for processing and proper filing. OFNAR does not have procedures to verify the transmission of documents among departments or subsequently assist in tracking missing documents.

All documents received in support of accounting records should be centralized in the accounting department. The accounting department should be responsible for forwarding copies to other departments as needed. Transmission of documents among departments should be documented through the use of a log-book in order to facilitate the location of documents.

The lack of procedures covering the receipt and maintenance of vendor invoices and other pertinent accounting documentation results in the risk that invoices will not be properly paid. During the course of our audit we noticed that SOCOA invoices amounting to FCFA 4,407,092 (US \$14,211.84) related to transactions that took place in 1989 and 1990 were still unpaid because they were never forwarded to the accounting department.

Recommendation n° 3 :

We recommend that all accounting documents be forwarded to the accounting department secretary. The secretary should be in charge of recording in a register all invoices received. Each invoice should be stamped with a separate voucher number that will serve as a reference number.

We also recommend that management direct all departments to use log-books on a systematic basis for recording all transmission of documents among departments.

## **II RECORDING OF TRANSACTIONS AND EVENTS**

### **II.1. Supporting documents of AID direct payments are not always forwarded to OFNAR**

OFNAR accounting records do not always reflect the direct payments made by USAID/Chad on behalf of OFNAR.

All accounting documents should be properly recorded at OFNAR and at USAID/Chad as to allow for the reconciliation and verification of OFNAR's and USAID/Chad's accounting records.

We found in most cases this was caused by USAID/Chad not providing OFNAR with necessary supporting documentation.

As a result, OFNAR's accounting records and financial reports do not always show the most current status of Project costs incurred. Purchases amounting to FCFA 41,492,284 (US \$133,802.91) were not recorded by OFNAR as recurrent costs because supporting documents of the payments made by USAID/Chad were not forwarded to OFNAR.

#### Recommendation 4

We recommend that USAID/Chad prepare a monthly schedule showing all direct payments made during the month that pertain to the Project. OFNAR should use this schedule to reconcile and verify that all direct payments made by USAID/Chad have been recorded in their accounting records.

### III SEPARATION OF DUTIES

**III.1. The accountant of the N'djamena subdivision, the manager of OFNAR's personnel department and the Assistant engineer of the N'djamena subdivision perform a number of duties with total disregard to the principle of segregation of duties**

The accountant of the N'djamena subdivision is in charge of preparing perdiems vouchers, cashing the check related to perdiems to be paid and making the payment directly to each employee.

The manager of OFNAR's personnel department is in charge of preparing payroll vouchers, cashing the check related to salaries and paying directly to each employee.

The Assistant engineer, without close supervision is involved in carrying out the following tasks related to building rehabilitation funded by USAID/Chad :

- determination of work estimates
- preparation of bids
- bid openings
- inspection of work completed
- the receipt of the receiving report
- preparation of vouchers for payment to contractors.

Separation of duties is a principle of good management given that it allows for an effective use of the "checks and balances" system within the management process.

Lack of formal written procedures and failure of Project management to exercise close supervision, leads to a lack of separation of duties and a lack of control over financial matters.

The lack of separation of duties resulted in USAID/Chad paying FCFA 175,000 in excess of salaries in march 1987 to drivers. In this case, it involves the assistant engineer. There is also a risk of collusion with contractors and/or restrictive practices in the bidding process.

#### Recommendation n° 5

We recommend that USAID/Chad recover FCFA 175,000 (US \$564.33) paid in excess for the March 1987 salaries. Also OFNAR assisted by LBII and USAID/Chad should undertake the drafting of procedures aimed at achieving a proper separation of duties. OFNAR should design and implement without delay controls over employee compensation in order to minimize risks noted above.

### III.2. No specific department is designated as being in charge of placing procurements

Several departments have order books which they can use to issue purchase orders without prior authorization or supervision.

A separate and specific department should be designated as being in charge of the procurement. This will assure that basic standards are followed and that only needed commodities and equipments are procured based on adequate price competition.

Failure of management to come up with clear job descriptions and to implement a separation of duties among departments explain the confusion that characterizes the current procurement process.

As a result of the situation described above, the monitoring of purchase orders placed for Project requirements is almost impossible. There is serious risk that Project materials may not be received in a timely manner. There is also a risk of unauthorized or fraudulent orders being placed without being detected.

#### Recommendation n° 6

We recommend that the Director of materials be in charge of the procurement function and therefore keep all book orders. Other departments should use prenumbered purchase orders to be sent in for identification and authorization of items to be purchased.

Simplified procedures should be drafted to assure that all purchase requests are approved by designated officials.

## IV SUPERVISION

### IV.1. Required technical assistant approval over material receipts is not always evident

The technical assistant does not always sign the receiving reports. The receiving reports that we reviewed did not show the technical assistant's signature as required.

Receiving reports in conjunction with goods ordered by the Project should be signed by all members of the commission including a representative from the technical assistance team. The participation of the technical assistance is in accordance with the duties as described in the contract with USAID/Chad.

A proforma invoice amounting to FCFA 2,460,000 (US \$7,932.92) was paid to Yaya Ramadan (a supplier) without a receiving report to show that the material was ever received. We have shown this amount as unsupported costs in our statement of questioned costs, the total of which is included in recommendation n°2.

