

Regional Inspector General for Audit
Singapore

PD ABG-657
84221

**AUDIT OF
INTERNATIONAL FOOD POLICY RESEARCH INSTITUTE'S
CONTRACT WITH USAID/BANGLADESH**

**Audit Report No. 5-388-93-14-N
August 20, 1993**



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

**INSPECTOR
GENERAL**

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

August 20, 1993

TO: Frank J. Young, Acting Mission Director
USAID/Bangladesh

FROM: Richard C. Thabet, RIG/A/Singapore *Richard C Thabet*

SUBJECT: Audit of International Food Policy Research Institute's Contract
with USAID/Bangladesh, Report No. 5-388-93-14-N

Enclosed are five copies of the subject audit report (prepared by the accounting firm of Coopers & Lybrand, Singapore) for your action. This financial audit of the contract (no. 388-0027-C-00-9026-00) between USAID/Bangladesh and the International Food Policy Research Institute (IFPRI) covered the period from January 1, 1991 through June 30, 1992. During this period, IFPRI reported that it had received \$648,454 and had spent \$597,377 in Bangladesh. The background on this contract is presented on pages 1 and 2 of the report.

The audit objectives were to:

- Determine whether IFPRI's Fund Accountability Statement presents fairly the receipts and payments under the contract;
- Report on IFPRI's system of internal controls; and
- Report on IFPRI's compliance with applicable laws, regulations, and terms of the contract.

The audit report concluded that IFPRI's:

- Fund Accountability Statement presents fairly the receipts and payments under the contract;

- **Internal controls had no material weaknesses; and**
- **Operations complied in all material respects with applicable laws, regulations, and terms of the contract.**

In their response, IFPRI officials agreed with the two findings and recommendations contained in the report. IFPRI's comments are summarized after each finding in the report and presented in their entirety as Appendix B.

USAID/Bangladesh needs to ensure that necessary action is taken to correct the findings noted in this audit. Since these findings are not material, we are not making any recommendations to be included in the Inspector General's recommendation follow-up system.

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

Attachment: a/s

AUDIT OF
INTERNATIONAL FOOD POLICY RESEARCH INSTITUTE
CONTRACT (NO. 388-0027-C-00-9026-00) WITH
THE UNITED STATES AGENCY
FOR INTERNATIONAL DEVELOPMENT
UNDER THE TECHNICAL RESOURCES II PROJECT
(PROJECT NO. 388 - 0074)
PERTAINING TO BANGLADESH - INCURRED EXPENSES

FOR THE PERIOD JANUARY 1, 1991 TO JUNE 30, 1992

Performed and Prepared

by

Coopers & Lybrand
Singapore

&

A. Qasem & Co
Bangladesh

**AUDIT OF
INTERNATIONAL FOOD POLICY RESEARCH INSTITUTE
CONTRACT (NO. 388-0027-C-00-9026-00) WITH
THE UNITED STATES AGENCY
FOR INTERNATIONAL DEVELOPMENT
UNDER THE TECHNICAL RESOURCES II PROJECT
(PROJECT NO. 388 - 0074)**

PERTAINING TO BANGLADESH - INCURRED EXPENSES

INDEPENDENT AUDITORS' REPORT

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your reference
our reference

A5/PJW/IFPRI

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

30 July, 1993

Dear Mr Durnil

**AUDIT OF
INTERNATIONAL FOOD POLICY RESEARCH INSTITUTE
CONTRACT (NO. 388-0027-C-00-9026-00) WITH
THE UNITED STATES AGENCY
FOR INTERNATIONAL DEVELOPMENT
UNDER THE TECHNICAL RESOURCES II PROJECT
(PROJECT NO. 388 - 0074)**

This report presents the results of our audit of the International Food Policy Research Institute (IFPRI) Contract No. 388-0027-C-00-9026-00 with the United States Agency for International Development, Bangladesh (USAID/B) under the Technical Resources II Project No 388-0074 (TRP - II). Our audit covered the period from January 1, 1991 through June 30, 1992 and pertains only to Bangladesh incurred expenses.

