

**Regional Inspector General for Audit  
Dakar**

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**AUDIT OF THE LOCAL COSTS CHARGED BY THE  
INTERNATIONAL SCIENCE AND TECHNOLOGY TO THE SENEGAL  
FAMILY HEALTH AND POPULATION PROJECT (NO. 685-0248),  
FROM JANUARY 1, 1991 TO MARCH 31, 1993**

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**Audit Report No. 7-685-94-005-N  
April 29, 1994**



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

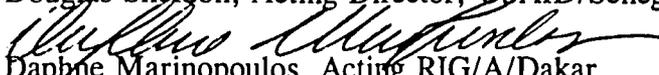
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WEST AFRICA

April 29, 1994

**MEMORANDUM**

To: Douglas Sheldon, Acting Director, USAID/Senegal

From:   
Daphne Marinopoulos, Acting RIG/A/Dakar

Subject: Audit of the Local Costs Charged by the International Science and Technology Institute to the Senegal Family Health and Population Project (No. 685-0248), from January 1, 1991 to March 31, 1993 (Audit Report No. 7-685-94-005-N)

The attached audit report, prepared by the non-Federal audit firm, Ernst & Young of Dakar, presents the results of a financial audit of the local currency account managed by the International Science and Technology Institute (ISTI) under the Family Health and Population Project in Senegal.

In July 1985, USAID signed a grant agreement with the Government of Senegal to implement the Senegal Family Health and Population Project. The \$28 million in funds granted were to be used to further project objectives such as supporting maternal and child health services, improving the capacity to provide contraception, and increasing policy makers' awareness of the effects of rapid population growth. To fund the local operating costs incurred in carrying out these objectives, USAID/Senegal obligated funds which were to be managed by ISTI. During the period January 1, 1991 through March 31, 1993, ISTI managed a total of \$1,149,217 in disbursements made from the local currency account.

Ernst & Young performed a financial audit in accordance with U.S. Government Auditing Standards of the \$1,149,217 (CFA 305,691,773) in disbursements made from the local currency account to determine whether the Fund Accountability Statement for the period January 1, 1991 to March 31, 1993 was fairly presented and whether ISTI complied with applicable laws, regulations, and agreements that may have had a material effect on the statement. In carrying out this financial audit, the non-Federal auditor obtained an understanding of ISTI's internal accounting controls over the local currency account to plan the audit and to determine the nature, timing and extent of tests to be performed.

Ernst & Young found that the Fund Accountability Statement fairly presented the local operating costs managed by ISTI except for unsupported questioned costs of \$42,265 in disbursements made to sub-projects. The auditor questioned this amount because ISTI had no documentation that the funds were received by the intended beneficiaries. Additionally, the auditor found that checks totalling \$16,922 had not been delivered to their beneficiaries. However, these checks were dated after the end of the audit period and therefore do not affect the Fund Accountability Statement. In obtaining an understanding of the internal control structure, the auditor found five internal control weaknesses and reported one as a material weakness—lack of control over disbursements to sub-projects. Finally, the auditor reported that ISTI complied in all material respects with applicable laws and agreement terms. However, two instances of noncompliance with procedures related to the usage of gas coupons provided by USAID/Senegal under ISTI’s management led the auditor to question an amount of coupons worth \$2,973 (\$1,092 as ineligible costs and \$1,881 as unsupported questioned costs).

In its response to the draft report, USAID/Senegal stated that it had received documentation to support that the \$42,265 was received by and the \$16,922 was delivered to the intended beneficiaries. Regarding the \$1,092 in ineligible questioned gas coupons, the Mission resolved \$132 as sustained and \$960 as not sustained. Concerning the \$1,881 in unsupported questioned gas coupons, USAID/Senegal resolved \$723 as not sustained since it had received justification from ISTI for 550 liters. For the remaining \$1,158 in unsupported gas coupons, the Mission requested clarification before it can resolve \$500 (380 liters) and, stated that it was attempting to justify the balance of \$658 (500 liters). The non-Federal auditor maintained its position regarding the questioned costs given it was not provided with evidence to support the resolution of the questioned costs.

The non-Federal audit report contains eight findings and eight recommendations. Since the contract with ISTI has ended, only the following monetary recommendations have been included in the Office of the Inspector General’s recommendation follow-up system.

**Recommendation No. 1: We recommend that USAID/Senegal resolve the \$59,187 in unsupported costs disbursed to sub-projects (\$42,265 undocumented and \$16,922 undelivered checks) and recover those costs which can not be supported.**

Recommendation No. 1 is considered resolved upon report issuance based on the Mission’s statement that it has received the acceptable documentation for the total costs questioned as unsupported. Recommendation No. 1 will be closed when USAID/Senegal provides RIG/A/Dakar copies of the documentation supporting those costs.

