

**Regional Inspector General for Audit
Dakar**

**AUDIT OF A.I.D.'S GRANT TO CERPOD UNDER THE
SAHEL REGIONAL PROMOTING POPULATION POLICY
DEVELOPMENT PROJECT (NO. 625-0978)
FOR THE PERIOD DECEMBER 26, 1988 TO APRIL 30, 1992**

**Audit Report No. 7-625-93-07-N
April 9, 1993**



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

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B.P. 49 DAKAR SENEGAL
WEST AFRICA

April 9, 1993

MEMORANDUM

To: Charles Johnson, Director, USAID/Mali

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

Subject: Audit of A.I.D.'s Grant to CERPOD under the Sahel Regional Promoting Population Policy Development Project (No. 625-0978) for the period December 26, 1988 to April 30, 1992

The attached audit report, prepared by the non-Federal audit firm, KPMG Peat, Marwick, Mitchell & Co. of Banjul, presents the results of a financial audit of A.I.D.'s grant to The Center for Applied Research on Population and Development (CERPOD) under the Sahel Regional Promoting Population Policy Development (PPPD) project.

On August 12, 1988, A.I.D. signed a grant agreement with CERPOD to implement the PPPD project with the purpose of promoting the development of appropriate national population policies and programs concerned with rapid population growth, high fertility, and infant and maternal health in the nine countries of the Sahel. Under this project, CERPOD--the implementing agency responsible for project management--was granted \$3.3 million for local operating expenditures for the period December 26, 1988 to April 30, 1992.

KPMG performed a financial audit in accordance with U.S. Government Auditing Standards of the \$3.3 million in expenditures incurred by CERPOD to determine whether CERPOD's Fund Accountability Statement for the period December 26, 1988 to April 30, 1992 was fairly presented and whether CERPOD complied with applicable laws, regulations, and agreements that may have had a material effect on the Fund Accountability Statement. In carrying out this financial audit, the non-Federal auditor obtained an understanding of CERPOD's internal accounting controls related to disbursements under the grant in order to plan the audit and to determine the nature, timing and extent of tests to be performed.

KPMG found that the Fund Accountability Statement presents fairly disbursements

totalling \$3.3 million except for questioned costs of \$298,944 which consisted of various ineligible and unsupported expenditures. In obtaining an understanding of CERPOD's internal control structure, the auditors reported one material weakness--the lack of control over the recording and reconciliation of A.I.D. project fund movements. Other non-material internal control weaknesses were also reported on conditions such as the lack of control over cash advances, fuel, and A.I.D.-financed property. Finally, the auditor reported that CERPOD complied, in all material respects, with applicable laws, regulations, and agreement terms except for certain instances of non-compliance such as the payment for ineligible expenditures.

USAID/Mali generally agreed with the auditor's findings and recommendations and stated that the implementation of the report recommendations would improve CERPOD's financial management and accounting control system. In order to resolve the costs questioned by the auditor, USAID/Mali stated that evidence to support the allowability of certain costs would be forthcoming and that it would proceed with actions to recover those costs that were deemed recoverable.

The non-Federal audit report contains twelve findings with recommendations that CERPOD should implement in coordination with USAID/Mali. The following recommendations are to be included in the Office of the Inspector General's recommendation follow-up system.

Recommendation No. 1: We recommend that USAID/Mali resolve the questioned costs of \$298,944 (\$264,240 unsupported) and recover those costs determined to be unallowable or unsupported.

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

Recommendation No. 2: We recommend that USAID/Mali ensure that CERPOD establishes and implements written policies and procedures covering the following functions and activities:

2.1 recording, justification and liquidation of cash advances and

2.2 control of A.I.D.-financed equipment and fuel.

Recommendation No. 2.1 is resolved and closed upon report issuance as USAID/Mali provided evidence that written policies concerning cash advances had been established and stated that it would follow-up on the implementation of these policies during periodic

site visits. Recommendation No. 2.2 is resolved upon report issuance as USAID/Mali has already provided evidence regarding policies and procedures for control over A.I.D.-financed fuel expenditures. In addition, USAID/Mali stated that it would establish written policies concerning A.I.D.-financed equipment. Recommendation No. 2.2 can be closed in its entirety when USAID/Mali provides evidence that CERPOD has established written procedures regarding A.I.D.-financed equipment.

Recommendation No. 3: We recommend that USAID/Mali ensure that CERPOD corrects its computer accounting records as of April 30, 1992 and henceforth submits periodic financial reports in the form of a fund accountability statement which should be reconciled by USAID/Mali to its records of advances and reimbursements to CERPOD.

Recommendation No. 3 is resolved upon report issuance as USAID/Mali stated that the computer accounting records had been corrected and that reconciliations of CERPOD reports to USAID/Mali records were in process. This recommendation can be closed when USAID/Mali provides evidence that CERPOD's records have been corrected and that fund accountability statements are being submitted and reconciled by USAID/Mali.

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

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT, MALI
(USAID/MALI)

AUDIT OF A.I.D.'S GRANT TO CERPOD UNDER THE SAHEL REGIONAL
PROMOTING POPULATION POLICY DEVELOPMENT PROJECT (NO. 625-0978)
FOR THE PERIOD DECEMBER 26, 1988 TO APRIL 30, 1992

APR - 1 1993

 **Peat Marwick**

Banjul, The Gambia
Chartered Accountants and Business Consultants

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT , MALI

AUDIT OF A.I.D.'S GRANT TO CERPOD UNDER THE SAHEL REGIONAL PROMOTING POPULATION
POLICY DEVELOPMENT PROJECT (NO. 625-0978)
FOR THE PERIOD DECEMBER 26, 1988 TO APRIL 30, 1992

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KPMG Peat Marwick

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Our Ref :

Your Ref :

March 29, 1993

Mr. Tom Anklewich,
Regional Inspector General for Audit,
United States Agency for International Development,
Dakar,
Senegal.

Dear Mr. Anklewich,

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT, MALI (USAID/MALI)

AUDIT OF A.I.D.'S GRANT TO CERPOD UNDER THE SAHEL REGIONAL PROMOTING
POPULATION POLICY DEVELOPMENT PROJECT (NO. 625-0978)
FOR THE PERIOD DECEMBER 26, 1988 TO APRIL 30, 1992

In accordance with your instructions dated August 13, 1992 (IQC no. 624-9999-I-00-2024-00, Delivery Order No. 2) this report presents the results of our financial audit of the expenditures made from the local operating account by the Center for Applied Research on Population and Development (CERPOD) under USAID/Mali's grant to the Sahel Regional Promoting Population Policy Development Project (No. 625-0978).

The audit covered disbursements totalling FCFA 919,563,236 (\$ 3,284,155) for the period December 26, 1988 to April 30, 1992.



Member firm of
Klynveld Peat Marwick Goerdeler

Page 2

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1. SUMMARY

1.1 Background

The Sahel Regional Promoting Population Policy Development Project (PPPD) is part of AID's Sahel Population Strategy and aims to promote in the nine Sahelian countries (Burkina Faso, Cape Verde, Chad, The Gambia, Guinea-Bissau, Mali, Mauritania, Niger and Senegal) the development of appropriate national population policies and programs concerned with rapid population growth, high fertility, and infant and maternal health.

The PPPD is a six year project, the Grant Agreement being signed on August 12, 1988. The goals of the PPPD are:

- i) enhanced ability of individuals to choose voluntarily the number and timing of their children,
- ii) improved maternal and child health through encouragement of birth spacing and discouragement of high risk pregnancies, and
- iii) slower population growth rates, consistent with the rules of economic development and the sustainability of the region's natural resources.

In turn, the expected outcomes of the PPPD are:

- a) improved analysis of population factors and their links to social and economic development in the Sahel;
- b) increased commitment of Sahelian leaders and growing public awareness of, and consensus for, addressing population issues;
- c) formulated national population policies and strategies;
- d) established mechanisms for evaluating population policy and program development;
- e) enhanced institutional and program capability of the implementing agency, CERPOD, in population policy and program development, including a more diversified financial resource base.

CERPOD serves as the focal point within the Sahel for population policy development and, accordingly, is the implementing agency responsible for the management of the PPPD. In brief, the PPPD seeks to:

- Strengthen CERPOD's institutional capacity, through:
 - expanded staff competencies and broadened leadership base through training and technical assistance;
 - expanded data bank, data base and micro computer capability;
 - enhanced planning, monitoring and evaluation capacity;
 - improved resource management capacity, including a computerized financial management system.
- Provide population program assistance through CERPOD to member states of the Permanent Interstate Committee for Drought Control in the Sahel (CILSS), through:
 - conducting various research projects and analyses;
 - a global training program;
 - transferred methodologies and facilitated development of population policies and programs through technical assistance to national institutions;
 - disseminated information to policy makers, planners and other influentials.

1.2 Audit objectives and scope

This financial audit of the expenditures made from the local operating account by the Center for Applied Research on Population and Development (CERPOD) under USAID/Mali's grant to the Sahel Regional Promoting Population Policy Development Project (No. 625-0978) covered the period from the inception of funding of the Project on December 26, 1988 to April 30, 1992.

The objectives of the audit were to:

- i) determine the reasonableness, propriety and allowability of expenditures totalling FCFA 919,563,236 (\$ 3,284,155) made from the local operating account by CERPOD from December 26, 1988 to April 30, 1992 and then express an opinion on whether the Fund Accountability Statement is fairly presented, in all material respects, in conformity with generally accepted accounting principles or other stated basis of accounting;
- ii) obtain a sufficient understanding of CERPOD's internal control structure and review and evaluate this structure to determine the nature, timing and extent of tests to be performed in order to form an opinion on the Fund Accountability Statement and report on the internal control structure, indentifying: the scope of work in obtaining an understanding of the internal control structure and assessing the control risk; CERPOD's significant internal controls, including those to ensure compliance with those laws and regulations that have a material effect on the Fund Accountability Statement; and the reportable conditions, including material weaknesses.
- iii) perform tests of CERPOD's compliance with applicable laws, regulations, binding policies and procedures, the Project Grant Agreement, and Project Implementation Letters as part of obtaining reasonable assurance about whether the Fund Accountability Statement is free of material misstatement and report on the results of compliance testing. These tests are also performed to determine whether CERPOD complied, in all material respects, with agreement terms, laws, binding policies, and regulations and to express positive assurance on those items tested and negative assurance on those items not tested.

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

- Review of the Project Grant Agreement, Project Paper, Project Implementation Letters and other related Project documents and identifying those laws and regulations which, if not observed, could have a direct and material effect on the Fund Accountability Statement;
- Review of previous financial evaluations and reports;
- Determination, understanding, documentation and evaluation of CERPOD's organizational structure, key personnel, accounting records, internal control structure and accounting procedures;
- Compliance testing of CERPOD's internal control structure with respect to the local operating account in order to determine the extent to which established procedures and controls are functioning as intended and documented;
- Identification and assessment of the level and nature of control risk and the design of substantive tests;
- Review and testing of expenditures made out of the local operating account by CERPOD for goods and services to determine whether they were allowable, reasonable, properly classified and recorded, relevant to Project activities and supported by adequate documentary evidence;
- Determination, documentation and evaluation of the procedures for the control of funds, reconciliation of the movement in funds for the local operating account for the period under review including reconciliation of CERPOD recorded revenues, expenditures and closing balances with bank records;
- Compilation of the Fund Accountability Statement and agreement to the underlying records of CERPOD for the local operating account for the period under review, including general ledger and disbursements journal;

- Determination of whether advances and reimbursements were made in accordance with agreement terms and reconciling advances and reimbursements per USAID/Mali's accounting system with those amounts reported by CERPOD as receipts from USAID/Mali;
- Evaluation of CERPOD's physical and accounting controls over AID financed commodities provided under the PPPD and determination of their proper use, maintenance and custody;
- Determination as to whether CERPOD is in compliance with applicable U.S., GRM, Project and other applicable laws, regulations and agreements by evaluating the CERPOD internal control system and substantive testing of recorded revenues and expenditures for the period under review;
- Planning of the audit so as to devise steps to identify instances or indications of fraud, abuse or illegal acts and reporting any such instances or indications to RIG/A/D.