Background - Bangladesh

Bangladesh continues to be one of the most densely populated, disaster prone and poorest countries in the world. Despite international development assistance of approximately \$1.82 billion per annum and Government of Bangladesh's (BDG) own heavy commitment of resources, development has not attained a rate that would, in the foreseeable future, allow Bangladesh to achieve a measure of self sustaining growth. Several constraints that impede development are rural underemployment, under-productivity and inefficient use of development resources by local institutions.



**Mr James B Durnil
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United States Agency for International Development
Singapore**

IFPRI and its Contract with USAID/B under the TRPII Project (cont'd)

The Title III Food for Development program between the Government of the United States of America and BDG, among other things, focusses on (a) enhanced food consumption and nutrition, (b) increased agricultural productivity, accelerated employment generation, and (c) improved food systems management. IFPRI is an organisation specializing in food policy with its principal office in Washington D.C. IFPRI established its Bangladesh Office in early 1989 to provide technical assistance, training and limited commodity support to the BDG under the Contract No. 388-0027-C-00-9026-00 with USAID/B. Under this contract, IFPRI provides the BDG with technical assistance in the form of resident advisory services and short-term consultants, specified professional in-country and overseas training, and a limited amount of commodity support consisting primarily of automated data processing equipment.

The purpose of the technical assistance, training and commodity support under this contract, in particular, is to strengthen institutional capabilities of the BDG's Ministry of Food to carry out an effective food management system, including data collection and analysis; policy formulation; program/project design, and implementation and evaluation. This should, in turn, assist the BDG to more effectively implement its Title III Food for Development program.

Audit Objectives and Scope of Work

We have conducted a financial audit of IFPRI's Fund Accountability Statement as it relates to Bangladesh incurred expenses under its Contract No. 388-0027-C-00-9026-00 with USAID/B for the period January 1, 1991 to June 30, 1992.

The Fund Accountability Statement comprises the Receipts and Payments Statement for the period January 1, 1991 to June 30, 1992 and the notes thereon. The results of our work are reflected in the accompanying Independent Auditors' Report on the:

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

**Mr James B Durnil
Regional Inspector General
for Audit, Singapore
United States Agency for International Development
Singapore**

Audit Objectives and Scope of Work (cont'd)

The objectives of our work were to:

- a) Determine whether IFPRI's Fund Accountability Statement presents fairly the institute's cost incurred (excluding home office support costs) and fees covering the period January 1, 1991 through June 30, 1992 in accordance with generally accepted accounting principles and the terms of the contract;**
- b) Report on IFPRI's internal controls; and**
- c) Report on IFPRI's compliance with applicable laws, regulations, the contract, binding policies and procedures.**

Our audit was conducted in accordance with generally accepted auditing standards and United States Government Auditing Standards and, accordingly, included such tests as we considered appropriate in order to satisfy our objectives.

The scope of our work included the following general procedures:

- a) Holding meetings with USAID/E, IFPRI and USAID Regional Inspector General for Audit/Singapore (RIG/A/S) officials;**
- b) Reviewing the contract between USAID/B and IFPRI, including all amendments and modifications, AID Handbook 14, and contract files/reports maintained by USAID/B;**
- c) Obtaining an understanding of the accounting, administrative and internal control systems of IFPRI using interviews, flowcharts and narrative descriptions;**
- d) Devising and performing appropriate tests on the transactions recorded in the Fund Accountability Statement;**
- e) Designing appropriate audit steps and procedures to provide reasonable assurance of detecting errors, irregularities, and illegal acts that could have a direct and material effect on the results of our audit. We were also aware of the possibility of illegal acts that could have a direct and material effect on the results of our audit; and**

**Mr James B Durnil
Regional Inspector General
for Audit, Singapore
United States Agency for International Development
Singapore**

The scope of our work included the following general procedures: (cont'd)

- f) Testing the effectiveness of administrative controls applied by IFPRI to ensure compliance with applicable laws, the contract, binding policies and procedures.**

Audit Results

- a) Opinion on the Fund Accountability Statement**

In our opinion, the Fund Accountability Statement presents fairly, in all material respects, the receipts and payments of IFPRI for the period January 1, 1991 to June 30, 1992 as they pertain to Bangladesh incurred expenses under its contract No 388-0027-C-00-9026-00 with USAID/B in conformity with the basis of accounting described in note 1(b) to the Fund Accountability Statement.