#### Recommendation n° 7

The head of the OFNAR accounting department and the financial advisor of the technical assistance team should carefully review all paper work related to a purchase before authorizing payments. Also USAID/Chad should instruct the technical assistant to be present whenever the commission is receiving ordered goods and appropriately evidence his attendance.

### IV.2. Need for coordination during transition of technical assistance contractors

The audit found that :

- the outstanding balance of funds available per the financial reports submitted to USAID/Chad did not reconcile, on a monthly basis, with the bank statements ; and

- for a three months period, financial reports were not submitted in a timely manner.

This situation occurred because OFNAR, USAID/Chad and the technical assistance did not work closely together to assure a smooth transition, when LBII replaced GFTE as technical assistant. As a result, funds for FCFA 10,059,965 were spent from the Project bank account without being reported to USAID/Chad.

During 1990, LBII replaced GFTE as technical assistant. This replacement was not adequately coordinated among OFNAR, the technical assistance contractors and representatives from USAID/Chad during the transition period ; and there was no formal transfer of knowledge and/or duties between LBII and GFTE. This lack of coordination resulted in financial reports, covering a period of three months, not being submitted - LBII subsequently prepared and submitted the missing reports. However, not all the transactions of this three months period were included in those reports, insofar as certain supporting documents were not found.

Thus, the reconciliation, on a monthly basis, of OFNAR's bank account with the reports submitted to USAID/Chad, regarding the balance of funds available, revealed a difference of FCFA 10,059,965 (US \$32,441.03).

This amount of FCFA 10,059,965 was explained by OFNAR as being made up of non submitted expenditures for FCFA 11,794,427 netted against recording errors to be corrected in the financial reports submitted to USAID/Chad for FCFA - 1,734,462. OFNAR provided us with a listing detailing the non-submitted expenditures of FCFA 11,794,427 and the recording errors for FCFA - 1,734,462 (see Appendix 7). However, no documentation was provided to support those two amounts. Therefore we considered the net amount of FCFA 10,059,965 as unsupported in our statement of questioned costs.

This situation occurred because the Chief of Party of the technical assistance (GFTE) failed to instruct other team members to take appropriate steps for a smooth transition, and to involve USAID/Chad and OFNAR in

the transition process. Also, no specific procedures were established to ensure that reports submitted to USAID/Chad agree with OFNAR's accounting records.

#### Recommendation n° 8

We recommend the following :

- the technical assistance in conjunction with OFNAR and USAID/Chad should design a plan that will assure effective coordination. This plan should provide for timely submission of all Project financial reports.
- as part of their financial reporting, OFNAR and the technical assistance should submit on a monthly basis :
  - a reconciliation of expenditures reported to USAID/Chad with OFNAR's accounting records. To this end, expenditures should also be shown cumulatively on the financial reports submitted to USAID/Chad ; and
  - a reconciliation of the outstanding balance per the bank statement with the financial reports submitted to USAID/Chad.

#### **IV.3. Deficient control over budget expenditures and payments**

In some cases OFNAR did not properly screen for allowable Project costs in respect to the budget. Also OFNAR overcharged USAID/Chad due to incorrect amounts in vendor invoices.

Expenditures should be made in conformity with the budget. All vendors invoices must be checked in order to ensure that they are correct and accurate.

This situation occurred because OFNAR's management did not design and implement an effective control system over budget expenditures and processing of vendors invoices.

As a result, purchases of milk, sugar and other products totalling FCFA 3,303,783 (US \$10,653.93) were recorded as direct Project costs. These acquisitions were not budgeted nor do they pertain to the Strengthening Road Maintenance Project. Also, OFNAR overcharged the Project by a net total FCFA 342,623 (US \$1,106) because of incorrect amounts in vendors invoices and computation errors in the Statement of Expenditures in 1987. This amount is made up of FCFA 539,000 and FCFA 18,050 in incorrect invoices netted against a computation error of FCFA -214,427. (See appendices 2,3 and 4).

Recommendation n° 9

OFNAR should establish a review system to assure that purchased items charged to the Project are allowable. This review should include the preparation of purchase order requisitions and the establishment of related controls in the purchasing department and the accounts payable department.

The approval person at each level should receive training and instructions with respect to proper charging methods and accounts numbers. Since the accounts payable performs the matching and vendor payment functions, we recommend that one individual be assigned the task of screening costs for allowability against this Project.

The unallowable costs of \$10,653.93 and overcharged costs of \$1,106 should be reimbursed by OFNAR to USAID/Chad.

## V. ACCESS TO AND ACCOUNTABILITY FOR RESOURCES

### V.1. Deficient inventory control system

The Ndjamenena subdivision does not have an adequate control over inventories. The inventory system consists of some index cards which do not show current inventory quantities and/or values. In some instances cards do not exist for the spare parts on hands. Accordingly they are not able to provide accurate information regarding Project inventories. Perpetual inventory records do not exist. An inventory is only performed at year - end.

Inventory control records should be prepared and maintained in order to help assure that optimum stock levels are maintained and that the use of stocks (especially spare parts) is monitored closely regardless of their location.

This situation occurred due to a staff that has not been properly trained and which lacks professional qualifications. Also the inventory control department needs an operations manual which clearly establishes job descriptions and the procedures needed to control and establish adequate levels of inventories.