The audit has been conducted in accordance with U.S. Government Auditing Standards as set forth by the Comptroller General of the United States.

Our audit work was carried out on site at CERPOD and USAID/Mali in Bamako, Mali. At the beginning and end of the field work, respectively, an entrance and exit conference were held to formally advise Project management and USAID/Mali of the audit objectives and scope and results. Prior to the exit conference, USAID/Mali and CERPOD personnel were provided discussion copies of the preliminary findings of the audit.

At the end of the audit we obtained a management representation letter signed by CERPOD's Director.

1.3 Summary of results

1.3.1 Fund accountability statement

We found that CERPOD incurred and was reimbursed by USAID/Mali for questionable costs totalling FCFA 83,704,472 (\$ 298,944) of which there are ineligible costs of FCFA 9,717,165 (\$ 34,704), and unsupported costs of FCFA 73,987,307 (\$ 264,240). These expenditures are detailed in Findings 4.2.1 and 4.2.2, summarized in the Fund Accountability Statement and detailed in Appendix A.

1.3.2 Internal control structure

We noted the following weaknesses in internal controls:

- i) Lack of procedures to ensure (a) the timely receipt of goods ordered and (b) invoices are received for goods received (Finding 3.2.1);
- ii) Lack of control over cash advances (Finding 3.2.2);
- iii) Lack of control over the recording and reconciliation of AID Project fund movements (Finding 3.2.3);
- iv) Lack of reconciliation of manual to computer accounting records (Finding 3.2.4);
- v) Lack of control over AID financed equipment and fuel consumption (Finding 3.2.5).

We consider finding iii) above to be a material weakness, that is, the design or operation of the specific internal controls in relation to these weaknesses does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the Fund Accountability Statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

1.3.3 Compliance with applicable laws and agreement terms

CERPOD failed to comply with applicable laws in the following areas:

- i) Lack of a separate bank account for the Project (Finding 4.2.1);
- ii) Ineligible and unsupported costs (Finding 4.2.2) as supported by Appendix A;
- iii) Lack of publicity (Finding 4.2.3);
- iv) Non-deduction of income taxes from Malian CERPOD employees' salaries in accordance with the GRM tax code (Finding 4.2.4);
- v) Lack of quarterly reporting (Finding 4.2.5);
- vi) Social security (Finding 4.2.6);
- vii) Lack of notification of purchases over \$25,000 to USAID/Mali (Finding 4.2.7).

1.4 Synopsis of Management comments

Management comments are listed under each finding in Sections 3.2 and 4.2.

The complete text of the Management comments is given in Appendix E to this report.

We would like to thank USAID/Mali and CERPOD management and staff for their cooperation and assistance during the audit.

Sincerely yours,

KPMG Peat Marwick

2. FINANCIAL SECTION

2.1 Independent auditors' report on Fund Accountability Statement

We have audited the Fund Accountability Statement (Page 12) of the expenditures made from the local operating account by the Center for Applied Research on Population and Development (CERPOD) under USAID/Mali's grant to the Sahel Regional Promoting Population Policy Development Project (No. 625-0978) for the period December 26, 1988 to April 30, 1992. The Fund Accountability Statement is the responsibility of CERPOD's management. Our responsibility is to express an opinion on the Fund Accountability Statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and U.S. Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Fund Accountability Statement is free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Fund Accountability Statement. An audit also includes assessing the accounting principles used and significant estimates made by Project management, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1 to the Fund Accountability Statement (page 13), the Fund Accountability Statement was prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

As part of our examination, and as detailed in Findings 4.2.1 and 4.2.2 and section 2.2 of this report, we found that CERPOD incurred and was reimbursed by USAID/Mali for questionable costs totalling \$ 298,944, of which \$ 34,704 may be ineligible under the terms of applicable laws and regulations of the project, and \$ 264,240 are not supported by appropriate documentation. These costs are to be resolved by USAID/Mali.

Except for the effects of adjustments which may be necessary after the resolution of questionable costs as discussed in paragraph four of this report, in our opinion, the Fund Accountability Statement (Page 12) referred to above presents fairly, in all material respects, expenditures made from the local operating account by the Center for Applied Research on Population and Development (CERPOD) under USAID/Mali's grant to the Sahel Regional Promoting Population Policy Development Project (No. 625-0978) for the period December 26, 1988 to April 30, 1992, in conformity with the basis of accounting described in Note 1 to the Fund Accountability Statement (Page 13).

KPMG Peat Marwick
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Firm's signature

Chartered Accountants,
Banjul, The Gambia.

March 29, 1993

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT , MALI

AUDIT OF A.I.D.'S GRANT TO CERPOD UNDER THE SAHEL REGIONAL PROMOTING POPULATION POLICY DEVELOPMENT PROJECT (NO. 625-0978)
FOR THE PERIOD DECEMBER 26, 1988 TO APRIL 30, 1992

2.2 Fund Accountability Statement

	<u>Actual</u>		<u>Questioned costs</u>			
	FCFA	\$	<u>Ineligible</u>		<u>Unsupported</u>	
	FCFA	\$	FCFA	\$	FCFA	\$
RECEIPTS:						
From USAID/Mali	931,636,110	3,149,794				
Advances from other projects	178,999,760	639,285				
	<u>1,110,635,870</u>	<u>3,789,079</u>				
PROJECT EXPENDITURES:						
Salaries	597,946,174	2,135,522	2,173,663	7,763	46,891,676	167,470
Travel	100,270,723	358,110	4,554,150	16,265	1,102,750	3,938
Seminars & conferences	44,747,813	159,814			6,299,035	22,497
Consultants	25,290,453	90,323				
Publications	65,624,774	234,374			3,000,000	10,714
Operating costs	75,186,207	268,522			16,693,846	59,621
Equipment & vehicles	10,497,092	37,490				
	<u>919,563,236</u>	<u>3,284,155</u>	<u>6,727,813</u>	<u>24,028</u>	<u>73,987,307</u>	<u>264,240</u>
OTHER EXPENDITURES:						
Repayment of advances to other projects	(160,870,077)	(574,536)				
Excess of expenditure for other projects over receipts from other projects	(21,119,035)	(75,425)	2,989,352	10,676		
Expenditure related to previous project	(3,072,076)	(10,971)				
Difference on exchange	-	177,710				
	<u>6,011,446</u>	<u>21,702</u>	<u>9,717,165</u>	<u>34,704</u>	<u>73,987,307</u>	<u>264,240</u>
Balance of funds at April 30, 1992:						
Bank	5,869,946	21,191				
Petty cash	141,500	511				
	<u>6,011,446</u>	<u>21,702</u>				

2.2 Fund accountability Statement (continued)

Notes to the Fund Accountability Statement

<u>Note</u>	<u>Description</u>
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1	<u>Basis of accounting</u>
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The Fund Accountability Statement has been prepared on the basis of cash accounting whereby revenue is recorded on receipt of funds and expenditure recorded when the related disbursement is made.

2.	<u>Translation into US\$</u>
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The following exchange rates have been applied:

Advances/reimbursements, actual rate at date of transaction.

Disbursements and transfers to and from other projects, average rate over the period of FCFA 280 to \$1.

Closing balances, FCFA 277 to \$1.

3	<u>Previous Project expenditure</u>
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The expenditure related to the previous project were expenses related to salaries, publications, travel and operating costs, which were incurred prior to the date the auditors established as a cut off date for the Project. The expenses are not being questioned because they are similar in nature and otherwise allowable under the current Project. The Project funds were not properly separated because CERPOD failed to open a separate bank account for each Project; USAID/Mali did not reconcile its books with monthly reports submitted to CERPOD; and there were delays in reimbursement of expenditures.

Appropriate recommendations have been made in this report to address these problems.

3. INTERNAL CONTROL STRUCTURE

3.1 Independent auditors' report on internal controls

We have audited the Fund Accountability Statement (Page 12) of the expenditures made from the local operating account by the Center for Applied Research on Population and Development (CERPOD) under USAID/Mali's grant to the Sahel Regional Promoting Population Policy Development Project (No. 625-0978) for the period December 26, 1988 to April 30, 1992, and have issued our report thereon dated January , 1993.

We conducted our audit in accordance with generally accepted auditing standards and U.S. Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Fund Accountability Statement is free of material misstatement.

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

The management of CERPOD is responsible for establishing and maintaining an internal control structure for the Project. In fulfilling this responsibility, estimates and judgments by CERPOD management are required to assess the expected benefits and related costs of the internal control structure, policies and procedures. The objectives of an internal control system 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 CERPOD management's authorization and recorded properly to permit the preparation of the Fund Accountability Statement in accordance with the cash basis of accounting.

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:

- Procurement cycle
- Disbursement cycle
- Inventory and fixed assets control cycle
- Recording and reporting cycle.

For all the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in effective 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 CERPOD's ability to record, process, summarize, and report financial data consistent with the assertions of management in the Fund Accountability Statement.

In summary, the reportable conditions are as follows:

- i) Lack of procedures to ensure (a) the timely receipt of goods ordered and (b) invoices are received for goods received (Finding 3.2.1);
- ii) Lack of control over cash advances (Finding 3.2.2);
- iii) Lack of control over the recording and reconciliation of AID Project fund movements (Finding 3.2.3);
- iv) Lack of reconciliation of manual to computer accounting records (Finding 3.2.4);
- v) Lack of control over AID financed equipment and fuel consumption (Finding 3.2.5).

A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the Fund Accountability Statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We consider item iii) above to be a material weakness.

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

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

KPMG Peat Marwick
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Firm's signature

Chartered Accountants,
Banjul, The Gambia.
March 29, 1993

3.2 Findings

3.2.1 Procurement cycle: Lack of procedures to ensure (a) the timely receipt of goods ordered and (b) invoices are received for goods received

Condition

We noted in our examination that Purchase Orders are not marked with the Receiving Report reference on receipt of goods, and we noted no evidence that Purchase Orders are periodically reviewed to ensure that there are no aged orders for which goods have not been received.

We also noted that Receiving Reports are not marked with the supplier's invoice reference when the invoice is received, and no evidence the Receiving Reports are periodically reviewed to ensure that there are no aged Receiving Reports for which supplier's invoices have not been received.

Criteria

Article B.5 (b) of Annex 2 to the Grant agreement requires that the grantee maintain its books and records in accordance with generally accepted accounting principles and practices. Such practices require procedures to ensure the timely receipt of goods ordered, and that Supplier Invoices are received for goods received.

Cause

When the goods ordered, or the supplier invoices, are received there is no marking of the corresponding Purchase Order or Receiving Report. As such, the Purchase Orders or Receiving Reports for which no goods or supplier invoices have been received are not identified.

Effect

The above weaknesses (a) create the risk of goods ordered not being received on a timely basis and (b) that supplier invoices are not received for goods received.

Recommendation

We recommend that:

- a) The Purchase Order retained be marked with the Receiving Report reference number upon receipt of the goods. On a periodic basis, the copies of the Purchase Orders retained should be reviewed and, for unexplained aged unmarked Purchase Orders, enquiries made to the supplier as to the delivery of the orders.

- b) The Receiving Report retained be marked with the supplier's invoice reference on receipt of the invoice. On a periodic basis, the copies of the Receiving Reports retained should be reviewed and, for unexplained aged unmarked Receiving Reports, enquiries made to the supplier as to the receipt of the invoice.

Management comments

Mission accepts the Auditors' finding. CERPOD will cross-reference its procurement documents with receiving documents and invoices and review its computerized supplier accounts to ensure that goods ordered are received and invoiced in a timely manner.