- b) System of Internal Controls**

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

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

We noted no matters involving the internal control structure and its operation that we considered to be reportable conditions. We did, however, note certain minor matters which we have reported to the management in a separate management letter.

**Mr James B Durnil
Regional Inspector General
for Audit, Singapore,
United States Agency for International Development
Singapore**

c) Compliance with Agreement Terms, Applicable Laws and Regulations

The results of our tests indicate that with respect to the items tested, IFPRI has complied, in all material respects, with the contract terms, applicable laws and regulations. With respect to transactions and records not tested by us, nothing came to our attention that caused us to believe that IFPRI had not complied, in all material respects, with the contract terms, applicable laws and regulations.

There were, however, some instances of non-compliance which are discussed in further details on pages 17 to 20.

In the course of our work, no significant or material findings and recommendations from previous audits, that affect the current audit objectives, were noted.

Comments on Findings and Recommendations

The management of IFPRI has principally agreed to our findings and recommendations on non-compliance set out on pages 17 to 20 and their comments have been incorporated in full therein.

Acknowledgements

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

Yours truly



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**REPORT ON THE
FUND ACCOUNTABILITY STATEMENT**

5a

your reference
our reference**A5/PJW/IFPRI**

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

19 April, 1993

Dear Mr Durnil

INTERNATIONAL FOOD POLICY RESEARCH INSTITUTE
CONTRACT (NO. 388-0027-C-00-9026-00) WITH THE
UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
UNDER THE TECHNICAL RESOURCES II PROJECT
(PROJECT NO. 388 - 0074)
PERTAINING TO BANGLADESH - INCURRED EXPENSES

INDEPENDENT AUDITORS' REPORT ON THE FUND
ACCOUNTABILITY STATEMENT

We have audited the Fund Accountability Statement ("the Statement") of International Food Policy Research Institute (IFPRI) pertaining to Bangladesh incurred expenses under its contract No. 388-0027-C-00-9026-00 with the United States Agency for International Development, Bangladesh (USAID/B). The period covered by our audit was January 1, 1991 to June 30, 1992.

This Statement, comprising the Receipts and Payments Statement and the notes thereon, as set out on pages 8 and 9 is the responsibility of IFPRI's management. Our responsibility is to express an opinion on this statement based on our audit. The Statement presents only the transactions of IFPRI as they pertain to Bangladesh incurred expenses under the contract, and is not intended to present fairly the receipts and expenditure of IFPRI as a whole.



resident partners

Tan Swan Jung
Reggie M. Thon
Jonathan H. L. Ou
Khor Kum Wing
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Chey Chor Wai
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directors

D. Michael Fleming
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Joyce Tan
David K. H. Ioh
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(PROJECT NO. 388 - 0074)
PERTAINING TO BANGLADESH - INCURRED EXPENSES**

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

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

As described in note 1(b) to the Statement, the Statement is prepared on a cash receipts and disbursement basis which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the Fund Accountability Statement referred to above presents fairly, in all material respects, the receipts and payments of IFPRI for the period January 1, 1991 to June 30, 1992 as they pertain to the Bangladesh incurred expenses in conformity with the basis of accounting described in note 1(b) to the Fund Accountability Statement.