**Recommendation No. 2: We recommend that USAID/Senegal resolve the \$2,973 in questioned gas coupon costs (\$1,881 unsupported) and recover those costs which are not eligible or supportable.**

Recommendation No. 2 is considered unresolved in its entirety until USAID/Senegal advises RIG/A/Dakar of its official determination of the sustainability or unsustainability of all of the unsupported and questioned costs. For any amounts which the Mission determines to be not sustained, RIG/A/Dakar will close that portion of the recommendation upon receipt of the Mission's determination and any evidence required to support the position taken. For those amounts which the Mission determines to be sustained, that portion of the recommendation will be closed when such questioned and/or unsupported costs are billed for collection or recovered by USAID and the evidence thereof is provided to RIG/A/Dakar.

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

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**UNITED STATES AGENCY  
FOR INTERNATIONAL DEVELOPMENT  
( USAID )**

**AUDIT OF THE LOCAL COSTS CHARGED  
BY THE INTERNATIONAL SCIENCE AND TECHNOLOGY  
INSTITUTE TO THE SENEGAL FAMILY HEALTH  
AND POPULATION  
PROJECT (No. 685 - 0248),  
from January 1, 1991 to March 31, 1993**

**AUDIT OF THE LOCAL COSTS CHARGED  
BY THE INTERNATIONAL SCIENCE AND  
TECHNOLOGY INSTITUTE TO THE SENEGAL  
FAMILY HEALTH AND POPULATION PROJECT  
(No. 685 - 0248)**

**from January 1, 1991 to March 31, 1993**

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August 26, 1993

Mr. Thomas B. Anklewich  
Regional Inspector General for Audit  
USAID / RIG / DAKAR

**Subject :** Audit of the Local Costs Charged by The International Science and Technology Institute (ISTI) to the Senegal Family Health Population Project (No. 685-0248), from January 1, 1991 to March 31, 1993

Dear Mr. Anklewich,

This report presents the results of our financial audit of the local costs charged by the International Science and Technology Institute (ISTI) to the Senegal Family Health and Population Project. The audit covered disbursements totalling FCFA 305,691,773 (\$1,149,217) for the period January 1, 1991 through March 31, 1993.

#### **A. BACKGROUND**

On July 31, 1985 AID signed a grant agreement with the Government of Senegal (GOS) to implement the Senegal Family Health and Population Project (No 685 - 0248). The initial grant amount of \$9.4 million was subsequently increased to \$28 million.

From the grant, USAID/SENEGAL had obligated funds for the local operating costs of the project. These funds are managed by the International Science and Technology Institute. The local operating cost funds cover the financing of the activities of project implementing units (National Census Bureau of Senegal "BNR", Government of Senegal Management Implementation Unit of the Family Health and Population Project "PSF") and small projects (Private and Parastatal Sector "VSPP").

The objectives of this project were to:

- a. provide comprehensive support to (1) Maternal and Child Health (MCH) services; for example, the detection and treatment of sexually transmitted diseases and infertility and (2) integrated family planning and malaria treatment at the community level;

- b. improve the existing capacity of the country to provide safe and effective contraception to 15% of married women of reproductive age (MWRA) - approximately 200,000 couples;
- c. improve the demographic data base so that more effective development planning can take place; and
- d. increase the awareness of policy makers and planners of the impact of rapid population growth on economic development of the country.

## **B. AUDIT OBJECTIVES AND SCOPE**

This financial audit of the local expenditures managed by the International Science and Technology Institute under the Senegal Family Health and Population Project (No. 685 - 0248) covered the period January 1, 1991 to March 31, 1993.

The objectives of the audit were to:

- i) determine the reasonableness, propriety and allowability of local expenditures totalling FCFA 305,691,773 (\$1,149,217) made from the local currency account from January 1, 1991 through March 31, 1993 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;
- ii) obtain a sufficient understanding of ISTI's internal control structure and then 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 then report on the internal control structure identifying (1) the scope of the auditor's work in obtaining an understanding of the internal control structure and in assessing the control risk, (2) ISTI's significant internal controls including the controls established to ensure compliance with laws and regulations that have a material impact on the Fund Accountability Statement, and (3) the reportable conditions, including the material weaknesses identified as a result of the auditor's work in understanding and assessing the control risk; and
- iii) perform tests of ISTI'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 were also performed to determine whether ISTI complied, in all material respects, with agreement terms, laws, binding policies, and regulations and express positive assurance on those items tested and negative assurance on those items not tested.