3.2.2 Disbursement cycle: Lack of control over cash advances

Condition

Cash advances are given to CERPOD staff for travel and conference costs connected with the employee's duties, as well as for personal reasons. For travel and conference advances a Mission Order is prepared and approved by the CERPOD Director. On return the employee is required to submit justifications and any remaining balance of the advance.

These cash advances are recorded in separate accounts, by recipient, in the SUN computer accounting system.

In our examination we found:

- i) aged outstanding advances not recorded as justified in the SUN computer system's advances accounts;
- ii) no procedures operating at CERPOD to ensure the timely submission and recording of justification of advances;
- iii) no evidence of review of the SUN computer system's advances accounts;
- iv) thirteen advances totalling FCFA 41,645,022 for which adequate documentation supporting justification of the advances was not available for our inspection (see Appendix A).

Criteria

Article B.5 (b) of Annex 2 to the Grant agreement requires that the grantee maintain its books and records in accordance with generally accepted accounting principles and practices. Such practices require that a record of advances is maintained, and controls are in place to ensure timely liquidation or justification of advances. In addition, a record of advances is specifically required by section A.3. of PIL No. 1.

Cause

CERPOD did not maintain its records in a manner which would ensure the timely submission and recording of justification of advances, and detection and action on aged unjustified advances.

Effect

Advances totalling totalling FCFA 41,645,022 disbursed during the period under review, as detailed on Appendix A, have been questioned by us as adequate documentation to support their justification could not be provided by CERPOD. See also Finding 4.2.2.

Due to a lack of review and reconciliation by CERPOD of the SUN computer system's advances accounts the balance of these accounts at April 30, 1992 does not represent an accurate record of unjustified advances at that date.

Recommendation

We recommend that CERPOD:

- a) ensure the timely submission and recording of justification of advances by the Accounts Department maintaining an unjustified Mission Order file whereby a photocopy of the Mission Order is taken after approval by the Director and signed by the Head of Finance or Accounts Clerk when the justification is received. On a periodic basis the Mission Order copies in the file can be reviewed and those which are not signed and for which the employee has returned can be followed up with the employee.
- b) on a monthly basis review the SUN computer system's advances accounts to ensure correct postings and balances at the month end.
- c) establish the unjustified advances by recipient at April 30, 1992 and adjust the SUN computer system's advances accounts accordingly.

Management comments

Mission accepts the Auditors' finding on this. CERPOD is in the process of implementing Auditors' recommendation part (a) to review employees' outstanding advances. Parts (b) and (c), to review and reconcile employee advances in the SUN system, are already being implemented. Mission will follow up with CERPOD during site visits to ensure continuous implementation and follow-up of procedures described in the manual of procedures.

3.2.3 Recording and reporting cycle: Lack of control over the recording and reconciliation of AID Project fund movements

Condition

In our examination we found that USAID/Mali does not reconcile information from the monthly financial reports submitted by CERPOD in respect of advances made by USAID/Mali, and subsequent liquidations of the advances, under the PPPD.

For the period under review we carried out a reconciliation of the total expenditures recorded by USAID/Mali under the Project to those recorded and reported by CERPOD and shown on the Fund Accountability Statement (page 12) . This reconciliation is detailed on Appendix C and shows a difference of FCFA 1,342,130, which represents 0.15% of total CERPOD expenditures for the period, the cause of which we are unable to determine. Accordingly, this amount has not been included in questioned costs in section 4 of this report.

Criteria

AID Handbook 19, Chapter 3, which incorporates as policy Title 31, Section 82c of the United States Code, holds the certifying officer responsible for "the existence and correctness of the facts recited in the certificate or otherwise stated on the voucher or its supporting papers and for the legality of the proposed payment under the appropriation or fund involved". To discharge this responsibility USAID/Mali is required to establish adequate internal controls to ensure that accurate vouchers are submitted for payment and/or liquidation against an advance. These controls should include a comparison by the certifying officer of USAID/Mali records and reports submitted by CERPOD.

Cause

The lack of reconciliation by USAID/Mali of its records to those maintained by CERPOD is due, in part, to the fact that CERPOD records are maintained in local currency (FCFA) while those of USAID/Mali are maintained in US\$, and the financial reporting formats of CERPOD and USAID/Mali differ such that reported expenditures by category cannot be reconciled.

Effect

USAID/Mali is unable to determine whether the Project expenditures, and related advances and justifications, reported by CERPOD are complete and accurate. The lack of reconciliation creates the risk of undetected material recording errors and irregularities.

Recommendation

We recommend that USAID/Mali reconcile its records to those submitted by CERPOD to ensure that all advances and reimbursements have been properly accounted for.

In order to facilitate this reconciliation we also recommend that CERPOD introduces a quarterly financial report in the format of a Fund Accountability Statement (see page 12) to be submitted to USAID/Mali (see also Finding 4.2.1) and produce a schedule each quarter of advances to be justified, also to be submitted to USAID/Mali.

Management comments

With respect of this finding, Mission has worked with CERPOD in the past year through various site visits and work sessions to review CERPOD's monthly financial reports and reconcile these reports with CERPOD's disbursement journal in order to ensure that these reports correctly reflect the transactions of each period. Mission is also in the process of performing a reconciliation of CERPOD records with its MACs records.

Management comments (continued)

Concerning the part of the recommendation that calls upon CERPOD to submit periodic financial reports in the form of Funds Accountability Statements and requests USAID/Mali to reconcile these reports to reports produced by the Mission, Mission is working with CERPOD to accomplish this. Mission wishes to state, however, that at present it is satisfied with CERPOD's reporting format which indicates funds received for each period, (via advance or reimbursement), disbursements for the period, cumulative receipts and disbursements, and the balance of advances to be justified. In addition to this report, CERPOD provides to the Mission a report on the composition of this cash balance which is compared to the amount of the advance to be justified in the first report discussed above.

3.2.4 Recording and reporting cycle: Lack of reconciliation of manual to computer accounting records

Condition

CERPOD has recently installed a computer accounting system and at the date of our review was running the manual and computer systems in parallel before placing reliance on the computer system. The computer system reports include monthly, and any other specified period, listings of: disbursements; expenditures by category; receipts by category.

In addition, the computer system records transactions for all donors and projects under the control of CERPOD.

The computer accounting system records have been compiled from the start of the Project from the manual records at CERPOD. During our examination we observed that the total expenditures for the period under review as recorded by the computer system did not agree to those compiled from the manual records and that no reconciliation had been undertaken by CERPOD in order to verify the accuracy of the computer records. We were unable to verify the computer records by as a reconciliation to the manual records in total or on a periodic (monthly or yearly) basis for the period under review could not be performed, since:

- i) receipts to CERPOD, in respect of advances and reimbursements from USAID/Mali, have been credited to expenditure accounts, thereby 'netting off' the expenditures. As such, totals by expenditure category compiled from the cash book cannot be readily compared to the totals by expenditure category from the computer records. For this comparison to be made receipts should be credited to a separate account (see recommendation f) below).
- ii) adjusting accounting entries to correct recording errors are not made in the accounting period to which they relate. For example, an accounting entry made in January, 1992 which was found to be a recording error was, in fact, adjusted in a later accounting period instead of January, 1992.

- iii) expenditures from disbursements of petty cash are not recorded on the listings of expenditures produced by the computer system. In addition, expenditures on behalf of other projects and receipts or reimbursements from other projects are also not recorded on the computer listing of expenditures.
- iv) no reconciliation has been carried out by CERPOD of the computer to the manual records to ensure the accuracy of the computer records. As stated above, we were unable to verify the computer records as a reconciliation to the manual records could not be performed;
- v) the computer system cannot produce a trial balance for only the PPPD to ensure that, for any given period, the accounts balance. Accordingly, a Fund Accountability Statement is not produced to ensure the movement of funds balances for a given period;
- vi) there is an balance of Project expenditures over revenues of FCFA 45,654,203 as reported the computer system for the period under review. This balance could not be reconciled by us to this balance recorded by the manual system.

Because of the above, a monthly or annual reconciliation of expenditures per the computer system to the disbursements made per the manual cash book, for which CERPOD has maintained bank reconciliations, is not possible.

Accordingly, we were unable to rely on the computer system records as a basis for preparing the Fund Accountability Statement. Instead we relied on the manual computer cash book, and associated bank reconciliations, in order to compile the Fund Accountability Statement.

Criteria

Article B.5 (b) of Annex 2 to the Grant agreement requires that the grantee maintain its books and records in accordance with generally accepted accounting principles and practices. Such practices require reconciliation of receipts and expenditures recorded to third party documentation, for instance bank statements, in order to detect recording errors and irregularities.

Cause

The computer records have not been reconciled to the manual records for the period under review.

Effect

The lack of reconciliation of the computer records to the manual records and third party supporting documentation creates the risk of undetected recording errors and irregularities in the computer records.

Recommendations

In order for reliance to be placed on the computer accounting system records we recommend that CERPOD:

- a) carry out a reconciliation of the expenditures recorded under the computer and manual systems for the period of our review, or consider making adjusting entries to the computer records so that the total expenditures by category for the period represent those detailed on the Fund Accountability Statement on page 12 of this report.
- b) on a monthly basis, produce a reconciliation of the total of the disbursements listing from the computer system to the total disbursements recorded by the computer cash book and manual cash book.
- c) on a monthly basis, ensure that the balance of the computer cash book at the month end agrees to the manual cash book.

- d) ensure expenditures from disbursements of petty cash are recorded by expenditure category on the listings of expenditures produced by the computer system. In addition, expenditures on behalf of other projects and receipts or reimbursements from other projects should also be recorded on the computer listing of expenditures under a separate account from the Project's receipts and expenditures accounts.
- e) extract at the quarter end the expenditures, receipts, cash and advances account balances related to the PPPD in order to ensure the accounts balance and enable production of a Fund Accountability Statement (see Finding 3.2.3).
- f) credit all receipts from USAID/Mali to one account in the computer system and not credit the receipt to the related expenditure account.
- g) ensure that all adjusting accounting entries, as a result of recording errors, are carried out in the month the error was made, or in the following month and identified in the reconciliation in a) above.

Management comments

Mission contracted in 1991 with an accounting firm to reconstruct CERPOD accounts and to install a computerized accounting system called the SUN system. This accounting firm also performed four quarterly site visits to certify the operation of the new system. After each site visit a report was issued noting any weaknesses found and corrective action taken. During the last certification visit, the accounting firm noted, as the Auditor did, a difference between the manual system which has continued in use and the computerized system, arising from the fact that the accounting staff posts first to the manual system and then later to computerized system. This has resulted in certain mistakes and omissions. The accounting firm recommended that CERPOD accounting staff take actions to avoid late posting to the computerized accounting system. It also identified entries made in error and recommended their correction. CERPOD has not corrected all the differences between the manual system and the computerized system. Copies of the reconciliation are being pouched to RIG/A/Dakar and as of March 1992 there is no difference between the SUN system and the manual system. Furthermore, CERPOD has stated that they will no longer use the manual system after June 1993.

3.2.5 Inventory and fixed assets control cycle: Lack of control over AID financed equipment and fuel consumption

Condition

We noted the following weaknesses in controls established over AID financed equipment and fuel consumption;

- i) The last physical verification of equipment was performed on December 27, 1991. However, the list was not signed as evidence of the verification;
- ii) A separate list is compiled for each physical verification of equipment. There is no evidence of comparison to the previous list to identify missing assets;
- iii) Although CERPOD maintains detailed records of fuel issues and vehicle usage there is no written determination and approval of fuel consumption by vehicle.

Criteria

Article B.5 (b) of Annex 2 to the Grant agreement requires that the grantee maintain its books and records in accordance with generally accepted accounting principles and practices. Such practices require evidence of physical verification of assets and the comparison of the physical count to that recorded in the accounting records.

In addition, section A.5. of PIL No. 1 provides for records to be maintained which determine the fuel usage.