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

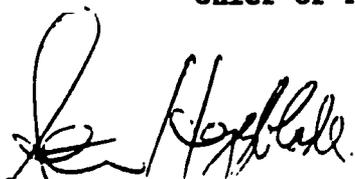

COOPERS & LYBRAND
Certified Public Accountants

IFPRI LOCAL OFFICE
DHAKA
FUND ACCOUNTABILITY STATEMENT
FOR THE PERIODS FROM 1/1/1991 TO 6/30/1992

(US AID line itemwise)

Receipts	US\$	Taka	Payments	Taka	US\$
Opening balance as on 1/1/1991:-			Salary and wages	41,28,130	106,231
At bank	34,169	13,27,799	Consultant/field data collection	124,95,668	321,556
in hand	106	4,118			
Remittance received from Washington (HO)	601,113	233,59,289	Training/conference /workshop.	16,43,936	42,304
Redeposits	6,283	244,165	Other direct costs	40,38,517	103,925
Conversion Rate Fluctuation	6,783	263,591	Equipment purchase	9,06,696	23,332
			Non Reimbursable Exp.	1,116	29
			Closing balance as on 6/30/92:-		
			At bank:		
			ANZ 001	2,57,576	6,628
			ANZ 051	17,10,748	44,023
			J.S. 775	6,575	169
			Cash in hand.	10,000	257
Total :	<u>648,454</u>	<u>251,98,962</u>	Total :	<u>251,98,962</u>	<u>648,454</u>

Steven Haggblade
Chief of Party



INTERNATIONAL FOOD POLICY RESEARCH INSTITUTE

CONTRACT (NO. 388-0027-C-00-9026-00)

Notes to the Fund Accountability Statement - June 30, 1992

1 Significant Accounting Policies

- (a) The Fund Accountability Statement, expressed in Bangladeshi Takas, is prepared in accordance with the historical cost convention. Bangladeshi Taka amounts have been converted to their US dollar equivalent using the rate of exchange prevailing at 30 June, 1992.
- (b) Receipts and payments relate to amounts received and paid respectively in cash. The closing balances represent the cash and bank balances at 30 June 1992.

2 Component unit of IFPRI

The Fund Accountability Statement presents only the transactions of IFPRI as they pertain to Bangladesh incurred expenses under the contract. It is not intended to present fairly the receipts and payments of IFPRI as a whole.

**REPORT ON THE SYSTEM OF
INTERNAL CONTROLS**

9a

your reference
our reference

A5/PJW/IFPRI

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

19 April, 1993

Dear Mr Durnil

**INTERNATIONAL FOOD POLICY RESEARCH INSTITUTE
CONTRACT (NO. 388-0027-C-00-9026-00) WITH THE
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(PROJECT NO. 388 - 0074)
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**INDEPENDENT AUDITORS' REPORT ON THE SYSTEM
OF INTERNAL CONTROLS**

We have audited the Fund Accountability Statement ("the Statement") of International Food Policy Research Institute (IFPRI) pertaining to Bangladesh incurred expenses under its contract No. 388-0027-C-00-9026-00 with the United States Agency for International Development, Bangladesh (USAID/B). The period covered by our audit was January 1, 1991 to June 30, 1992.

This Statement, comprising the Receipts and Payments Statement and the notes thereon, as set out on pages 8 and 9 is the responsibility of IFPRI's management. Our responsibility is to express an opinion on this statement based on our audit. The Statement presents only the transactions of IFPRI as they pertain to Bangladesh incurred expenses under the contract, and is not intended to present fairly the receipts and payments of IFPRI as a whole. We have issued our audit report thereon dated 19 April, 1993.

10



resident partners

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**INTERNATIONAL FOOD POLICY RESEARCH INSTITUTE
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UNDER THE TECHNICAL RESOURCES II PROJECT
(PROJECT NO. 388 - 0074)
PERTAINING TO BANGLADESH - INCURRED EXPENSES**

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

We conducted our audit in accordance with generally accepted US government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free of material misstatement.

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

The management of IFPRI is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related cost of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that the assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

**INTERNATIONAL FOOD POLICY RESEARCH INSTITUTE
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UNDER THE TECHNICAL RESOURCES II PROJECT
(PROJECT NO. 388 - 0074)
PERTAINING TO BANGLADESH - INCURRED EXPENSES**

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

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

Accounting Controls:

- o Cash receipts
- o Cash disbursements
- o Payroll

Administrative controls:

- o Cost allocation and allowability
- o Monitoring
- o Reporting

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

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

**INTERNATIONAL FOOD POLICY RESEARCH INSTITUTE
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PERTAINING TO BANGLADESH - INCURRED EXPENSES**

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

However, we noted certain matters involving the internal control structure and its operation that we reported to the management of IFPRI in a separate letter dated 19 April, 1993.