The audit was performed in accordance with generally accepted auditing standards and US Government Auditing Standards issued by the Comptroller General of the United States, except as discussed in the following paragraph:

We did not have an external quality control review by an unaffiliated audit organization as required by paragraph 46 of Chapter 3 of Government Auditing Standards since no such quality control review program is offered by professional auditing organizations in Senegal. We believe that the effect of this departure from the financial auditing requirement of

Government Auditing Standards is not material because we participate in the Ernst and Young worldwide internal quality control program which requires the Ernst and Young, Dakar office to undergo a periodic quality control review by partners and managers from other Ernst & Young offices.

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

- Review of the grant agreement, project paper, Project Implementation Letters and other related project documents;
- Understanding, documentation and evaluation of ISTI's accounting records and procedures contained in the Manual of Financial Management;
- Review and testing of local currency expenditures for goods and services procured by ISTI to determine whether they were allowable, reasonable, relevant to project activities and supported by adequate documentary evidence;
- Reconciliation of the movement in funds for the period under review including reconciliation of ISTI recorded revenues, expenditures and balances with bank records;
- Determining whether advances and reimbursements were made in accordance with agreement terms and reconciling advances and reimbursements per USAID Senegal's accounting system with those amounts reported by ISTI as receipts from USAID/Senegal;
- Understanding, documentation and review of ISTI's internal control systems and performing of tests to determine the extent to which established procedures and controls are functioning as intended. This includes the determination, evaluation and testing of control risks;
- Evaluation of ISTI's physical and accounting controls over A.I.D. financed commodities and determination of their proper use, maintenance and custody;
- Determining whether ISTI was in compliance with applicable U.S. and GOS laws, regulations and agreements by evaluating the ISTI 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.

Our audit work covered local operating costs managed by ISTI for VSPP, BNR and PSF as they relate to the project. Field visits to the PSF and BNR offices and the Project's warehouses located in Hann at the Government of Senegal Management Implementation Institution in charge of Drugs distribution to Hospitals (PNA) were also carried out.

VSP, BNR, PSF and the National Office of Mother and Child Health Care (SN/SMI) are management units which are to give necessary technical support to the Family Health and Population Project. The objective assigned to BNR is also to improve the national census data base.

At the beginning and end of the field work, respectively, an entrance and exit conference were held to formally advise Project management of the audit objectives and scope and results and to obtain their comments on the proposed findings and recommendations.

## **C. SUMMARY OF AUDIT RESULTS**

### **1. FINANCIAL**

We found that the Fund Accountability Statement representing the local costs charged by ISTI under the Senegal Family Health Project was presented fairly except for questioned costs of FCFA 11,242,615 (\$42,265). Our testing of items on the Fund Accountability Statement found that ISTI incurred and was reimbursed by USAID/Senegal for unsupported questioned costs of FCFA 11,242,615 (\$42,265). These expenditures are discussed in Finding 3.B.5. and appendix B, summarized in the Fund Accountability Statement detailed in page 9.

### **2. INTERNAL CONTROL**

In our review and evaluation of the internal control structure we noted the following reportable conditions, except for Finding 3.B.5, none of which we consider to be material weaknesses.

- Weak control procedures concerning separation of duties and supervision (Finding 3.B.1);
- Lack of control over receipt of commodities and equipment received at the Family Health Project (Finding 3.B.2);
- Errors made in the computation of overtime hours (Finding 3.B.3);
- Lack of control over funds given to sub-projects (Finding 3.B.4);
- Inadequate controls over the disbursement of funds given to sub-projects (Finding 3.B.5).

### **3. COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS**

In our tests of compliance with agreement terms and applicable laws we found the following instances of immaterial non compliance:

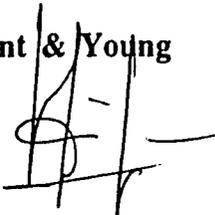
- Absence of adequate justification documents for gas consumption (Finding 4.B.1);
- Occurrence of ineligible costs (Finding 4.B.2);
- Non deduction of the 5% withholding tax from consultancy fees (Finding 4.B.3).

#### **D. SYNOPSIS OF MANAGEMENT COMMENTS**

Management comments are listed under each finding in Sections 3.B and 4.B.