Cause

CERPOD does not maintain a master list of AID funded equipment under the PPPD which provides for evidence of physical verification and enables a comparison of assets physically verified to that recorded on the list. In addition, CERPOD does not maintain procedures to determine, or report to management, fuel consumption by vehicle.

Effect

The weaknesses detailed above create the risk of undetected misappropriation of AID financed equipment under the Project, as well as undetected misappropriation of fuel and unauthorised vehicle use.

Recommendation

We recommend that CERPOD:

- a) Maintain a master list of equipment by category which lists the date of purchase, description and specification, quantity, location, cost and code.

Each item on the master list should then be signed and dated upon physical verification. Any items not signed off as physically verified should be investigated.

- b) On a monthly basis summarise the fuel issued and kilometres travelled per vehicle and determine the fuel consumption. This analysis should show the cumulative consumption as well as the consumption for the month and be submitted to the Director for review and approval.

Management comments

CERPOD will write procedures on the control of A.I.D.-financed equipment but it wishes to state that it has performed annual physical inventories, and that all equipment purchased is being recorded in a computer module for fixed assets management which should allow adequate follow-up of fixed assets. Mission will provide copies of the written procedures once completed. As to control of fuel, there exist written procedures in the manual prepared by the accounting firm contracted by USAID to reconstruct CERPOD accounting in 1991. These procedures are closely followed, as it was noted by the Auditor that CERPOD has maintained detailed records of fuel and vehicle management. CERPOD, will update these procedures to incorporate the Auditors' recommendation to expand the records by including a monthly analysis of fuel issued and kilometres travelled for management review.

AUDIT OF A.I.D.'S GRANT TO CERPOD UNDER THE SAHEL REGIONAL PROMOTING POPULATION POLICY DEVELOPMENT PROJECT (NO. 625-0978)
FOR THE PERIOD DECEMBER 26, 1988 TO APRIL 30, 1992

4. COMPLIANCE WITH AGREEMENT TERMS AND APPLICABLE LAWS

4.1 Independent auditors' report on compliance of CERPOD with applicable laws and regulations.

We have audited the Fund Accountability Statement (Page 12) of the expenditures made from the local operating account by the Center for Applied Research on Population and Development (CERPOD) under USAID/Mali's grant to the Sahel Regional Promoting Population Policy Development Project (No. 625-0978) for the period December 26, 1988 to April 30, 1992, and have issued our report thereon dated January , 1993.

We conducted our audit in accordance with generally accepted auditing standards and U.S. Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Fund Accountability Statement is free of material misstatement.

Compliance with Project agreement terms and laws and regulations applicable to the Project is the responsibility of CERPOD management. As part of obtaining reasonable assurance about whether the Fund Accountability Statement is free of material misstatement, we performed tests of CERPOD's compliance with the Grant Agreement, Project Implementation Letters, AID and GRM procurement policies and GRM tax and social security code. However, our objective was not to provide an opinion on overall compliance with such provisions.

The result of our tests indicate that, except for the instances listed below, with respect to the items tested, CERPOD complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that CERPOD had not complied, in all material respects, with those provisions.

We noted the following instances of non-compliance:

- i) Lack of a separate bank account for the Project (Finding 4.2.1);
- ii) Ineligible and unsupported costs (Finding 4.2.2);
- iii) Lack of publicity (Finding 4.2.3);
- iv) Non-deduction of income taxes from Malian CERPOD employees' salaries in accordance with the GRM tax code (Finding 4.2.4);
- v) Lack of quarterly reporting (Finding 4.2.5);
- vi) Social security (Finding 4.2.6); and
- vii) Lack of notification of purchases over \$25,000 to USAID/Mali (Finding 4.2.7).

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

KPMG Peat Marwick

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Firm's signature

Chartered Accountants,
Banjul, The Gambia.

March 29, 1993

4.2 Findings

4.2.1 Lack of a separate bank account for the Project

Condition

We noted that CERPOD has not maintained a separate bank account for AID funds under the PPPD. The bank account used has been continued from a previous project managed by CERPOD and funded by USAID/Mali. Accordingly, no cut-off date between the two projects was established.

We determined a cut-off date of December 26, 1988 by compiling the Fund Accountability Statement and balancing the movement of funds to the start of the PPPD.

We also noted that CERPOD has received funds into the PPPD bank account on behalf of other projects, made disbursements on behalf of other projects from the PPPD bank account, received funds into the PPPD bank account as advances from other projects, and made disbursements to repay these advances from the PPPD bank account. These amounts are included in the Fund Accountability Statement on page 12 of this report and detailed in the schedule 'Receipts and disbursements of funds into and from the PPPD bank account related to other projects' presented on the following page. Advances were received from other projects due to AID funds are not available due to timing delays of advances or reimbursements from USAID/Mali.

Criteria

Section A.1. of Project Implementation Letter (PIL) No. 1 dated December 8, 1988 requires that CERPOD establish a separate bank account in order to avoid the co-mingling of AID funds with those from other sources. Section 7.2 (b) of the Grant Agreement also provides for a separate bank account for AID funds under the Project.

Cause

CERPOD management failed to comply with the relevant sections of the Grant Agreement and PIL No. 1.

Effect

Ineligible disbursements totalling FCFA 2,989,352 (\$10,676) have been incurred by CERPOD from AID funds under the PPPD. This amount represents the excess of funds received into the PPPD bank account on behalf of other projects, disbursements made on behalf of other projects from the PPPD bank account, funds received into the PPPD bank account as advances from other projects, and disbursements made to repay these advances from the PPPD bank account, as follows.

Receipts and disbursements of funds into and from the PPPD bank account related to other projects:

	FCFA	\$
Advances from other projects	178,999,760	639,285
Repayments of advances to other projects	(160,870,077)	(574,536)
	<hr/>	<hr/>
	18,129,683	64,749
Excess of expenditures made on behalf of other projects over amounts received on behalf of other projects	(21,119,035)	(75,425)
	<hr/>	<hr/>
Balance of non-PPPD expenditures	2,989,352	10,676
	<hr/>	<hr/>

Recommendation

We recommend that USAID/Mali recover ineligible costs totalling FCFA 2,989,352 (\$ 10,676) from CERPOD.

We also recommend that, in order to comply with the Grant Agreement and PIL No. 1, CERPOD does not make disbursements on behalf of other projects out of the bank account currently used for AID funds under the PPPD.

If AID funds are not available due to timing delays of advances or reimbursements from USAID/Mali then an advance should be made from another project after approval from the Project Officer at USAID/Mali. CERPOD should then ensure that the funds are reimbursed at the earliest opportunity.

The advance of funds and repayment of the advance should be made in lump sum amounts and not as reimbursements for direct expenditures incurred on behalf of the PPPD by other projects. In addition, the balance of transfers should be detailed on the quarterly financial reports submitted to USAID/Mali by CERPOD (see Finding 3.2.3).

Management comments

Mission became aware during its first semi-annual certification of the PPPD, in 1989, that CERPOD had deposited USAID funds under PPPD into a bank account belonging to the preceding USAID project. For FYI the two projects ran concurrently for first quarter of fiscal year 1989 end FYI. The Mission at that time requested that CERPOD take corrective action to remedy this. After consultation with the bank, the title of the bank account was changed to indicate that it applied to the new project. CERPOD and the audit team were able to reconcile the two sources of funding.

Regarding the receipt and disbursement of funds on behalf of other projects, it should be noted that CERPOD is a multi-donor institution with more than ten separate bank accounts for its projects.

Management comments (continued)

CERPOD management explained to Mission during certification visits that they performed these transactions on behalf of other projects at times of delay in receiving funding from various donors. Because CERPOD did not maintain an adequate system of control and accounting for these transactions Mission recommended that no further transactions of this nature be processed. CERPOD agreed, but since many donor advances continued not to be received in a timely manner the various CERPOD bank accounts were from time to time overdrawn. CERPOD negotiated with its bank to allow overdrafts in its separate bank accounts provided that the consolidated balance was positive. This arrangement has been reviewed by the USAID Controller and is considered satisfactory.

4.2.2 Ineligible and unsupported costs

Condition

In addition to the ineligible expenditures discussed in section 4.2.1, we noted ineligible costs totalling FCFA 6,727,813 (\$24,028), and unsupported costs of FCFA 73,987,307 (\$ 264,240). These expenditures are detailed on the Fund Accountability Statement on page 12 and in Appendix A.

Criteria

Article D, Section D.2 in Annex 2 of the Grant Agreement requires disbursements to be supported by valid documentation. The basis of determining the questioned costs is included in Appendix A.

Cause

CERPOD failed to comply with the relevant Project regulations in the form of the Grant Agreement.

Effect

In respect of this finding total questioned costs of FCFA 80,715,120 (\$ 288,268) have been made by CERPOD out of AID funds under the PPPD.

Recommendation

We recommend that USAID/Mali request CERPOD to provide adequate supporting documentation for the unsupported expenditures totalling FCFA 73,987,307 (\$ 264,240), as detailed on Appendix A. The total amount of expenditures which cannot be supported by adequate documentation should be recovered from CERPOD by USAID/Mali under Article D, section D.2 of Annex 2 of the Grant Agreement.

In addition, we recommend that USAID/Mali recover ineligible costs totalling FCFA 6,727,813 (\$24,028) from CERPOD.

Management comments

- Advances with no justifications Dols. 148,732 (CFA 41,645,022). These concerned advances made to personnel to attend seminars. Management explains that before 1991 CERPOD was not maintaining an advance ledger to follow up advances made to personnel. A new team of accountants came on board at CERPOD in 1991, following a reconstruction of the organization's accounting system, and they began maintaining such an advance ledger. However, at the time of the audit, they had difficulty in finding justifications for advances that had taken place during the earlier period. Management is now providing justification for all except Dols. 10,714, (CFA 3,000,000), which is made up of three advances not yet justified. CERPOD is in the process of attempting to recover these items.

- Disbursements with lack of supporting documentation, Dols. 12,106, (CFA 3,389,900). CERPOD management has provided explanation for the payment vouchers no. 790 of Feb 13, 1989, and no. 858 of Mar 15, 1989, amounting to a total of Dols. 8,168, (CFA 352,050 and CFA 1,935,100), which concern the costs of tickets purchased but not supported by evidence of names of travellers or reasons for travel. Management states that these tickets were purchased from Air Afrique for participants from Yaounde and Senegal in a seminar on population organized in Chad by CERPOD. Open tickets were issued and were sent to the chiefs of the two delegations for them to indicate names of the participants they wished to send. The names of these participants have not been located in the supporting documentation from the seminars, which is being pouched to RIG/A/Dakar. As to payment vouchers no. 888 amounting to Dols. 3,938. (CFA 1,102,750), which the Auditor reported as consisting of staff advances with no justification or repayment, management states that this concerns tickets purchased on behalf of the Sahel Institute which were reimbursed on April 18, 1990, evidence on which will be pouched to RIG/A/Dakar.

- Salaries paid with no supporting justifications Dols. 103,402, (CFA 28,952,385), occurring in Jan 1989, Feb 1989, Dec 1990 and Oct 1991. CERPOD management is providing supporting documentation which will be pouched to RIG/A/Dakar.

Management comments (continued)

- Ineligible costs of Dols. 34,704 (CFA 9,717,165). This consists of the following items for which management has offered explanations:
 - Dols. 456 (CFA 127,800), Jan 11, 1989. Air tickets for four children as part of a group of conference participants. This concerns repatriation expenses to Senegal for children of a contractor funded under another project. CERPOD is currently taking action to reimburse the PPPD bank account for this expenditure. Mission will send evidence supporting this reimbursement to RIG/A/Dakar.
 - Dols. 15,808 (CFA 4,426,350) Dec 27, 1991. Payment coded to a non-PPPD account (2201-Fonds Propres) but in fact paid out of a PPPD account. This appears to represent a coding error on the part of CERPOD. This expense was properly chargeable to PPPD. The coding correction has been made.
 - Dols. 7,764, (CFA 2,173,553). Overstatement of provision for payments to employees upon termination. CERPOD has agreed to recalculate the termination provision and to return to PPPD's bank account the amount questioned.
 - Dols. 10,676, (CFA 2,989,352), excess of expenditures on behalf of other projects over reimbursements from other projects. CERPOD has performed a reconciliation to explain this excess. Subsequent to the audit period, expenditures were made out of other projects on behalf of PPPD which offset this excess. CERPOD management states that the balance in its bank account for AID funds is now in agreement with its balance of unjustified advances received from USAID.