Discrepancies exist between inventory records of the warehouse of the N'djamena subdivision and those of the director of materials. An illustration is the non-acceptance by the director of materials of the 1991 year-end inventory taken by the N'djamena subdivision. The reason for not accepting this year-end inventory for 1991 is that the count was inaccurate. A deficient stock control led to warehouses being out of stock and the maintenance of obsolete items.

Also, the stock control as performed cannot assure that spare parts purchased with USAID/Chad funds are solely used by the N'djamena subdivision.

Recommendation n° 10 :

The staff in charge of stock control at both the central warehouse and the N'djamena subdivision warehouse should be provided further training to enable them to generate complete and accurate inventory records. A system should be designed to make sure that spare parts purchased with USAID/Chad funds are only used by the N'djamena subdivision. OFNAR should request that USAID/Chad and LBII provide assistance in designing the system.

**V.2. The accounting department is not monitoring Project assets and all Project assets are not identified**

Inventory records of Project assets are not reconciled on a regular basis with the accounting records. Also, not all Project assets are identified with a USAID/Chad sticker.

Monitoring of Project assets should be performed by OFNAR's accounting department in order to prevent any loss or unauthorized disposal of those assets. All Project assets should also be marked and a bin card established for each item as to facilitate tracing of their locations and funding sources.

This deficiency exists because the professional staff has not received proper training and/or professional qualifications are not sufficient to perform the assigned tasks. There is also a need for management procedures to be formally established.

As a result of this deficiency, inventory of office furniture was not complete.

Recommendation n° 11

We recommend that OFNAR in conjunction with USAID/Chad and LBII undertake drafting of asset management procedures that will make it possible to quickly obtain the following information :

- Reference number
- Funding source
- Location
- Type of asset

The inventory records generated should be reconciled with accounting records on a regular basis.

**V.3. Spare parts inventory at the N'djamena subdivision are not monitored by the accounting department**

Once spare parts are transferred to the N'djamena subdivision warehouse, OFNAR no longer tracks these commodities.

In line with accepted internal accounting control standards, commodities stored in a warehouse should be closely monitored and fully taken into account by the accounting department until they are depleted.

This situation exists due to a lack of procedures allowing for an effective flow of information between the N'djamena subdivision and OFNAR Central services.

As a result, accounting records and statements do not provide reliable information on disbursements related to purchases of spare parts. The consumption level of the stock and the inventory balances of the stock do not accurately reflect the actual status of inventory. Also, the lack of monitoring of spare parts stored may lead to theft or the maintenance of obsolete spare parts.

Recommendation n° 12

The N'djamena subdivision should design and implement a monitoring system of spare parts in its warehouse. To that end, reliable records should be established and a reference number given to each type of spare part in conjunction with the accounting department of OFNAR's central services.

Also we recommend that the monitoring of stock turnover include the use of specific material withdrawal requisition forms to record outgoing inventory. This will allow the accounting department to maintain and provide accurate records in regard to Project use of spare parts and the availability of specific part numbers.

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## ***PART IV***

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

We have audited the Statement of Expenditures incurred by OFNAR under the Chad Strengthening Road Maintenance Project n° 677-0050 for the period January 1, 1986 to June 30, 1991 and have issued our report thereon dated July 29, 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 Général 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 the Chad Strengthening Road Maintenance Project n°677-0050 is the responsibility of OFNAR's management. As part of the audit, we performed tests of OFNAR's compliance with certain provisions of laws, regulations, contracts, grant agreements 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 such provisions.

Material instances of noncompliance are violations of laws, regulations, contracts, grants, or binding policies and procedures that cause us to conclude that the aggregation of misstatements resulting from those violations is material to the Statement of Expenditures. The results of our tests of compliance disclosed the following material instances of noncompliance, the effects of which have been corrected in OFNAR's Statement of Expenditures.

Our audit revealed the following material instances of noncompliance :

- Poor monitoring of the project tax exoneration;
- Recurrents costs claimed by OFNAR were not fairly determined

We considered these material instances of noncompliance in forming our opinion on whether OFNAR's Statement of Expenditures is presented fairly, in all material respects, in conformity with the basis of accounting described in note 1 to the Statement of Expenditures, and this report does not affect our report dated on July 29, 1992 on this Statement of Expenditures.

Our testing of transactions and records selected disclosed instances of non-compliance with those laws and regulations. All instances of noncompliance are discussed in the findings section of this report on compliance.

Except as described above, the results of our tests indicate that, with respect to the items tested, OFNAR 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 OFNAR had not complied, in all material respects, with those provisions.

This report is intended for the information of OFNAR 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.

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Coopers & Lybrand DIEYE



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July 29, 1992

**FINDINGS RELATED TO NONCOMPLIANCE WITH  
AGREEMENT TERMS AND APPLICABLE  
LAWS AND REGULATIONS**

**I. Poor monitoring of the Project Tax Exoneration**

The Project management is not fully taking advantage of the tax exoneration granted by the Government of Chad.

Pursuant to the agreement signed between USAID/Chad and the Government of Chad, the Project should not pay taxes when funds provided by USAID/Chad are spent on Project related activities.

Failure of management to have a solid grasp of the grant agreement provisions and/or lack of effective supervision resulted in the Project paying unnecessary taxes.