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

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

**Ersnt & Young**  
  
**Libasse DIAGNE**  
*Managing Partner*

## **2. FINANCIAL SECTION**

### **A. INDEPENDENT AUDITOR'S REPORT ON FUND ACCOUNTABILITY STATEMENT**

We have audited the Fund Accountability Statement of the local currency expenditures managed by the International Science and Technology Institute (ISTI) under the Senegal Family Health and Population Project No. 685 - 0248 for the period January 1, 1991 through March 31, 1993. The Fund Accountability Statement is the responsibility of ISTI 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 Government Auditing Standards, issued by the Comptroller General of the United States, except as discussed in the following paragraph. 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. Our audit included examining, on a test basis, evidence supporting the amounts and disclosures in the Fund Accountability Statement. Our audit also includes assessing principles used and significant estimates made by management, as well as evaluating the overall Fund Accountability Statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not have an external quality control review by an unaffiliated audit organization as required by paragraph 46 of chapter 3 of Government Auditing Standards since no such quality control review program is offered by professional auditing organizations in Senegal. We believe that the effect of this departure from the financial audit requirement of Government Auditing Standards is not material because we participate in the Ernst & Young worldwide internal quality control program.

The FHP did not have its files correctly kept, concerning the receipts delivered by the projects at reception of the funds (checks) from the WID project coordinator. Checks totalling FCFA 11,242 615 (\$42,265) were delivered to small WID projects but no justification documents were presented to us to ensure that the corresponding funds were effectively received by the concerned projects (see Appendix B).

As described in the Notes to the Fund Accountability Statement, 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.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding all disbursements on WID projects, the Fund Accountability Statement referred to above presents fairly, in all material respects, projects revenues and costs incurred and reimbursed for the period January 1, 1991 to March 31, 1993, in conformity with the basis of accounting described in Note 1 to the Fund Accountability Statement.



**Ernst & Young**

August 26, 1993

**B. FUND ACCOUNTABILITY STATEMENT (amounts in FCFA)**

	<i>QUESTIONNED COSTS (2)</i>				
	<i>BUDGET</i>	<i>ACTUAL</i>	<i>INELIGIBLE</i>	<i>UNSUPPORTED</i>	<i>NOTES</i>
	<i>(1)</i>				
<b>REVENUE</b>					
Cash received from USAID		298,537,000			2.C.2
Outstanding cash balance as of December 31, 1990		29,262,393			
<b>Totals for revenues</b>	FCFA	<u>327,799,393</u>			
		\$1,232,328			
<b>EXPENDITURES</b>					
Training		68,773,420			
Commodities		30,500,708			
Renovation / Construction		35,412,886			
Local operating costs		65,620,729			
Research		12,241,483			
Women in Development		36,044,328		11,242,615	
Information Education Communication		49,613,697			
Data base improvement		7,484,522			
<b>Totals for expenditures</b>	FCFA	<u>305,691,773</u>		<u>11,242,615</u>	
		<u>\$1,149,217</u>		<u>\$42,265</u>	
<b>OUTSTANDING BALANCE</b>	FCFA	<u>22,107,620</u>			2.C.4
		<u>\$83,111</u>			

(1). Budget amounts not yet provided by ISTI.

(2). The report has identified unsupported gasoline costs which are not related to the Fund Accountability Statement. These costs are discussed in findings 4.B.1 and 4.B.2 and presented in Appendix D of the report.

**C. NOTES TO THE FUND ACCOUNTABILITY STATEMENT FROM THE PERIOD JANUARY 1, 1991 THROUGH MARCH 31, 1993**

**1. Basis of accounting**

The ISTI Fund Accountability Statement has been prepared on the basis of cash receipts and expenditures. All income are recorded as revenue when received from USAID and all expenses are recorded as expenditures when paid.

**2. Revenue**

Revenue for the project over the period January 1, 1991 through March 31, 1993 is detailed as follows:

<i>Date</i>	<i>Amounts in FCFA</i>	<i>Amounts in US\$</i>
June 27, 1991	49,800,000	176,595.74
December 30, 1991	90,737,000	339,838.95
August 14, 1992	33,000,000	132,000.00
November 4, 1992	75,000,000	292,968.75
February 18, 1993	50,000,000	180,505.42
	<u>298,537,000</u>	<u>1,121,908.86</u>

Based on these figures, the average exchange rate is 1 US\$ = 266 FCFA

**3. Reconciled Cash position**

Bank account balance as of December 31, 1990	FCFA 30,395,228
Less Outstanding checks as of December 31, 1990	<u>(1,132,835)</u>
Book balance as of December 31, 1990	29,262,393
Add total receipts from January 1, 1991 to March 31, 1993	298,537,000
Less total expenditures from Jan 1, 1991 to March 31, 1993	(305,691,773)
Add outstanding checks as of March 31, 1993	<u>20,563,393</u>
Bank account balance as of March 31, 1993	42,671,016
Less outstanding Checks as of March 31, 1993	<u>(20,563,396)</u>
Book balance as of March 31, 1993	FCFA <u>22,107,620</u>

#### **4. Gas coupons**

The audit also covered other costs not included in the Fund Accountability Statement. These costs relate to gasoline procured directly by USAID/Senegal for ISTI on behalf of the project. The audit found unsupported questioned costs related to those costs.(See findings No. 4.B.1 and 4.B.2 and appendix D for further details).