4.2.3 Lack of publicity

Condition

We observed that there is no sign displayed at the Project location, namely CERPOD, detailing the Project name and the participation of the United States.

We also noted that most equipment and materials financed by AID under the Project, including the vehicle purchased, are not marked to indicate participation of the United States.

Criteria

Section 641 of the Foreign Assistance Act and section B.2.c. of Project Implementation Letter (PIL) No. 2 dated December 8, 1988 require that all equipment and materials financed under the Grant be adequately marked and signs be displayed at all Project locations to indicate participation of the United States in the Project.

Cause

CERPOD management failed to comply with the relevant sections of the Grant Agreement and PIL No. 2.

Effect

The A.I.D.-funded activities of CERPOD are not appropriately identified as American Aid or as having been furnished by the people of the United States of America.

Recommendation

We recommend that CERPOD comply with PIL No. 2 by displaying a sign at the location of CERPOD detailing the Project name and number and the participation of the United States.

We also recommend that all equipment and materials financed by AID under the PPPD be marked to indicate participation of the United States.

Management comments

CERPOD, being a multi-donor institution with over 10 donors, did not judge it practical to display publicity plaques for each donor at its location. After this audit, CERPOD will display one publicity plaque for all its donors displaying the name of the donor, the project and project number. CERPOD wishes to note that all AID-funded publications, including the widely disseminated magazine Pop Sahel, prominently acknowledge AID support. As to materials and equipment funded by USAID under PPPD, CERPOD will take action to ensure that any unmarked equipment will be marked with AID emblems.

4.2.4 Non-deduction of income taxes from Malian CERPOD employees' salaries in accordance with GRM tax code

Condition

We observed that Malian income tax was not deducted from the salaries of CERPOD employees who are nationals of Mali, and not paid over to the tax authorities in accordance with Malian law. We understand that CERPOD's non-Malian employees are responsible for declaring their income in their own countries for income tax purposes.

Criteria

Article 31 of "L'impôt general sur le revenu" (the Malian tax code) specifies the remuneration chargeable to income tax and Article 5 expressly states those persons exempted. Article 32 requires all employers to deduct income tax at source and pay it over to the Treasury for every month that a salary is paid.

Cause

CERPOD did not review the Malian tax code or obtain exemption from deducting income tax at source from the appropriate authority.

Effect

CERPOD paid salaries and allowances to its Malian employees without deducting income tax at source and paying it over to the GRM in accordance with Malian law.

Recommendation

We recommend that CERPOD obtain approval from the GRM not to deduct income tax at source, or, if approval is not forthcoming, to deduct income tax at source in respect of Malian employees.

Management comments

CERDOD maintains that, as an international institution, it adheres to the Comite Permanent Interetats de Lutte Contre la Secheresse dans le Sahel (CILSS) regulations, which are unclear concerning institutional deduction of taxes from the salaries of CILSS employees working in their home countries. It expects this question to be examined during review of the next Accord de Siege by the CILSS Council of Ministers in April 1993. In the interim CERPOD's legal counsel performed a contract review and advised CERPOD to state in its Malian personnel contracts that the declaration and payment of income taxes is the responsibility of each individual contractor. CERPOD contracts incorporate such a clause. CERPOD believes that this measure is adequate to protect it until the question is resolved.

4.2.5 Lack of quarterly reporting

Condition

We noted that CERPOD submits monthly reports to USAID/Mali detailing disbursements made in the month by expenditure category. CERPOD also produces monthly and annually reports of expenditure by category for the PPPD local operating account. However, no quarterly reports are produced and submitted to USAID/Mali.

Criteria

Section A.7. of the PIL No. 1 requires a system of reporting by quarter of the Project's financial status to both USAID/Mali and Project management.

Cause

CERPOD has failed to comply with the relevant Project regulations in the form of PIL No. 1.

Effect

Financial reports on a quarterly basis are not produced in accordance with PIL No. 1, nor do the existing reports detail the complete status of the Project (see Finding 3.2.3).

Recommendation

We recommend that CERPOD produce quarterly financial reports to USAID/Mali and Project management. See also our recommendations in connection with Finding 3.2.3.

Management comments

Concerning quarterly reporting of justifications in the format of Funds Accountability Statements: Project Implementation Letter no. 7 of March 16, 1990, stating that CERPOD should submit monthly financial reports, superseded the previous quarterly reporting requirement stated in Project Implementation Letter no.1. Furthermore, the current Mission policy as noted in its recent Mission Order no. 1208 dated July 30, 1992 requires all project implementing agencies to report monthly on the status of their expenditures. The reporting format called for in this Mission order satisfied the requirements of the Funds Accountability Statement format recommended by the Auditors.

4.2.6 Social security

Condition

We noted incorrect social security deductions for two employees as follows:

- i) Moussa Dolo - FCFA 2,614 should be deducted per month according to the relevant GRM authorisation. Currently, FCFA 2,534 is deducted per month.
- ii) SY Oumou Soumare - social security deductions should be made at 4% of salary. Currently, deductions based on a previous salary such that the contribution on the current salary equates to 1.58%.

We also noted no evidence could be provided by CERPOD in respect of M. Gueye's social security deduction of 1.6% per month, or M. Djimta's deduction of FCFA 18,510 per month.

In respect of these employees, Moussa Dolo, SY Oumou Soumare, M. Gueye and M. Djimta, who have special social security arrangements we noted that their social security contributions, and the employer's contributions, have not been paid by CERPOD for the period under review.

In addition, we found that social security contributions prior to July 1, 1990 were estimated by the GRM based on total salaries paid by CERPOD. In respect of these assessments we noted that social security contributions for the six months ended December 31, 1989 were overpaid by FCFA 6,084,403, and that contributions for the six months ended December 31, 1990 were not paid, estimated at FCFA 10,500,000.

Finally, we noted that, although CILSS staff regulations do not require social security deductions for non-Malian staff, the GRM has required social security contributions from all CERPOD employees.

Criteria

GRM regulations provide for social security contributions to be made by the employee at 3.6% of salary and by the employer at 18.4% of salary, unless otherwise approved by the Government.

Cause

The overpayment and underpayment of social security contributions was due to the GRM submitting a number of assessments, some of which covered the same or overlapping periods, and CERPOD not rationalizing these assessments.

CERPOD has not followed the social security rates for Moussa Dolo and SY Oumou Soumare as specified in GRM authorisations and has not adhered to GRM social security regulations by failing to pay correct GRM employee and employer contributions in respect of Moussa Dolo, SY Oumou Soumare, M. Gueye and M. Djimta.

Effect

CERPOD has under and overpaid social security contributions for the start of the Project to July 1, 1990.

CERPOD has not correctly calculated the contributions in respect of Moussa Dolo and SY Oumou Soumare and has not paid employee and employer contributions in respect of Moussa Dolo, SY Oumou Soumare, M. Gueye and M. Djimta.

As the GRM determined the contributions from the total salaries paid before July 1, 1990 there is a risk that the GRM has not credited each employee with their contributions.

There is also a risk that the social security contributions paid by the non-Malian employees will not be made available by the GRM or transferred to their own country's social security system.

Recommendation

We recommend that CERPOD:

- a) produces a schedule of social security contributions for each employee from the commencement of the Project to date from the monthly payroll records.

Recommendation (continued)

- b) obtains from the GRM details of social security contributions recorded for each employee to date. CERPOD should ensure that the GRM has taken account of all contributions for each employee for the start of the Project to date by comparison to the schedule produced in a) above. In addition, any resultant over or under payment should be settled with the GRM.
- c) correctly calculates the contributions in respect of Moussa Dolo and SY Oumou Soumare.
- d) pays employee and employer contributions to date in respect of Moussa Dolo, SY Oumou Soumare, M. Gueye and M. Djimta.
- e) seeks to obtain, with the assistance of USAID/Mali, approval from the GRM to pay social security contributions in respect of non-Malian employees directly to the countries concerned.

Management comments

CERDOP states it pays social insurance on two different types of employees - civil servants from the various countries in the Comité Permanent Interétats de Lutte Contre La Sécheresse dans le Sahel (CILSS), under a special contract arrangement with CERPOD, and independent contractors. The independent contractors are subject to Malian social security taxes. The civil servants under the special contract arrangement are subject to the Caisse de Retraite rates of their respective countries, which vary from year to year and country to country. Per prior agreement, claims for these employees are calculated by their own countries and submitted to CERPOD for payment. Accordingly there has not in fact been any calculation on the part of the CERPOD.

Regarding overpayment and underpayment of social security contributions, CERPOD agrees to reconcile its records with those of the Malian social security department. CERPOD has already made contact with the department to schedule work sessions to accomplish this.

B.2.7 Lack of notification of purchases over \$25,000 to USAID/Mali

Condition

We noted that CERPOD has not informed USAID/Mali of intended procurements in excess of \$25,000 (FCFA 7,000,000). This primarily applies to the procurement of printing services.

Criteria

Section B.2.a. of Project Implementation Letter (PIL) No. 2 dated December 8, 1988 requires that for all procurements estimated to exceed \$25,000 notice of requests for quotations must be published by the AID Office of Small Business in appropriate AID publications.

Cause

CERPOD management failed to comply with the relevant sections of the Grant Agreement and PIL No. 2.

Effect

CERPOD is in contravention of Project regulations.

Recommendation

We recommend that CERPOD comply with PIL No. 2 by ensuring that intended procurements in excess of \$25,000 (FCFA 7,000,000) are notified to USAID/Mali, or that approval is obtained from USAID/Mali that this condition is waived since procurement by CERPOD out of the local operating account must be sourced from Mali or other CILSS countries per section A.2. of PIL No. 2 and section 6.2 of Grant Agreement.

Management comments

This concerns payment of six printing services invoices related to the CERPOD magazine Pop Sahel, totalling CFA 8,060,520 which was paid in February 1989. There was no single purchase for over US 25,000.