During the period covered by our audit, the Project has paid taxes amounting to FCFA 52,156,552 (US \$168,192.69). We have questioned this amount in our statement of questioned costs (see Page 12 and appendices 1- 6 for details).

**Recommendation n° 13**

We recommend that appropriate steps be taken by the Project management in order to recover taxes amounting to US \$168,192.69 from OFNAR.

### III Recurrents costs claimed by OFNAR were not fairly determined

The audit found that recurrent costs claimed by OFNAR were not fairly determined. According to the Project Grant Agreement and related Project Implementation Letters, USAID/Chad agreed to finance certain eligible recurrent costs based on a declining percentage of USAID/Chad participation. This situation occurred because OFNAR did not keep accurate journals related to those recurrent costs which were eligible for USAID/Chad support under the Project. As a result, OFNAR did not have an accurate accounting of its recurrent costs and claimed recurrent costs greater than those allowable by FCFA 212,469,992 (\$685,166).

From 1986 to 1991 USAID/Chad paid an amount of recurrent costs based on claims submitted by OFNAR along with supporting documentation. However, OFNAR did not provide evidence that the claims represented the portion of total recurrent costs that was allowed under the terms of the Grant Agreement. Therefore, the audit included steps to determine whether the recurrent costs as submitted by OFNAR to USAID/Chad were indeed allowable, allocable and reasonable based on the terms of the Project Grant Agreement and related Project Implementation Letters.

In order to determine the amount of recurrent costs eligible for reimbursement by USAID/Chad, the auditors used the guidelines concerning eligible recurrent costs contained in Project Implementation Letters 8 and 28. based on this review, a amount of FCFA 732,909,258 (\$2,363,461) was calculated as being eligible for reimbursement by USAID/Chad. This is in comparison to an amount of FCFA 945,379,250 (\$3,048,627) claimed as eligible by OFNAR. However, the auditor's calculation did not include depreciation costs related to the Project's fixed assets financed by USAID/Chad based on specific instructions from USAID/Chad to not include depreciation (see appendix 9). As of June 30, 1991, USAID/Chad had only reimbursed OFNAR for FCFA 664,094,048 (\$2,141,548) in recurrent costs. The amount due to OFNAR by USAID/Chad as of June 30, 1991 is FCFA 68,815,210 (\$221,913) (FCFA 732,909,048 -

FCFA 664,094,048). (See appendix 8 for a detailed calculation of recurrent costs).

The Project paper called for special accounting journals to be maintained by OFNAR in order to properly record the incurrence of recurrent costs. However, these journals were not accurately kept and a determination of USAID/Chad's share of recurrent costs could not be readily made. Consequently, OFNAR submitted claims for reimbursement of recurrent costs that were not founded on the agreed-to eligibility for recurrent costs. This situation results in the risk that OFNAR would either over - or under-claim the amount of recurrent costs eligible for reimbursement by USAID/Chad. Although USAID/Chad owes OFNAR a sum of FCFA 68,815,210 (\$221,913) for its share of recurrent costs, the original amount claimed by OFNAR would have resulted in a payable due from USAID/Chad of FCFA 281,285,201 (\$907,079).

#### Recommendation N° 14

We recommend that USAID/Chad design procedures for ensuring that OFNAR submits accurate claims for reimbursement of recurrent costs. Specifically we recommend the following :

- Specific accounting journals should be maintained in order to record recurrent costs separately.
- Entries in those accounting journals should be supported by specific documentation which will be retained and filed separately.
- The nature of recurrent costs should be defined more clearly ; and USAID/Chad and OFNAR in conjunction with the technical assistant should reach an agreement on this area, to avoid misinterpretations.

# ***APPENDICES***

**BREAKDOWN OF QUESTIONED COSTS  
BY BUDGET LINE ITEMS**

**A HEAVY EQUIPMENT**

Payment date	Tax	Unsupported	Total	Remarks
May-88	145,855		145,855	Taxe on storage invoices

**B - VEHICLES**

Payment date	Tax	Unsupported	Total	Remarks
Febr-87		7,375,000		Orders not approved " " "
Apr-87		3,800,000		
<b>Total cfa US\$</b>		<b>11,175,000 36,036.76</b>	<b>11,175,000 36,036.76</b>	

**C- MACHINES AND HANDTOOLS**

Payment date	Tax	Unsupported	Total	Remarks
May-88		1,585,488	1,585,488	Supporting document missing
May-88	11,345		11,345	Tax on socopao invoices
Jun-88	20,787		20,787	Tax on transit expenses
<b>Total cfa us\$</b>	<b>32,132 103.62</b>	<b>1,585,488 5,112.83</b>	<b>1,617,620 5,216.45</b>	

**D - ROAD REHABILITATION**

Date de paiement	tax	unsupported Costs	Total	Observations
jan.89		2,730,000	2,730,000	supporting document missing
jan.89		420,000	420,000	
<b>TOTAL</b>		<b>3,150,000</b>	<b>3,150,000</b>	