### **3. INTERNAL CONTROL STRUCTURE**

#### **A. INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROLS**

We have audited the Fund Accountability Statement of the local currency expenditures managed by ISTI under the Senegal Family Health and Population Project No. 685 - 0248 for the period January 1, 1991 through March 31, 1993 and have issued our report thereon dated August 26, 1993.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States, except for not having an external quality control review by an unaffiliated organization (refer to our report on the Fund Accountability Statement). 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 ISTI, we considered ISTI's 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 ISTI is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute assurance that the assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the Fund Accountability Statement in accordance with cash basis 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:

- Cash Receipts
- Cash Disbursements
- Payroll
- Purchases recording and control 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 ISTI'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) Weak control procedures concerning separation of duties and supervision (Finding 3.B.1);
- (ii) Lack of control over receipt of commodities and equipment received at the Family Health Project (Finding 3.B.2);
- (iii) Errors made in the computation of overtime hours (Finding 3.B.3);
- (iv) Lack of control over funds given to sub-projects (Finding 3.B.4);
- (v) Inadequate controls over the disbursement of funds given to sub-projects (Finding 3.B.5).

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

Our consideration of the internal control structure would not necessarily disclose all 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 weakness as defined above. We believe the lack of control over funds given to sub-projects (Finding 3.B.5) is a material weakness.

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

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



**Ernst & Young**

August 26, 1993

## **B. FINDINGS**

### **3.B.1.: Weak control procedures concerning separation of duties and supervision**

During our review, we found that bank account reconciliations which are performed by the chief financial officer, are not documented as being reviewed by a supervisor. In addition, nearly all transactions and record keeping related to payroll are handled by the chief financial officer.

Sound internal control practices require key duties and responsibilities in authorizing, processing, recording, and reviewing transactions to be separated among individuals. In addition, qualified and continuous supervision should be provided to ensure that internal control objectives are achieved.

While the ISTI team leader signed the monthly report submitted to USAID which included a copy of the bank account reconciliation, there were no established procedures requiring the bank account reconciliation to be reviewed to ensure that transactions such as payroll which are handled primarily by one employee were authorized and processed as intended.

Resulting from the lack of such procedures is the risk that errors and irregularities will not be detected nor corrected in a timely manner.

#### **Recommendation 3.B.1.:**

We recommend that specific procedures be established for accomplishing and documenting detailed supervisory reviews of monthly bank reconciliations. These procedures should emphasize the review of high risk transactions such as those which are handled with minimum separation of duties.

#### **Management comments:**

Mission estimated that this recommendation cannot be implemented at this time since the contract with ISTI has been completed. However, the recommendation will be taken into account by USAID/Senegal in the context of the follow-on to this contract for "lessons learned".

### **3.B.2.: Lack of control over receipt of commodities and equipment**

We found that, during the first six months of 1991, receiving reports were not systematically signed by the warehouseman indicating that shipped quantities of USAID-financed commodities and equipment were actually received.

Access to and accountability for the receipt, custody, and use of resources is to be assigned and maintained so that periodic comparison can be made of the resources with the recorded accountability to determine whether the two agree. This control process must begin with an accurate recording of quantities received which would require the receiver of commodities and equipment to verify quantities received and document this verification by signing receiving reports.

The lack of such verification does not provide reasonable assurance that project assets are accounted for. As a result, this situation increases the vulnerability of assets to misuse since the commodities can be received and not accounted for.

According to project personnel, this situation was caused by the lack of established procedures during this six-month period which required that adequate verification be carried out and documented.

**Recommendation 3.B.2.:**

We recommend that USAID /Senegal ensure that procedures are established which provide reasonable assurance that project assets are accurately accounted for.

**Management comments:**

Mission estimated that this recommendation cannot be implemented at this time since the contract with ISTI has been completed. However, the recommendation will be taken into account by USAID/Senegal in the context of the follow-on to this contract for "lessons learned".