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


COOPERS & LYBRAND
Certified Public Accountants

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

13a

your reference
our reference

A5/PJW/IFPRI

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

19 April, 1993

Dear Mr Durnil

INTERNATIONAL FOOD POLICY RESEARCH INSTITUTE
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
AGREEMENT TERMS, APPLICABLE LAWS AND
REGULATIONS

We have audited the Fund Accountability Statement ("the Statement") of International Food Policy Research Institute (IFPRI) pertaining to Bangladesh incurred expenses under its contract No. 388-0027-C-00-9026-00 with the United States Agency for International Development, Bangladesh (USAID/B). The period covered by our audit was January 1, 1991 to June 30, 1992.

This Statement, comprising the Receipts and Payments Statement and the notes thereon, as set out on pages 8 and 9 is the responsibility of IFPRI's management. Our responsibility is to express an opinion on this statement based on our audit. The Statement presents only the transactions of IFPRI as they pertain to Bangladesh incurred expenses under the contract, and is not intended to present fairly the receipts and payments of IFPRI as a whole. We have issued our audit report thereon dated 19 April, 1993.



**INTERNATIONAL FOOD POLICY RESEARCH INSTITUTE
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PERTAINING TO BANGLADESH - INCURRED EXPENSES**

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

We conducted our audit in accordance with generally accepted US government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free of material misstatement.

Compliance with laws, regulations, contracts, grants and binding policies and procedures applicable to IFPRI is the responsibility of IFPRI's management. As part of our audit, we performed tests on selected transactions and records kept by IFPRI for compliance with those provisions. However, it should be noted that, whilst we performed those tests of compliance as part of obtaining reasonable assurance whether the Statement was free of material misstatement, our objective was not to provide an opinion on compliance with such provisions.

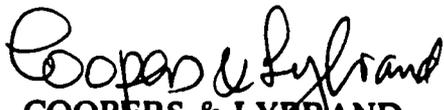
However, we noted certain instances of non-compliance with the contract terms, applicable laws and regulations which do not have a material financial impact on the Fund Accountability Statement. The findings on non-compliance are set out in pages 17 to 20.

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

**INTERNATIONAL FOOD POLICY RESEARCH INSTITUTE
CONTRACT (NO. 388-0027-C-00-9026-00) WITH THE
UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
UNDER THE TECHNICAL RESOURCES II PROJECT
(PROJECT NO. 388 - 0074)
PERTAINING TO BANGLADESH - INCURRED EXPENSES**

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

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COOPERS & LYBRAND
Certified Public Accountants

INTERNATIONAL FOOD POLICY RESEARCH INSTITUTE
SCHEDULE OF FINDINGS OF NON-COMPLIANCE

SUMMARY OF AUDIT FINDINGS ON NON-COMPLIANCE ISSUES

- 1 Non-compliance with income tax regulations
- 2 Entertainment costs

INTERNATIONAL FOOD POLICY RESEARCH INSTITUTE
SCHEDULE OF FINDINGS OF NON-COMPLIANCE

1 NON COMPLIANCE WITH INCOME TAX REGULATIONS

CONDITION

IFPRI/B did not withhold tax from payments on account for house and office rent as required by the Income Tax Ordinance, 1984.

CRITERIA

Section 53A of the Income Tax Ordinance, 1984, requires the tenant to deduct tax from payments on account of rent and to pay over such withholdings to the Bangladesh Government.

CAUSE

IFPRI/B has overlooked this statutory requirement.

EFFECT

Due to this non compliance IFPRI may be liable to penal late payment interest imposed in accordance with the terms & conditions of the ordinance.

RECOMMENDATION

IFPRI should ensure compliance with applicable local statutory laws and regulations pertaining to the withholding of tax from payments on account for house and office rent.