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**A - SPARE PARTS**

Payment date	Tax	Unsupported	overbilled	Total	Remarks
Déc-87	460,114				Tax on spare parts purchases
Jun-87	134,908				Tax on spare parts purchases
May-87	66,039				Tax on spare parts purchases
<b>Sub-total 1987</b>	<b>661,061</b>			<b>661,061</b>	
Feb-88	187,307				tax on fuel purchases
Jun-88	552,173				tax on fuel purchases
<b>Sub-total 1988</b>	<b>739,480</b>			<b>739,480</b>	
Jun-89			539,000		overcharged on SHO invoices
Jan-89		5,503,394			Supporting document missing
<b>Sub-total 1989</b>		<b>5,503,394</b>	<b>539,000</b>	<b>6,042,394</b>	
Apr.90		5,111,628		5,111,628	Supporting document missing
<b>GROSS TOTAL CFA</b>	<b>1,400,541</b>	<b>10,615,022</b>	<b>539,000</b>	<b>12,554,563</b>	
<b>US\$</b>	<b>4,516.42</b>	<b>34,231.96</b>	<b>1,738.15</b>	<b>40,485.53</b>	

**B - FURN. OFFICE EQUIPMENT**

Payment date	Tax	Unallowable	Unsupported	Total	Remarks
Déc-87	780,206				Tax on repro services invoices
May-88	106,128				Tax on repro services invoices
Jun-89	152,000				Tax on phone bills
<b>TOTAL CFA</b>	<b>1,038,334</b>			<b>1,038,334</b>	
<b>US\$</b>	<b>3,348.72</b>			<b>3,348.38</b>	

**C - BUILDING REHABILITATION**

Payment date	Tax	Unallowable	Unsupported	Total	Remarks
Aoû-89	1,090,635				Tax on fuel purchases
Mar-90	27,070				Tax on contractors Invoices
May-90			4,027,298		Supporting document missing
<b>TOTAL CFA</b>	<b>1,117,705</b>		<b>4,027,298</b>	<b>5,145,003</b>	
<b>US\$</b>	<b>3,604.34</b>		<b>12,987.09</b>	<b>16,591.43</b>	

**D - EQUIPMENT RECOVERY**

Payment date	Tax	Unallowable	Unsupported	Total	Remarks
Jan-89			86,825		Supporting document missing
<b>TOTAL CFA</b>			<b>86,825</b>	<b>86,825</b>	
<b>US\$</b>			<b>279.88</b>	<b>279.88</b>	

A - ADMINISTRATIVE SUPPORT

Payment date	Tax	Unallowable	Overbilled	unsupported	Total	Remarks
Mar-87			175,000			Payment in excess ( drivers' salary) Tax on repro service invoices Tax on repro service invoices Overcharge (sales return)
May-87	77,143					
Déc-87	86,932					
Déc-87			18,050			
<b>Sub Total 1987</b>	<b>164,075</b>		<b>193,050</b>		<b>357,125</b>	
Feb-88	106,590					Tax on repro service invoices Tax on repro service invoices Tax on repro service invoices Payment based on proforma invoice Tax on repro service invoices Tax on repro service invoices milk & sugar Tax on repro service invoices milk & sugar
Apr-88	210,491					
Apr-88	278,835					
May-88				2,460,000		
Jun-88	418,520					
Jul-88	93,470					
Oct-88		136,625				
Oct-88	634,782					
Nov-88		32,750				
<b>Sub Total 1988</b>	<b>1,742,688</b>	<b>169,375</b>		<b>2,460,000</b>	<b>4,372,063</b>	
Jan-89				1,311,490		Supporting document missing Tax on repro service invoices
Jul-89	197,600					
<b>Sub total 1989</b>	<b>197,600</b>			<b>1,311,490</b>	<b>1,509,090</b>	
Apr-90				341,200		Supporting document missing. Tax on phone bills Tax on phone bills Tax on phone bills
Déc-90	97,435					
Oct-90	29,730					
Nov-90	1,630					
<b>Sub Total 1990</b>	<b>128,845</b>			<b>341,200</b>	<b>470,045</b>	
Jan-91		728,238				International comunication International comunication Tax on phone bills
Jan-91		381,300				
Feb-91	1,550					
<b>Sub Total 1991</b>	<b>1,550</b>	<b>1,044,725</b>			<b>1,111,088</b>	
<b>GROSS TOTAL CFA</b>	<b>2,234,758</b>	<b>1,278,913</b>	<b>193,050</b>	<b>4,112,690</b>	<b>7,819,411</b>	
<b>US\$</b>	<b>7,206.57</b>	<b>4,124.19</b>	<b>622.54</b>	<b>13,262.46</b>	<b>25,215.77</b>	

B - RENTS / UTILITIES

payment date	Tax	Unallowable	Overbilled	unsupported	Total	Remarks
Mar-89	1,144,378					Tax on STEE invoices (Water)
<b>TOTAL CFA</b>	<b>1,144,378</b>				<b>1,144,378</b>	
<b>US\$</b>	<b>3,690.35</b>				<b>3,690.35</b>	

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## A - VEHICLES O. MAINTENANCE