**3.B.3.: Payroll: Errors in the computation of overtime hours**

Some errors have been made in the computation of overtime hours; overtime hours have not been recorded and paid to the following persons;

- Mrs Aminata Aw, FHPP secretary, on her July 1992 salary for 6.5 hours;
- Mr Ibrahima Faye, FHPP driver, on his March 1993 salary for 4.5 hours.

In addition, we noticed that the overtime hours effectively done by the FHPP drivers and recorded on the log book are sometimes superior to the overtime hours granted by the FHPP and paid by ISTI. For example, the vehicle log book filled by the driver Ibrahima Faye on the 7th, the 10th and the 17th of July 1992 reported respectively 1 hour and 26 minutes, 3 hours and 41 minutes, 3 hours and 32 minutes, and were paid each time one hour less than the real time made.

We had no further justification of this situation. According to the ISTI agent keeping travel documents, this situation is not unusual.

According to the Senegalese Labor Laws, overtime hours must be paid when effectively done and authorized.

There was a failure from FHPP and ISTI to control the overtime hours effectively done.

The risk for the project could have been a lawsuit with employees.

**Recommendation 3.B.3.:**

We recommend that the computation of the overtime hours to be paid be transferred from the chief financial officer to the warehouseman of FHPP who will have to settle in collaboration with the personnel concerned the amount of overtime hours to be authorized and paid.

The job of the chief financial officer shall then be to control figures given by the warehouseman.

**Management comments:**

Mission estimated that this recommendation cannot be implemented at this time since the contract with ISTI has been completed. However, the recommendation will be taken into account by USAID/Senegal in the context of the follow-on to this contract for "lessons learned".

**3.B.4.: Lack of controls over funds given to sub-projects**

For the period under review, we found that funds totalling \$135,000 were subgranted to several projects under the Women In Development (WID) program. However, there is no control over these funds at the subgrantee level. ISTI's role in making these subgrants is limited to serving on the subgrant approval committee and writing checks to approved projects. Once these checks are issued to the WID projects, there is no further control over the use of the funds.

Since these subgrants were all under \$25,000 per annum, they were not required to be individually audited. However, management is required to ensure that a control system is in place to provide reasonable assurance that the objectives of the funds subgranted to WID projects are accomplished.

This situation occurred because Project Implementation Letter (PIL) No. 23 which defines the WID program states that ISTI is not responsible for controlling the use of the funds given to the sub-projects.

Because of the lack of control over these funds, it is not known whether the \$135,000 granted to WID projects has been used as intended.

**Recommendation 3.B.4.:**

We recommend that USAID amend PIL No. 23 to include specific control procedures which will provide reasonable assurance to ISTI and USAID that subgrants to WID projects are accounted for as being used for intended purposes.

**Management comments:**

The auditors' finding cites lack of control over funds given to sub-projects. Mission does not agree with the recommendation in its entirety (see Management comments on recommendation 3.B.5) but agrees to revisit its procedures under the WID program to assure that internal controls are properly addressed.

**Auditors' comments :**

We maintain our recommendation.

**3.B.5.: Inadequate controls over the disbursement of funds given to sub-projects**

ISTI did not set up specific controls to reasonably assure that funds given to the Women In Development (WID) projects were disbursed as intended. We found that ISTI wrote checks

totalling FCFA 11,242,615 (\$42,265) without documenting that the beneficiaries actually received the payments. Additionally, at the time of our audit, checks amounting to FCFA 4,501,400 (\$ 16,922) were being held for two months instead of being delivered to their beneficiaries. Specifically, as of August 23, 1993 the following checks destined for the WID projects were being held by the FHPP/WID coordinator.

Check No.	Date	Amount FCFA	Intended Beneficiary
303818	6/30/93	501,400	"Groupement Féminin de Fadiouth"
303819	6/30/93	300,000	"Groupement Féminin de Fadiouth"
303821	6/30/93	600,000	"Groupement Féminin de Sokone"
303823	6/30/93	400,000	"Groupement Féminin de Passy"
303825	6/30/93	200,000	"Groupement Féminin de Ouakam/Leona"
303827	6/30/93	200,000	"Groupement Féminin de Camberene"
303828	6/30/93	600,000	"Groupement Féminin de CPRS Liberté 3A"
303830	6/30/93	500,000	"Groupement Féminin de Naq du rere borom"
303832	6/30/93	800,000	"Groupement Féminin de FAFS Kolda"
303834	6/30/93	400,000	"Groupement Féminin de Book xalat notaire"
	Total	<u>4,501,400</u>	

According to PIL No. 23, funds granted to WID projects should be immediately given to the project, once approved by the project committee. Also, sound internal controls requires that all transactions be promptly executed, documented and ready for examination.