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT , MALI

AUDIT OF A.I.D.'S GRANT TO CERPOD UNDER THE SAHEL REGIONAL PROMOTING POPULATION
POLICY DEVELOPMENT PROJECT (NO. 625-0978)
FOR THE PERIOD DECEMBER 26, 1988 TO APRIL 30, 1992

APPENDICES

- Appendix: A Summary of questioned costs
- B Details of overstatement of termination provision
- C Reconciliation of USAID/Mali records to CERPOD records for Project
 expenditures for the period
- D Management comments
- E Acronyms

AUDIT OF A.I.D.'S GRANT TO CERPOD UNDER THE SAHEL REGIONAL PROMOTING POPULATION
POLICY DEVELOPMENT PROJECT (NO. 625-0978)
FOR THE PERIOD DECEMBER 26, 1988 TO APRIL 30, 1992

APPENDIX A

Summary of questioned costs

1. Advances with no justification

<u>Date</u>	<u>PV no.</u>	<u>Details</u>	<u>Amount</u> FCFA
2.3.89	762	Advance to PSD - Burkina Faso	4,384,746
10.3.89	569	Advance to PSD - Burkina Faso	2,026,770
12.29.88	628	Loan to the Sahel Institute (INSAH)	3,109,250
10.27.89	808	Advance to D. Doumbia - travelling costs	1,000,000
10.31.89	818	Travel to Cape Verde - advance to Bolize Dao	10,939,291
3.12.90	1341	Seminar to Ouagadougou (total of advance 10,608,106)	4,146,080
11.9.90	2178	Conference in Ouagadougou - advance to C Mbake	7,000,000
5.3.91	2913	Seminar in Niger - advance to Mme Dolo	4,038,885
8.16.91	3207	Advance - Mr. Tontorogobo Ousmane, Burkina Faso	1,000,000
8.16.91	3208	Advance - Mme Fatou Ba, Dakar	1,000,000
8.19.91	3214	Advance for 6th annual CILSS day (total FCFA 5m):	
		- Mme Alleluia, Cape Verde	1,000,000
		- M. Luis Albinos, Guinea-Bissau	1,000,000
		- M. Ahmed Salem, Mauritania	1,000,000
			<hr/>
			41,645,022
			<hr/>

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT , MALI

AUDIT OF A.I.D.'S GRANT TO CERPOD UNDER THE SAHEL REGIONAL PROMOTING POPULATION POLICY DEVELOPMENT PROJECT (NO. 625-0978)
FOR THE PERIOD DECEMBER 26, 1988 TO APRIL 30, 1992

APPENDIX A (CONTINUED)

2. Disbursements with lack of supporting documentation

<u>Date</u>	<u>PV no.</u>	<u>Details</u>	<u>Amount</u> FCFA
2.13.89	790	Air Afrique ticket - no details of traveller or reason for travel	352,050
3.15.89	858	Air Afrique ticket for a group of persons. No details of participants or reason for travel	1,935,100
3.15.89	888	Air Afrique - disbursements on behalf of CERPOD staff booked as staff advances but no justifications or repayments seen	1,102,750
			<hr/>
			3,389,900
			<hr/>

3. Salaries paid with no supporting documentation

<u>Month</u>	<u>Amount</u> FCFA
January, 1989	8,118,663
February, 1989	6,117,233
December, 1990	6,297,242
October, 1991	8,419,247
	<hr/>
	28,952,385
	<hr/>

Total of 1., 2. and 3. above - unsupported costs 73,987,307

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UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT , MALI

AUDIT OF A.I.D.'S GRANT TO CERPOD UNDER THE SAHEL REGIONAL PROMOTING POPULATION POLICY DEVELOPMENT PROJECT (NO. 625-0978)
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APPENDIX A (CONTINUED)

4. Ineligible disbursements

<u>Date</u>	<u>PV no.</u>	<u>Details</u>	<u>Amount</u> FCFA
1.11.89	663	Air tickets for four children as part of group of conference participants	127,800
12.27.91	3493	Air Afrique - payment coded to a non-PPPD account (2201 - Fonds Propres) but paid out of PPPD account	4,426,350
2.28.92	3742	Overstatement of termination provision (see Appendix B)	2,173,663
			<hr/>
			6,727,813
		Excess of expenditures for other projects over receipts from other projects (see Finding 4.2.1)	2,989,352
			<hr/>
		Total of ineligible costs	9,717,165
			<hr/>

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT , MALI

AUDIT OF A.I.D.'S GRANT TO CERPOD UNDER THE SAHEL REGIONAL PROMOTING POPULATION POLICY DEVELOPMENT PROJECT (NO. 625-0978)
FOR THE PERIOD DECEMBER 26, 1988 TO APRIL 30, 1992

APPENDIX B

Details of overstatement of termination provision

Under the Institute of Sahel staff regulations employees are entitled to a termination payment on leaving their employment of one month's salary per year of employment.

CERPOD calculated a provision for these termination payments from the inception of the Project. We noted errors in the following calculations for the start of the Project to September 30, 1990:

<u>Name difference</u>	<u>Amount per CERPOD</u>	<u>Amount per KPMG</u>	<u>Difference</u>	<u>Reasons</u> for
	FCFA	FCFA	FCFA	
Mamadou Kani Konate	1,597,914	1,517,914	80,000	miscalculation
Mouhamadou Gueye	1,695,564	1,173,780	521,784	started 4.20.89, not start of project
Hamadou R. Wane	1,450,738	334,785	1,115,953	started 4.9.90, not start of project
El Bassirou Sow	1,185,416	729,490	455,926	started 7.17.89, not start of project
Total (included as an ineligible disbursement on the schedule of questioned costs on Appendix A)			2,173,663	

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT , MALI

AUDIT OF A.I.D.'S GRANT TO CERPOD UNDER THE SAHEL REGIONAL PROMOTING POPULATION
POLICY DEVELOPMENT PROJECT (NO. 625-0978)
FOR THE PERIOD DECEMBER 26, 1988 TO APRIL 30, 1992

APPENDIX C

**Reconciliation of USAID/Mali records to CERPOD records for Project
expenditures for the period**

	FCFA
Total justifications at April 30, 1992:	
Advances justified	833,368,914
Reimbursements of expenditures	59,045,305
	<hr/>
	892,414,219
Project disbursements rejected by USAID/Mali subsequently represented after April 30, 1992	13,406,337
Payments made before April 30, 1992 yet to be justified to USAID/Mali	15,084,810
Unexplained difference	(1,342,130)
	<hr/>
Total AID funded Project expenditure per CERPOD (see Fund Accountability Statement on page 12)	919,563,236
	<hr/>

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UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT , MALI

AUDIT OF A.I.D.'S GRANT TO CERPOD UNDER THE SAHEL REGIONAL PROMOTING POPULATION
POLICY DEVELOPMENT PROJECT (NO. 625-0978)
FOR THE PERIOD DECEMBER 26, 1988 TO APRIL 30, 1992

APPENDIX D

Management comments

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ACTION: RIG INFO: EXEC

VZCZCDKO143
 RR RUEHLK
 DE RUEHBP #1774/01 0691106
 ZNR UUUUU ZZH
 R 101052Z MAR 93
 FM AMEMBASSY BAMAKO
 TO AMEMBASSY DAKAR 0853
 BT

LOC: 121 1
 12 MAR 93 110
 CN: 47342
 CHRG: RIG
 DIST: RIG

UNCLAS SECTION 01 OF 05 BAMAKO 01774

RECEIVED 15 MAR 1993

ADM AID

FOR RIG/A/DAKAR

E.O. 12356: N/A

SUBJECT: MISSION COMMENTS ON DRAFT AUDIT REPORT OF
 - A.I.D. GRANT TO CENTRE D'ETUDES ET DE RECHERCHES
 - SUR LA POPULATION POUR LE DEVELOPPEMENT (CERPOD)
 - UNDER THE SAHEL REGIONAL PROMOTING POPULATION POLICY
 - DEVELOPMENT PROJECT, (PPPD). (NO. 625-0979) FOR THE
 - PERIOD DECEMBER 26\ 1988 TO APRIL 30, 1992.

REF: ANKLEWICH/GETSON MEMO DTD 02-02-93

PART I. RESPONSE TO THE RECOMMENDATIONS INCLUDED IN THE
 OFFICE OF THE INSPECTOR GENERAL'S RECOMMENDATION FOLLOW-
 UP SYSTEM. AS NOTED IN THE REF MEMO.

I.A. RECOMMENDATION NO. 1: THAT USAID MALI RESOLVE THE
 QUESTIONED COSTS OF DOLS 298,944 (264,240 UNSUPPORTED)
 AND RECOVER THOSE COSTS DETERMINED TO BE UNALLOWABLE OR
 UNSUPPORTED.

- UNSUPPORTED COSTS OF DOLS 264,240, (CFA 73,987,307).
 THESE COSTS WERE IDENTIFIED BY THE AUDITORS AS ELIGIBLE
 UNDER THE GRANT AGREEMENT BUT UNDOCUMENTED. THESE
 UNSUPPORTED COSTS CONSIST OF THE FOLLOWING ITEMS FOR
 WHICH CERPOD MANAGEMENT IS PROVIDING MISSION WITH MOST
 OF THE SUPPORTING DOCUMENTATION. THESE DOCUMENTS,
 SUPPORTED BY A COMPLETE SCHEDULE, WILL BE POUCHED TO
 RIG/A/DAKAR:

-- ADVANCES WITH NO JUSTIFICATIONS. DOLS. 149,732, (CFA
 41,645,022). THESE CONCERNED ADVANCES MADE TO PERSONNEL
 TO ATTEND SEMINARS. MANAGEMENT EXPLAINS THAT BEFORE
 1991, CERPOD WAS NOT MAINTAINING AN ADVANCE LEDGER TO
 FOLLOW UP ADVANCES MADE TO PERSONNEL. A NEW TEAM OF
 ACCOUNTANTS CAME ON BOARD AT CERPOD IN 1991, FOLLOWING A
 RECONSTRUCTION OF THE ORGANIZATION'S ACCOUNTING SYSTEM,
 AND THEY BEGAN MAINTAINING SUCH AN ADVANCE LEDGER.
 HOWEVER, AT THE TIME OF THE AUDIT, THEY HAD DIFFICULTY
 IN FINDING JUSTIFICATIONS FOR ADVANCES THAT HAD TAKEN
 PLACE DURING THE EARLIER PERIOD. MANAGEMENT IS NOW
 PROVIDING JUSTIFICATION FOR ALL EXCEPT DOLS. 10,714,
 (CFA 3,000,000), WHICH IS MADE UP OF THREE ADVANCES NOT
 YET JUSTIFIED. CERPOD IS IN THE PROCESS OF ATTEMPTING

TO RECOVER THESE ITEMS.

-- DISBURSEMENTS WITH LACK OF SUPPORTING DOCUMENTATION. DOLS. 12.106, (CFA 3,389,900). CERPOD MANAGEMENT HAS PROVIDED EXPLANATION FOR THE PAYMENT VOUCHERS NO. 790 OF FEB 13, 1989, AND NO. 358 OF MAR 15, 1989, AMOUNTING TO A TOTAL OF DOLS. 3,168, (CFA 352,050 AND CFA 1,935,100), WHICH CONCERN THE COSTS OF TICKETS PURCHASED BUT NOT SUPPORTED BY EVIDENCE OF NAMES OF TRAVELLERS OR REASONS FOR TRAVEL. MANAGEMENT STATES THAT THESE TICKETS WERE PURCHASED FROM AIR AFRIQUE FOR PARTICIPANTS FROM YAOUNDE AND SENEGAL IN A SEMINAR ON POPULATION ORGANIZED IN CHAD BY CERPOD. OPEN TICKETS WERE ISSUED AND WERE SENT TO THE CHIEFS OF THE TWO DELEGATIONS FOR THEM TO INDICATE NAMES OF THE PARTICIPANTS THEY WISHED TO SEND. THE NAMES OF THESE PARTICIPANTS HAVE NOW BEEN LOCATED IN THE SUPPORTING DOCUMENTATION FROM THE SEMINARS, WHICH IS BEING POUCHED TO RIG/A/DAKAR. AS TO PAYMENT VOUCHER NO. 888 AMOUNTING TO DOLS. 3,939, (CFA 1,102,750), WHICH THE AUDITOR REPORTED AS CONSISTING OF STAFF ADVANCES WITH NO JUSTIFICATION OR REPAYMENT, MANAGEMENT STATES THAT THIS CONCERNS TICKETS PURCHASED ON BEHALF OF THE SAHEL INSTITUTE WHICH WERE REIMBURSED ON APRIL 18, 1990, EVIDENCE OF WHICH WILL BE POUCHED TO RIG/A/DAKAR.

-- SALARIES PAID WITH NO SUPPORTING JUSTIFICATIONS DOLS. 103.402, (CFA 28,952,385), OCCURRING IN JAN 1989, FEB 1989, DEC 1990 AND OCT 1991. CERPOD MANAGEMENT IS PROVIDING SUPPORTING DOCUMENTATION WHICH WILL BE POUCHED TO RIG/A/DAKAR.