Payment date	Tax	unallowable	Unsupported	TOTAL	Remarks
Nov-86	87,740				Tax on fuel & lubricant purchases
Oct-86	516,927				" "
<b>Sub Total 1986</b>	<b>604,667</b>			<b>604,667</b>	
Feb-87	1,052,550				Tax on fuel purchases
Apr-87	202,980				Tax on fuel purchases
Agu-87	267,483				Tax on fuel purchases
Déc-87	947,872				Tax on fuel purchases
Feb-87	14,543				Tax on spare parts purchases
Apr-87	29,086				Tax on spare parts purchases
Jui-87	16,693				Tax on spare parts purchases
Sep-87	138,728				Tax on spare parts purchases
<b>Sub Total 1987</b>	<b>2,669,935</b>			<b>2,669,935</b>	
Feb-88	93,931				Tax on lubricant purchases
Nov-88	1,275,970				Tax on lubricant purchases
Déc-88	29,808				Tax on lubricant purchases
<b>Sub Total 1988</b>	<b>1,399,709</b>			<b>1,399,709</b>	
Jan-89			277,400		Supporting document missing
<b>Sub Total 1989</b>			<b>277,400</b>	<b>277,400</b>	
<b>GROSS TOTAL CFA</b>	<b>4,674,311</b>		<b>277,400</b>	<b>4,951,711</b>	
<b>US\$</b>	<b>15,073.56</b>		<b>894.55</b>	<b>15,968.11</b>	

## B - NOT SPECIFIED

Payment date	Tax	unallowable	Unsupported	TOTAL	Remarks
jun-87		-213,000			computation error in stateme of expenditures
Nov-87		-1,427			" "
				<b>-214,427</b>	

TRAINING BRIGADE

Payment date	Tax	Unallowable	Unsupported	TOTAL	Remarks
Déc-87	4,903,102				Tax on fuel & lubricant
Déc-87		253,250			Milk & sugar
Déc-87		340,000			Bill DRYSDALE
<b>Sous Total 1987</b>	<b>4,903,102</b>	<b>593,250</b>		<b>5,496,352</b>	
Feb-88	677,143				Tax on mobil invoice (Fuel)
Feb-88	5,214,000				Tax on mobil invoice (Fuel)
Feb-88	171,014				Tax on fuel & lubricant (Fuel)
Apr-88		20,000			Milk
Apr-88		32,845			Drugs
May-88		4,900			Drugs
May-88		23,450			Drugs
May-88	2,607,000				Tax on STAC invoice
May-88	5,214,000				Tax on BICHARA invoice
May-88	374,857				Tax on mobil invoice (Fuel)
Jun-88	341,542				Tax on fuel & lubricant
Jun-88		521,675			Milk
Jun-88	2,607,000				Tax on BICHARA invoice
Jui-88	2,607,000				Tax on BICHARA invoice
Jui-88	225,714				Tax on BICHARA invoice
Jui-88		57,390			Drugs
Agus-88		426,360			Drugs
Agus-88	6,000				tax on vehicles drivers
Nov.-88	247,266				Tax on lubricant
Nov-88	7,821,000				Tax on BICHARA invoice
Déc-88	2,607,000				Tax on BICHARA invoice
Déc-88	465,714				Tax on BICHARA invoice
Déc-88	31,997				Tax on fuel purchases
Apr-88	457,714				Tax on mobil invoice (Fuel)
Oct-88		345,000			House rehabilitation
<b>Sub Total 1988</b>	<b>31,675,961</b>	<b>1 431,620</b>		<b>33,107,581</b>	
Feb-89	41,528				Tax on repro service invoices
Feb-89	43,428				Tax on repro service invoices
<b>Svb total 1989</b>	<b>84,956</b>			<b>84,956</b>	
Apr-90			278,901		Supporting document missing
May-90			288,430		Supporting document missing
<b>Sub total 1990</b>			<b>567,331</b>	<b>567,331</b>	
Apr-91	119,530				
Jun-91	400,608				
<b>Sub total 1991</b>	<b>520,138</b>			<b>520,138</b>	
<b>GROSS TOTAL CFA</b>	<b>37,184,157</b>	<b>2 024,870</b>	<b>567,331</b>	<b>39,776,358</b>	
<b>US\$</b>	<b>119,910.21</b>	<b>6,529.73</b>	<b>1,829.51</b>	<b>128,269.46</b>	

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## NDJAMENA SUBDIVISION

Payment date	Tax	Unallowable	Unsupported	Total	Remarks
Feb-89	2,445,000				tax on phone bills 1506/g
Feb-89			2,556,300		Supporting document missing
Feb-89			830,000		Supporting document missing
Mar-89	102,857				tax on fuel purchases
Mar-89			48,700		Supporting document missing
Apr-89			480,000		Supporting document missing
Agus-89	8,615				Tax on invoice n° 1506/g
Déc-89	6,615				tax on socopao invoice
<b>Sub Total 1989</b>	<b>2,563,087</b>		<b>3,915,000</b>	<b>6,478,087</b>	
Feb-90	600,161				Tax on technic acier invoice
Feb-90	2,182				Tax on sétuba invoice
Feb-90	3,965				Tax on Tchami invoice
Apr-90			2,099,653		Supporting document missing
May-90			4,480,710		Supporting document missing
Déc-90	14,985				Tax on spare parts purchases
Déc-90			632,000		Supporting document missing
<b>Sub Total 1990</b>	<b>621,293</b>		<b>7,212,363</b>	<b>7,833,656</b>	
Jan-91			2,234,666		Supporting document missing
Feb-91			40,000		Supporting document missing
<b>Sub Total 1991</b>			<b>2,274,666</b>	<b>2,274,666</b>	
<b>GROSS TOTAL CFA</b>	<b>3,184,380</b>		<b>13,402,029</b>	<b>16,586,409</b>	
<b>US\$</b>	<b>10,268.88</b>		<b>43,218.41</b>	<b>53,487.29</b>	

RECONSTITUTION OF THE DIFFERENCE BETWEEN THE AMOUNT  
JUSTIFIED TO USAID AND OFNAR ACCOUNTS AS AT JUNE 30,1991.