ISTI failed to set up these controls because neither the procedures manual nor PIL No. 23 defined specific written procedures related to checks distribution.

Because of this situation, there is a risk that a) checks were not received by the intended beneficiaries and b) checks being held by the FHPP coordinator will be lost or not issued as expected.

**Recommendation 3.B.5.:**

Keeping the checks at the FHPP level may have a negative impact on the projects activities progress. Now that ISTI finished its management contract on July 31, 1993 and closed the local currency bank account on August 6, 1993, there are no funds left in order to pay the necessary "per diems" for checks distribution to Fadiouth, Sokone, Passy and Kolda.

We recommend that ISTI provide documentation to support that the \$42,265 was received by the intended beneficiaries and that the checks totalling \$16,922 were finally distributed as required. If this evidence is not provided, then any unsupported amounts should be reimbursed to USAID.

**Management comments:**

This recommendation is based on the finding that under the Women in Development program, \$42,265 was transferred by ISTI without documenting that the beneficiaries received the payments. Under this program, ISTI was responsible for participating in the selection of the WID

organizations eligible to receive funds and for preparation of the checks, but was not responsible for monitoring and exercising control over the disbursement. This was the responsibility of the Government of Senegal (GOS).

Documentation supporting the transfer of these funds from the WID coordinator to the beneficiaries has now been received from the GOS. USAID/Senegal has reviewed this information and has found it to be satisfactory. Based on its monitoring of this activity, Mission believes that satisfactory controls were exercised by the Government of Senegal in its oversight of WID program activities. To further verify these controls, Mission plans to conduct a limited scope financial review of procedures followed under this program to verify that funds were used as intended.

Regarding the finding that \$16,922 of checks which were not delivered to intended recipients, Mission has confirmed that these funds have now been transferred to recipients as authorized. These checks were held for two months because ISTI had closed the local account and, as a result, the Family Health and Population Program (FHPP)/WID Coordinator could not receive per diem to travel. When Coopers and Lybrand assumed management of the FHPP, per diem funds were made available to the coordinator, who then distributed checks to the intended beneficiaries.

**Auditors' comments:**

We maintain our recommendation unless Mission presents appropriate documentation supporting the transfer of the \$42,265 funds as well as the \$16,922 checks from the WID coordinator to the WID projects.

The checks totalling to \$16,922 were issued on June 30, 1993 when the local account managed by ISTI was actually closed on August 6, 1993. In our understanding, there was no particular reason why the corresponding checks were delivered to intended recipients more than one month after and not immediately as required by the WID projects procedures. However, Mission has confirmed that the funds were finally received by the expected beneficiaries.

#### **4. COMPLIANCE WITH AGREEMENT TERMS AND APPLICABLE LAWS**

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

We have audited the Fund Accountability Statement of the local currency expenditures managed by ISTI under the Senegal Family Health and Population Project for the period January 1, 1991 through March 31, 1993 and have issued our report thereon dated August 26, 1993.

We conducted our audit in accordance with generally accepted auditing standards for financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, except for not having an external quality control review by an unaffiliated organization (refer to our report on the Fund Accountability Statement). 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 laws, regulations, contracts, grants and binding policies and procedures applicable to ISTI is the responsibility of ISTI's Management. As part of the Audit, we performed tests of ISTI's compliance with certain provisions of laws, regulations, contracts, grants and binding policies and procedures. However, it should be noted that we performed those tests of compliance as part of obtaining reasonable assurance about whether the Fund Accountability Statement is free of material misstatement; our objective was not to provide an opinion with all such provisions.

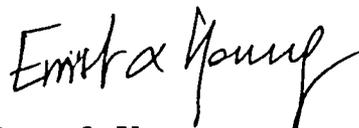
Our testing of transactions and records selected, disclosed the following instances of non compliance:

- i) Absence of adequate justification documents for gas consumption (Finding 4.B.1);
- ii) Occurrence of ineligible costs (Finding 4.B.2);
- iii) Non deduction of the 5% withholding tax from consultancy fees (Finding 4.B.3).

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

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

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

  
**Ernst & Young**

August 26, 1993

## **B. FINDINGS**

### **4.B.1.: Absence of adequate justification documents for gas consumption**

We did not obtain justification of the gas coupons used during the period January 1, 1991 through November 29, 1991. However, a reconciliation of gas coupons received from USAID and approved by HPNO Acting chief (USAID) at the date of November 29, 1991 indicates that 1,050 liters of gas coupons remained to be justified by ISTI.