- INELIGIBLE COSTS OF DOLS. 34,704, (CFA 9,717,165). THIS CONSISTS OF THE FOLLOWING ITEMS FOR WHICH MANAGEMENT HAS OFFERED EXPLANATIONS:

-- DOLS. 456, (CFA 127,800), JAN 11, 1989. AIR TICKETS FOR FOUR CHILDREN AS PART OF A GROUP OF CONFERENCE PARTICIPANTS. THIS CONCERNS REPATRIATION EXPENSES TO SENEGAL FOR CHILDREN OF A CONTRACTOR FUNDED UNDER ANOTHER PROJECT. CERPOD IS CURRENTLY TAKING ACTION TO REIMBURSE THE PPPD BANK ACCOUNT FOR THIS EXPENDITURE. MISSION WILL SEND EVIDENCE SUPPORTING THIS REIMBURSEMENT TO RIG/A/DAKAR.

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-- DOLS. 15,808, (CFA 4,426,350), DEC 27, 1991. PAYMENT CODED TO A NON-PPPD ACCOUNT (2201-FONDS PROPRES) BUT IN FACT PAID OUT OF A PPPD ACCOUNT.

THIS APPEARS TO REPRESENT A CODING ERROR ON THE PART OF CERPOD. THE EXPENSE WAS PROPERLY CHARGEABLE TO PPPD. THE CODING CORRECTION HAS BEEN MADE. MISSION REQUESTS THAT THIS ITEM BE DELETED FROM THE FINAL REPORT.

-- DOLS. 7,764, (CFA 2,173,553), OVERSTATEMENT OF PROVISION FOR PAYMENTS TO EMPLOYEES UPON TERMINATION.

CERPOD HAS AGREED TO RECALCULATE THE TERMINATION PROVISION AND TO RETURN TO PPPD'S BANK ACCOUNT THE AMOUNT QUESTIONED.

-- DOLS 10,675, (CFA 2,989,352), EXCESS OF EXPENDITURES ON BEHALF OF OTHER PROJECTS OVER REIMBURSEMENTS FROM OTHER PROJECTS.

CERPOD HAS PERFORMED A RECONCILIATION TO EXPLAIN THIS EXCESS. SUBSEQUENT TO THE AUDIT PERIOD, EXPENDITURES WERE MADE OUT OF OTHER PROJECTS ON BEHALF OF PPPD WHICH OFFSET THIS EXCESS. CERPOD MANAGEMENT STATES THAT THE BALANCE IN ITS BANK ACCOUNT FOR AID FUNDS IS NOW IN AGREEMENT WITH ITS BALANCE OF UNJUSTIFIED ADVANCES RECEIVED FROM USAID.

I.B. RECOMMENDATION NO. 2: THAT USAID MALI ENSURE THAT CERPOD ESTABLISHES AND IMPLEMENTS WRITTEN POLICIES AND PROCEDURES COVERING THE FOLLOWING FUNCTIONS AND ACTIVITIES:

2.1. RECORDING, JUSTIFICATION AND LIQUIDATION OF CASH ADVANCES.

WRITTEN POLICIES EXIST ON RECORDING, JUSTIFICATION AND LIQUIDATION OF CASH ADVANCES. THESE PROCEDURES ARE INCLUDED IN A MANUAL PREPARED BY AN ACCOUNTING FIRM CONTRACTED BY USAID TO RECONSTRUCT CERPOD ACCOUNTING IN 1991. COPIES OF THESE PROCEDURES WILL BE POUCHED TO RIG/A/DAKAR. MISSION WILL FOLLOW UP WITH CERPOD DURING SITE VISIT TO ENSURE IMPLEMENTATION OF THE DESCRIBED PROCEDURES AND THE AUDITORS' RECOMMENDATIONS.

2.2. CONTROL OF A.I.D. FINANCED EQUIPMENT AND FUEL.

CERPOD WILL WRITE PROCEDURES ON THE CONTROL OF A.I.D.-FINANCED EQUIPMENT BUT IT WISHES TO STATE THAT IT HAS PERFORMED ANNUAL PHYSICAL INVENTORIES, AND THAT ALL EQUIPMENT PURCHASED IS BEING RECORDED IN A COMPUTER MODULE FOR FIXED ASSET MANAGEMENT, WHICH SHOULD ALLOW ADEQUATE FOLLOW-UP OF FIXED ASSETS. MISSION WILL PROVIDE COPIES OF THE WRITTEN PROCEDURES ONCE COMPLETED. AS TO CONTROL OF FUEL, THERE EXIST WRITTEN PROCEDURES IN THE MANUAL MENTIONED EARLIER. THESE PROCEDURES ARE CLOSELY FOLLOWED, AS IT WAS NOTED BY THE AUDITOR THAT CERPOD HAS MAINTAINED DETAILED RECORDS OF FUEL AND

VEHICLE MANAGEMENT. CERPOD WILL UPDATE THESE PROCEDURES TO INCORPORATE THE AUDITORS' RECOMMENDATION TO EXPAND THE RECORDS BY INCLUDING A MONTHLY ANALYSIS OF FUEL ISSUED AND KILOMETERS TRAVELLED FOR MANAGEMENT REVIEW.

I.C. RECOMMENDATION NO. 3: THAT USAID MALI ENSURE THAT CERPOD CORRECTS ITS COMPUTER ACCOUNTING RECORDS AS OF APRIL 30, 1992, AND HENCEFORTH SUBMITS PERIODIC REPORTS IN THE FORM OF FUND ACCOUNTABILITY STATEMENTS WHICH SHOULD BE RECONCILED BY USAID MALI TO ITS RECORDS OF ADVANCES AND REIMBURSEMENTS TO CERPOD.

AS MENTIONED EARLIER, MISSION CONTRACTED IN 1991 WITH AN ACCOUNTING FIRM TO RECONSTRUCT CERPOD ACCOUNTS AND TO INSTALL A COMPUTERIZED ACCOUNTING SYSTEM CALLED THE SUN SYSTEM. THIS ACCOUNTING FIRM ALSO PERFORMED FOUR QUARTERLY SITE VISITS TO CERTIFY THE OPERATION OF THE NEW SYSTEM. AFTER EACH SITE VISIT A REPORT WAS ISSUED NOTING ANY WEAKNESSES FOUND AND CORRECTIVE ACTIONS TAKEN. DURING THE LAST CERTIFICATION VISIT, THE ACCOUNTING FIRM NOTED, AS THE AUDITOR DID, A DIFFERENCE BETWEEN THE MANUAL SYSTEM, WHICH HAS CONTINUED IN USE, AND THE COMPUTERIZED SYSTEM, ARISING FROM THE FACT THAT THE ACCOUNTING STAFF POSTS FIRST TO THE MANUAL SYSTEM AND THEN LATER TO COMPUTERIZED SYSTEM. THIS HAS

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RESULTED IN CERTAIN MISTAKES AND OMISSIONS. THE ACCOUNTING FIRM RECOMMENDED THAT CERPOD ACCOUNTING STAFF TAKE ACTIONS TO AVOID LATE POSTING TO THE COMPUTERIZED ACCOUNTING SYSTEM. IT ALSO IDENTIFIED ENTRIES MADE IN ERROR AND RECOMMENDED THEIR CORRECTION. CERPOD HAS NOW CORRECTED ALL THE DIFFERENCES BETWEEN THE MANUAL SYSTEM AND THE COMPUTERIZED SYSTEM. COPIES OF THE RECONCILIATION ARE BEING POUCHED TO RIG/A/DAKAR AND AS OF MARCH 1992 THERE IS NO DIFFERENCE BETWEEN THE SUN SYSTEM AND THE MANUAL SYSTEM. FURTHERMORE, CERPOD HAS STATED THAT THEY WILL NO LONGER USE THE MANUAL SYSTEM AFTER JUNE 1993.

CONCERNING THE PART OF THE RECOMMENDATION THAT CALLS UPON CERPOD TO SUBMIT PERIODIC FINANCIAL REPORTS IN THE FORM OF FUNDS ACCOUNTABILITY STATEMENTS AND REQUESTS USAID MALI TO RECONCILE THESE REPORTS TO REPORTS PRODUCED BY THE MISSION, MISSION IS WORKING WITH CERPOD TO ACCOMPLISH THIS. MISSION WISHES TO STATE, HOWEVER, THAT AT PRESENT IT IS SATISFIED WITH CERPOD'S REPORTING FORMAT WHICH INDICATES FUNDS RECEIVED FOR EACH PERIOD, (VIA ADVANCE OR REIMBURSEMENT), DISBURSEMENTS FOR THE PERIOD, CUMULATIVE RECEIPTS AND DISBURSEMENTS, AND THE BALANCE OF ADVANCES TO BE JUSTIFIED. IN ADDITION TO THIS REPORT, CERPOD PROVIDES TO THE MISSION A REPORT ON THE COMPOSITION OF THIS CASH BALANCE WHICH IS COMPARED TO THE AMOUNT OF THE ADVANCE TO BE JUSTIFIED IN THE FIRST REPORT DISCUSSED ABOVE. MISSION WILL POUCH COPIES OF THESE REPORTS TO RIG/A/DAKAR, AND REQUESTS THAT THIS PART OF THE RECOMMENDATION BE DELETED FROM THE FINAL REPORT.

PART II. MANAGEMENT COMMENTS ON AUDITORS' FINDINGS ON INTERNAL CONTROL.

II.A. FINDING 3.2.1. - PROCUREMENT CYCLE: LACK OF PROCEDURES TO ENSURE THAT (A) THE TIMELINESS OF RECEIPT OF GOODS ORDERED IS NOTED, AND (B) INVOICES ARE RECEIVED FOR GOODS THAT HAVE BEEN RECEIVED.

MISSION ACCEPTS THE AUDITORS' FINDING. CERPOD WILL CROSS-REFERENCE ITS PROCUREMENT DOCUMENTS WITH RECEIVING DOCUMENTS AND INVOICES AND REVIEW ITS COMPUTERIZED SUPPLIER ACCOUNTS TO ENSURE THAT GOODS ORDERED ARE RECEIVED AND INVOICED IN A TIMELY MANNER.

II.B. FINDING 3.2.2. - DISBURSEMENT CYCLE: LACK OF CONTROL OVER CASH ADVANCES MADE BY CERPOD TO EMPLOYEES FOR TRAVEL AND CONFERENCE ATTENDANCE.

MISSION ACCEPTS THE AUDITORS' FINDING ON THIS. CERPOD IS IN THE PROCESS OF IMPLEMENTING AUDITORS' RECOMMENDATION PART (A), TO REVIEW EMPLOYEES' OUTSTANDING ADVANCES. PARTS (B) AND (C), TO REVIEW AND RECONCILE EMPLOYEE ADVANCES IN THE SUN SYSTEM, ARE ALREADY BEING IMPLEMENTED. MISSION WILL FOLLOW UP WITH CERPOD DURING SITE VISITS TO ENSURE CONTINUOUS IMPLEMENTATION AND FOLLOW-UP OF PROCEDURES DESCRIBED IN

THE MANUAL OF PROCEDURES.

II.C. FINDING 3.2.3. - RECORDING AND REPORTING CYCLE:
LACK OF CONTROL ON THE PART OF THE MISSION OVER THE
RECORDING AND RECONCILIATION OF THE MOVEMENT OF AID
FUNDS FURNISHED TO THE PROJECT.

WITH RESPECT TO THIS FINDING, MISSION HAS WORKED WITH
CERPOD IN THE PAST YEAR THROUGH VARIOUS SITE VISITS AND
WORK SESSIONS TO REVIEW CERPOD'S MONTHLY FINANCIAL
REPORTS AND RECONCILE THESE REPORTS WITH CERPOD'S
DISBURSEMENT JOURNAL IN ORDER TO ENSURE THAT THESE
REPORTS CORRECTLY REFLECT THE TRANSACTIONS OF EACH
PERIOD. MISSION IS ALSO IN THE PROCESS OF PERFORMING A
RECONCILIATION OF CERPOD RECORDS WITH ITS MACS RECORDS.

II.D. 3.2.4. - LACK OF RECONCILIATION OF CERPOD'S MANUAL
TO ITS COMPUTER ACCOUNTING RECORDS.