MANAGEMENT'S COMMENTS

The finding is accurate. Through June 30, 1992 IFPRI did not withhold income tax from employee paychecks as required by law. We did, however, correspond with the income tax department explaining why we did not withhold income tax and they did not object. More important, beginning in July 1992, six months before your audit, we began income tax withholding. So we are now in compliance and have been for nearly one year.

INTERNATIONAL FOOD POLICY RESEARCH INSTITUTE

SCHEDULE OF FINDINGS OF NON-COMPLIANCE

2 ENTERTAINMENT COSTS

CONDITION

During the course of our audit we noted that IFPRI had claimed reimbursement for certain entertainment costs, amounting to Taka 16,050 (\$413), which are not allowable for reimbursement under USAID regulations.

CRITERIA

As per the contract terms reimbursement of costs incurred under the contract shall be limited to reasonable, allocable and necessary costs. Furthermore, section 31.205-14 of the Federal Acquisition Regulation disallows entertainment costs as reimbursable items.

CAUSE

IFPRI has overlooked USAID guidelines and contract provisions when making claim for reimbursement of entertainment costs.

EFFECT

The above non-compliance resulted in questioned costs of Taka 16,050 (\$413). Refer to Appendix A.

RECOMMENDATION

IFPRI should resolve the issue with USAID/B and repay the amount determined to be unallowable.

MANAGEMENT'S COMMENTS

The finding is accurate, IFPRI will repay the \$413 deemed unallowable.

INTERNATIONAL FOOD POLICY RESEARCH INSTITUTE
SCHEDULE OF FINDINGS OF NON-COMPLIANCE

SCHEDULE OF QUESTIONED COSTS

Appendix A

<u>FINDING</u>	<u>CONDITION</u>	<u>BASIS FOR QUESTIONING</u>	<u>AMOUNT TAKA</u>	<u>EQUIVALANT \$</u>
2	Expenses incurred in connection with farewell to Dr Francesco catered by Hotel Punbani (Voucher #B13238, 22/12/91)	Allowability - amount claimed contrary to USAID policy	9,750	251
2	Refreshment expenses incurred during press conference catered by Hotel Punbani (Voucher #B12935, 9/5/91)		<u>6,300</u>	<u>162</u>
		Total	<u>16,050</u>	<u>413</u>

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June 22, 1993

IFPRI REF: 91

Phillip Tan
 Coopers and Lybrand
 9 Penang Road #12-00
 Park Mall
 Singapore 0923
 fax 336-2539

Subject: Comments on IFPRI Audit Findings on Non-Compliance

Dear Mr. Tan:

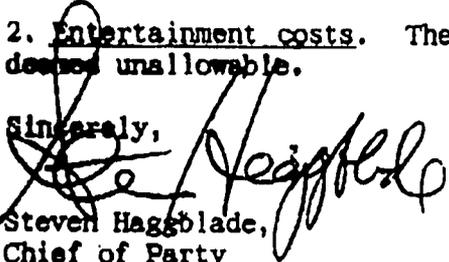
Thank you for the final draft of your audit report on IFPRI's Bangladesh Food Policy Project, Contract No. 388-0027-C-00-9026-00.

Allow me two short comments on your findings of non-compliance.

1. Non-withholding of employee income tax. The finding is accurate. Through June 30, 1992 IFPRI did not withhold income tax from employee paychecks as required by law. We did, however, correspond with the income tax department explaining why we did not withhold income tax. And they did not object. More important, beginning in July 1992, six months before your audit, we began income tax withholding. So we are now in compliance and have been for nearly one year.

2. Entertainment costs. The finding is accurate. IFPRI will repay the \$413 ~~deemed~~ unallowable.

Sincerely,


 Steven Haggblade,
 Chief of Party

c.c. Craig Anderson, USAID/Bangladesh
 Alvera Sweet, USAID/Bangladesh
 Matthew DeVol, IFPRI/Washington
 Raisuddin Ahmed, IFPRI/Washington
 Sohail Qasem, A. Qasem and Co.

APPENDIX C

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