DATES	BANKS	EXPENDITURES		REMARKS
		TO BE CANCELLED BY USAID	TO BE RECORDED BY USAID	
	<b>CHECKS DRAWN ON BIAT</b>			Supporting documents missing
Feb-87	Check BIAT n° 9199165		69,534	.
Jul-87	Check BIAT n° 9284238 ADTOUR		213,000	.
Déc-87	Difference on check n° 9295211/212		15,827	.
Déc-87	Difference on check n° 9295223/224/225		1,479	.
Déc-87	Check BIAT n° 92955213		600,000	.
Jan-88	Difference on total expenses (49,909,318-49,909,316)		2	.
Mar-88	Difference on cheque 9311966	450		.
Nov-88	bank fees for preventing paiement		117,066	.
Jan-89	TRANSCAP invoice not recorded by USAID		1,738,941	.
Feb-89	replenishment of training brigade petty cash	300,000		.
Mar-89	Check BIAT n° 8957342 BELIN		72,316	.
Oct-89	Difference on check BIAT n° 8996764	50,000		.
Déc-89	Check BIAT n° 9330206 OFNAR (replace. check 8996774 lost) Check unpaid twice	1,272,012		.
Jul-90	Checks not recorded by USAID			.
	Check BIAT n° 9040042 for salaries		91,568	.
	Check BIAT n° 9040043 for salaries		32,074	.
	Check BIAT n° 9040044 for salaries		17,498	.
	Check BIAT n° 9040045 Treasury		3,221	.
	check BIAT n° 9040046 Treasury		16,913	.
	Check BIAT n° 9040048 USAID Interest		8,804,235	.
	<b>CHECKS DRAWN ON BTCD</b>			.
Déc-90	Check BTCD n° 325699 Ibrahim Yao	111,524		.
Déc-90	Amount included in the USAID reject but not paid by OFNAR			.
Déc-90	Difference on check n° 325686 (18,543 -18,693)	240		.
	Check BTCD n° 325641 treasury		680	.
	Check BTCD n° 325649 CNPS not recorded by USAID		72	.
	Difference on check n° 325654 for Salary (43,246- 43,245)		1	.
	Difference on check n° 325611 ONPT (332,130 - 332,150)	20		.
	Difference on check n° 325612 (2,265,254-2,265,470)	216		.
		<b>1,734,462</b>	<b>11,794,427</b>	
	<b>BALANCE CFA</b>	<b>10,059,965</b>		
	<b>US\$</b>	<b>32,441.04</b>		

**STATEMENT OF RECURRENT COSTS (1)**  
**FROM 01-01-1986 TO 06-30-1991**

YEARS	TOTAL RECURRENT COSTS PER OFNAR 1	TOTAL RECURRENT COSTS PER AUDITORS 2	AGREED TO % PARTICIPATION OF USAID/TCHAD 3	PART USAID PER OFNAR 4	PART USAID PER AUDITORS 5	AMOUNT OVER (UNDER) CLAIMED BY OFNAR 6=4-5	RECURRENT COSTS PAID BY USAID	RECURRENT COSTS DUE TO OFNAR FROM USAID
1986	15,789,850	15,789,850	90%	14,210,865	14,210,865		6,301,385	7,909,480
1987	77,391,744	67,347,374	80%	61,913,395	53,877,899	8,035,496	37,633,074	16,244,825
1988	371,306,967	285,053,288	70%	259,914,877	199,537,302	60,377,575	95,020,702	104,516,600
1989	562,134,035	361,237,473	60%	337,280,421	216,742,484	120,537,937	196,431,566	20,310,918
1990	414,407,711	336,826,509	50%	207,203,856	168,413,255	38,790,601	263,851,486	-95,438,231
1991	129,711,672	160,254,907	50%	64,855,836	80,127,454	-15,271,618	64,855,836	15,271,618
TOTAL CFA	1,570,741,979	1,226,509,401		945,379,250	732,909,258	212,469,992	664,094,049	68,815,210
TOTAL US\$	5,065,275.65	3,955,206.07		3,048,627.05	2,363,461.00	685,166.05	2,141,548.05	221,912.96

(1) These amounts are included in the Statement of Expenditures and are not in addition to these expenditures presented therein



UNITED STATES OF AMERICA  
AGENCY FOR INTERNATIONAL DEVELOPMENT

N'DJAMENA

ED STATES ADDRESS  
O - N'DJAMÉNA  
HINGTON, D.C 20520-2410

INTERNATIONAL ADDRESS  
USAID  
B.P. 413  
N'DJAMÉNA - TCHAD  
TÉL. : 51-49-35/51-50-85  
51-48-11/TÉLEX : 5203 KD

N'djaména, le 17 juillet 1992

Madame Monique Ndiaye  
MANAGER  
CABINET AZIZ DIEYE

Réf: V/L du 16-7-92

Madame,

Les PILS considèrent comme charges récurrentes l'amortissement de l'équipement lourd et léger acquis par le projet. Le montant de l'amortissement est déposé dans un compte bancaire et la preuve du dépôt est produite à l'USAID.