REFER TO MISSION RESPONSE TO RECOMMENDATION NO. 3 ABOVE.

FINDING 3.2.5. - INVENTORY AND FIXED ASSETS CYCLE: LACK
OF CONTROL OVER AID-FINANCED EQUIPMENT AND FUEL

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CONSUMPTION.

REFER TO MISSION RESPONSE TO RECOMMENDATION NO. 2 ABOVE.

PART III. MANAGEMENT COMMENTS ON AUDITORS FINDINGS ON COMPLIANCE WITH AGREEMENT TERMS AND APPLICABLE LAWS.

III.A. FINDING 4.2.1. - LACK OF SEPARATE BANK ACCOUNT FOR THE PROJECT AND USE OF PROJECT BANK ACCOUNT TO RECEIVE AND DISBURSE FUNDS ON BEHALF OF OTHER PROJECTS. MISSION BECAME AWARE DURING ITS FIRST SEMI-ANNUAL CERTIFICATION OF THE PPPD, IN 1989, THAT CERPOD HAD DEPOSITED USAID FUNDS UNDER PPPD INTO A BANK ACCOUNT BELONGING TO THE PRECEDING USAID PROJECT. FOR FYI THE TWO PROJECTS RAN CONCURRENTLY FOR FIRST QUARTER OF FISCAL YEAR 1989 END FYI. THE MISSION AT THAT TIME REQUESTED THAT CERPOD TAKE CORRECTIVE ACTION TO REMEDY THIS. AFTER CONSULTATION WITH THE BANK, THE TITLE OF THE BANK ACCOUNT WAS CHANGED TO INDICATE THAT IT APPLIED TO THE NEW PROJECT. CERPOD AND THE AUDIT TEAM WERE ABLE TO RECONCILE THE TWO SOURCES OF FUNDING.

REGARDING THE RECEIPT AND DISBURSEMENT OF FUNDS ON BEHALF OF OTHER PROJECTS, IT SHOULD BE NOTED THAT CERPOD IS A MULTI-DONOR INSTITUTION WITH MORE THAN TEN SEPARATE BANK ACCOUNTS FOR ITS PROJECTS. CERPOD MANAGEMENT EXPLAINED TO MISSION DURING CERTIFICATION VISITS THAT THEY PERFORMED THESE TRANSACTIONS ON BEHALF OF OTHER PROJECTS AT TIMES OF DELAY IN RECEIVING FUNDING FROM VARIOUS DONORS. BECAUSE CERPOD DID NOT MAINTAIN AN ADEQUATE SYSTEM OF CONTROL AND ACCOUNTING FOR THESE TRANSACTIONS. MISSION RECOMMENDED THAT NO FURTHER TRANSACTIONS OF THIS NATURE BE PROCESSED. CERPOD AGREED, BUT SINCE MANY DONOR ADVANCES CONTINUED NOT TO BE RECEIVED IN A TIMELY MANNER, THE VARIOUS CERPOD BANK ACCOUNTS WERE FROM TIME TO TIME OVERDRAWN. CERPOD NEGOTIATED WITH ITS BANK TO ALLOW OVERDRAFTS IN ITS SEPARATE PROJECT BANK ACCOUNTS PROVIDED THAT THE CONSOLIDATED BALANCE WAS POSITIVE. THIS ARRANGEMENT HAS BEEN REVIEWED BY THE USAID CONTROLLER AND IS CONSIDERED SATISFACTORY.

III.B. FINDING 4.2.2. - INELIGIBLE AND UNSUPPORTED COSTS.

REFER TO MISSION RESPONSE TO RECOMMENDATION NO. 1 ABOVE.

III.C. FINDING 4.2.3.- LACK OF PUBLICITY.

CERPOD, BEING A MULTI-DONOR INSTITUTION WITH OVER 10 DONORS, DID NOT JUDGE IT PRACTICAL TO DISPLAY PUBLICITY PLAQUES FOR EACH DONOR AT ITS LOCATION. AFTER THIS AUDIT. CERPOD WILL DISPLAY ONE PUBLICITY PLAQUE FOR ALL ITS DONORS, DISPLAYING THE NAME OF THE DONOR, THE PROJECT AND PROJECT NUMBER. CERPOD WISHES TO NOTE THAT ALL AID-FUNDED PUBLICATIONS, INCLUDING THE WIDELY DISSEMINATED MAGAZINE POP SAHEL, PROMINENTLY ACKNOWLEDGE

AID SUPPORT. AS TO MATERIALS AND EQUIPMENT FUNDED BY USAID UNDER PPPD, CERPOD WILL TAKE ACTION TO ENSURE THAT ANY UNMARKED EQUIPMENT WILL BE MARKED WITH AID EMBLEMS. III.D. FINDING 4.2.4. - FAILURE TO DEDUCT INCOME TAXES FROM MALIAN CERPOD EMPLOYEES' SALARIES AS CALLED FOR BY THE GRM TAX CODE.

CERPOD MAINTAINS THAT, AS AN INTERNATIONAL INSTITUTION, IT ADHERES TO THE COMITE PERMANENT INTERETATS DE LUTTE CONTRE LA SECHERESSE DANS LE SAHEL (CILSS) REGULATIONS, WHICH ARE UNCLEAR CONCERNING INSTITUTIONAL DEDUCTION OF TAXES FROM THE SALARIES OF CILSS EMPLOYEES WORKING IN THEIR HOME COUNTRIES. IT EXPECTS THIS QUESTION TO BE EXAMINED DURING REVIEW OF THE NEXT ACCORD DE SIEGE BY THE CILSS COUNCIL OF MINISTERS IN APRIL 1993. IN THE INTERIM, CERPOD'S LEGAL COUNSEL PERFORMED A CONTRACT REVIEW AND ADVISED CERPOD TO STATE IN ITS MALIAN PERSONNEL CONTRACTS THAT THE DECLARATION AND PAYMENT OF INCOME TAXES IS THE RESPONSIBILITY OF EACH INDIVIDUAL CONTRACTOR. CERPOD CONTRACTS INCORPORATE SUCH A CLAUSE. CERPOD BELIEVES THAT THIS MEASURE IS ADEQUATE TO PROTECT IT UNTIL THE QUESTION IS RESOLVED. MISSION REQUESTS THAT THIS FINDING BE DELETED FROM THE FINAL REPORT.

III.E. FINDING 4.2.5. - LACK OF QUARTERLY REPORTING.

CONCERNING QUARTERLY REPORTING OF JUSTIFICATIONS IN THE FORMAT OF FUNDS ACCOUNTABILITY STATEMENTS: PROJECT IMPLEMENTATION LETTER NO. 7 OF MARCH 16, 1990, STATING THAT CERPOD SHOULD SUBMIT MONTHLY FINANCIAL REPORTS, SUPERSEDED THE PREVIOUS QUARTERLY REPORTING REQUIREMENT STATED IN PROJECT IMPLEMENTATION LETTER NO. 1. FURTHERMORE, THE CURRENT MISSION POLICY AS NOTED IN ITS RECENT MISSION ORDER NO. 1238 DATED JULY 30, 1992, REQUIRES ALL PROJECT IMPLEMENTING AGENCIES TO REPORT MONTHLY ON THE STATUS OF THEIR EXPENDITURES. THE REPORTING FORMAT CALLED FOR IN THIS MISSION ORDER SATISFIES THE REQUIREMENTS OF THE FUNDS ACCOUNTABILITY STATEMENT FORMAT RECOMMENDED BY THE AUDITORS. MISSION REQUESTS THAT THIS FINDING BE DELETED FROM THE FINAL REPORT.

III.F. FINDING 4.2.6.- INCORRECT SOCIAL SECURITY DEDUCTIONS AND CONTRIBUTIONS.

CERPOD STATES IT PAYS SOCIAL INSURANCE ON TWO DIFFERENT TYPES OF EMPLOYEES - CIVIL SERVANTS FROM THE VARIOUS COUNTRIES IN THE COMITE PERMANENT INTERETATS DE LUTTE CONTRE LA SECHERESSE DANS LE SAHEL (CILSS), UNDER A SPECIAL CONTRACT ARRANGEMENT WITH CERPOD, AND INDEPENDENT CONTRACTORS. THE INDEPENDENT CONTRACTORS ARE SUBJECT TO MALIAN SOCIAL SECURITY TAXES. THE CIVIL SERVANTS UNDER THE SPECIAL CONTRACT ARRANGEMENT ARE SUBJECT TO THE CAISSE DE RETRAITE RATES OF THEIR RESPECTIVE COUNTRIES, WHICH VARY FROM YEAR TO YEAR AND COUNTRY TO COUNTRY. PER PRIOR AGREEMENT, CLAIMS FOR THESE EMPLOYEES ARE CALCULATED BY THEIR OWN COUNTRIES AND SUBMITTED TO CERPOD FOR PAYMENT. ACCORDINGLY THERE HAS NOT IN FACT BEEN ANY CALCULATION ON THE PART OF CERPOD. MISSION REQUESTS THAT THIS PART OF THE FINDING BE DELETED FROM THE FINAL REPORT.

REGARDING OVERPAYMENT AND UNDERPAYMENT OF SOCIAL SECURITY CONTRIBUTIONS, CERPOD AGREES TO RECONCILE ITS RECORDS WITH THOSE OF THE MALIAN SOCIAL SECURITY DEPARTMENT. CERPOD HAS ALREADY MADE CONTACT WITH THE DEPARTMENT TO SCHEDULE WORK SESSIONS TO ACCOMPLISH THIS.

III.G. FINDING 4.2.7. - LACK OF NOTIFICATION TO USAID BY CERPOD OF INTENDED PURCHASES OVER DOLS. 25,000.

THIS CONCERNS PAYMENT OF SIX PRINTING SERVICE INVOICES RELATED TO THE CERPOD MAGAZINE POP SAHEL, TOTALING CFA 8,060,520 WHICH WAS PAID IN FEBRUARY 1989. THERE WAS NO SINGLE PURCHASE FOR OVER US DOLS 25,000. MISSION REQUESTS THAT THIS FINDING BE DELETED FROM THE FINAL REPORT.

PART IV. SUMMARY:

MISSION IS PLEASED TO NOTE THAT THE FINDINGS OF THE AUDIT TEAM PERTAIN TO THE PERIOD PRIOR TO EXTENSIVE TECHNICAL ASSISTANCE TO CERPOD'S SYSTEMS OF ACCOUNTING AND INTERNAL CONTROL. AS NOTED BY AUDITOR IN EXIT

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CONFERENCE, CURRENT PROCEDURES ARE MUCH IMPROVED AND
ADEQUATE TO SAFEGUARD U.S. GOVERNMENT-PROVIDED
RESOURCES. MISSION WOULD LIKE TO THANK THE FIRM OF KPMG
PEAT MARWICK FOR ITS CONDUCT OF THIS AUDIT. WE EXPECT
THAT THE IMPLEMENTATION OF THESE RECOMMENDATIONS WILL
IMPROVE CERPOD'S FINANCIAL MANAGEMENT AND ACCOUNTING
CONTROL SYSTEM. GELBER

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UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT , MALI

AUDIT OF A.I.D.'S GRANT TO CERPOD UNDER THE SAHEL REGIONAL PROMOTING POPULATION
POLICY DEVELOPMENT PROJECT (NO. 625-0978)
FOR THE PERIOD DECEMBER 26, 1988 TO APRIL 30, 1992

APPENDIX E

Acronyms

GRM	Government of the Republic of Mali
USAID	United States Agency for International Development
USAID/Mali	United States Agency for International Development for Mali (also known as the Mission)
RIG/A/D	Office of the Regional Inspector General of Audit, Dakar
PIL	Project Implementation Letter
PPPD	Sahel Regional Promoting Population Policy Development Project (no. 625-0978)
CERPOD	Center for Applied Research on Population and Development
CILSS	Permanent Interstate Committee for Drought Control in the Sahel

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