L'USAID ne dispose d'aucune preuve que l'Office National des Routes s'est conformé aux termes des PILS.

L'amortissement, de ce fait, n'est pas inclus dans le calcul des charges récurrentes du projet.

Veuillez agréer, Madame, l'expression de ma considération distinguée.

George Zegarac  
CONTROLLER

AUDIT OF AID'S GRANT TO OFNAR UNDER THE  
CHAD STRENGTHENING ROAD MAINTENANCE  
PROJECT No 677 - 0050

January 1, 1986 to June 30, 1991

ACRONYMS

<b>OFNAR</b>	:	OFFICE NATIONAL DES ROUTES
<b>USAID</b>	:	UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
<b>GOC</b>	:	GOVERNMENT OF CHAD
<b>GFTE</b>	:	GANETT FLEMMING TRANSPORTATION ENGINEERS
<b>LBII</b>	:	LOUIS BERGER INTERNATIONAL INCORPORATED
<b>BIAT</b>	:	BANQUE INTERNATIONALE POUR L'AFRIQUE TCHAD
<b>BTCD</b>	:	BANQUE TCHADIENNE POUR LE COMMERCE ET LE DEVELOPPEMENT
<b>PIL</b>	:	PROJECT IMPLEMENTATION LETTER

VZCZCDK0702  
RR RUEHDK  
DE RUTAND #0931 0570653  
ZNR UUUUU ZZH  
R 260630Z FEB 93  
FM AMEMBASSY NDJAMENA  
TO RUEHDK/AMEMBASSY DAKAR 2232  
INFO RUEHAB/AMEMBASSY ABIDJAN 9879  
INFO RUEHC/SECSTATE WASHDC 6405  
BT  
UNCLAS NDJAMENA 00931

AIDAC

FOR: RIG/A/DAKAR, ABIDJAN FOR RLA-RJOHNSON, SECSTATE FOR  
AFR/MRP/CONT-LGRIZZARD

E.O. 12356: N/A

TAGS:

SUBJECT: AUDIT OF AID'S GRANT TO OFNAR UNDER THE CHAD  
STRENGTHENING ROAD MAINTENANCE PROJECT (NO. 677-0050),  
JANUARY 1, 1986 TO JUNE 30, 1991

REF: SUBJECT DRAFT AUDIT REPORT

NDJ FILE CODE: FIS 3, AUDIT

1. PRESENTED BELOW ARE USAID/CHAD'S COMMENTS REGARDING  
THE DRAFT AUDIT REPORT RECOMMENDATIONS.

2. AUDIT RECOMMENDATION NO. 1: USAID/CHAD ACCEPTS THE  
FINDINGS, AS PRESENTED BY AUDIT RECOMMENDATION NO. 1, IN  
IT'S ENTIRETY.

3. USAID/CHAD ACTION TO RESOLVE AUDIT RECOMMENDATION  
NO. 1: THE QUESTIONED COSTS OF DOLS 370,967 SHALL BE  
RECOUPED BY THE FOLLOWING METHODS:

A) THE AFOREMENTIONED AMOUNT DUE TO USAID SHALL BE  
REDUCED BY THE AMOUNT OF 68,815,210 FCFA (APPROXIMATELY  
DOLS 245,000 AT THE CURRENT RATE OF EXCHANGE) DUE FROM  
USAID TO OFNAR, AS CALCULATED BY THE INDEPENDENT  
AUDITORS AS RECURRENT COSTS ELIGIBLE FOR REIMBURSEMENT  
BY USAID/CHAD;

B) THE BALANCE DUE SHALL BE REDUCED FURTHER BY NOT  
REIMBURSING OFNAR FOR THE COST OF MATERIALS AND SPARE  
PARTS PROVIDED FROM OFNAR'S CENTRAL WAREHOUSE TO THE  
PROJECT.

4. AUDIT RECOMMENDATION NO. 2: USAID/CHAD ACCEPTS THE  
FINDINGS, AS PRESENTED BY AUDIT RECOMMENDATION NO. 2,  
IN IT'S ENTIRETY.

5. USAID/CHAD ACTION TO RESOLVE AUDIT RECOMMENDATION  
NO. 2: USAID/CHAD HAS BEEN INFORMED THAT OFNAR, AS AN  
OPERATING ORGANIZATION, WILL CEASE TO EXIST AS OF THE  
END OF JUNE, 1993. THEREFORE, USAID/CHAD DOES NOT BELIEVE

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APPENDIX 11

Page 2 of 2

IT IS EITHER LOGICAL OR POSSIBLE TO IMPLEMENT THE ACTIONS  
NECESSARY TO CLOSE AUDIT RECOMMENDATION NO. 2. WE HEREBY  
REQUEST THAT RIG/A/DAKAR ADMINISTRATIVELY CLOSE AUDIT  
RECOMMENDATION NO. 2.

D:GZEGARAC, CONT; A:AWILLIAMS. AID/REP BOGOSIAN

BT  
#0931

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