In addition, we noted unsupported gas consumption cost of 380 liters as neither log book nor gas used daily report were associated to the justification file concerning the period December 1, 1991 to March 31, 1993:

- 230 liters (consumption report n° 2 - 02/21/92)
- 150 liters (consumption report n° 14 - 06/15/92)

380 liters

ISTI receives gas coupons from USAID for travel purposes of its project vehicles and must justify their use in a gas consumption report for at least 80% before obtaining a new allowance. The justificative documents are the vehicle log book and the gas used daily report filled by the car drivers. These documents are handed over to ISTI for verification, and periodically ISTI addresses a gas consumption report to USAID.

Article D, Section D.2 in Annex 2 of the Grant Agreement requires disbursements to be supported by valid documentation.

ISTI failed to comply with the relevant sections of the Grant Agreement, PILs and AID and GOS procurement policies.

Unsupported costs totalling FCFA 500,500 (\$1,881) representing unjustified gas coupons for 1,050 liters at November 29, 1991 for FCFA 367,500 (\$1,381) and 380 liters for FCFA 133,00 (\$500), have been incurred by ISTI under the Project and subsequently reimbursed by USAID/Senegal.

### **Recommendation 4.B.1.:**

We recommend that USAID/Senegal recover ineligible costs totalling FCFA 500,500 (\$1,881) from GOS under Article D, section D.2 of Annex 2 of the Grant Agreement.

### **Managements comments:**

Mission has reviewed correspondence from ISTI asserting to USAID/Senegal that 550 of the above 1,050 liters has been properly justified. The remaining coupons representing 500 liters were provided to Dr. Nakoulima, former GOS Director Technique of the Population and Child Survival program. Unfortunately, Dr. Nakoulima is no longer with the GOS. Mission is attempting to verify the justification of these coupons and is continuing to pursue resolution of this issue.

The auditors also cite unsupported gas consumption of 380 liters (\$500). The audit report does not provide us with sufficient information to make an informed judgement on this questioned cost. This

amount presumably represents coupon inventory as of November 29,1991, when ISTI's project management changed; we are attempting to locate information concerning this inventory. We request that Ernst&Young provide us with additional information regarding this finding.

**Auditors' comments:**

During our field work, ISTI was not able to provide any justification of the 550 liters out of the 1,050 liters mentioned above; and we were not aware of the ISTI correspondence mentioned above by the Mission.

As for the 380 liters gas consumption, they are not related to the coupon inventory as of November 29,1991. The finding clearly states that the 380 liters gas coupons concern the period from December 1,1991 to March 31,1993, and are not justified by neither a vehicle log book nor a gas used daily report supporting the corresponding gas consumption reports as required by the gas consumption procedures.

Therefore, the recommendation is maintained.

**4.B.2.: Occurrence of ineligible costs**

Coupons representing 730 liters of gas have been delivered to a United Nations car (license plate number 1 NU 1156 IT) without prior approval of USAID. The detail is as follows:

- 350 liters (consumption report n° 3 - 03/20/92)
- 180 liters (consumption report n° 15 - 06/15/92)
- 200 liters (consumption report n° 21 - 07/15/92)

730 liters

These gas coupons were valued 255,500 FCFA (\$ 960).

We also noted that 100 liters of gas coupons (i.e: consumption report n° 18 - 07/15/92) were used in a project vehicle for the logistician's father funeral in Simbandi Balante (Kolda region) from May 5, 1992 to May 7, 1992. That represents ineligible costs for 35 000 FCFA (\$132).

Gas coupons delivered by USAID/Dakar are committed only to project activities purposes and should be used only for Project vehicles. Any exception to this rule require a formal approval from USAID.

ISTI failed to comply with the gas consumption control requirements.

Ineligible costs totalling FCFA 290,500 (\$1,092) have been incurred by ISTI under the Project and subsequently reimbursed by USAID/Senegal.

**Recommendation 4.B.2.:**

We recommend that USAID/Senegal recover ineligible costs totalling FCFA 290,500 (\$1,092) from GOS under article D.2 of Annex 2 of the Grant Agreement.

**Management comments:**

Mission agrees that ISTI should have obtained prior approval of USAID/Senegal for the allocation of gasoline to the United Nations vehicle. However, tacit approval for this allocation had been given by USAID/Senegal in approving the July 1991 work plan, which included the statement that USAID/Senegal agreed to support supervision visits to all 10 regions, including four previously covered UNFPA regions. Le projet Bien Etre (UNFPA funded) covered gasoline expenditures from the regional level in all 10 regions. This joint supervision required the use of the UNFPA vehicle in order to reach all 10 regions. The 730 liters (\$960) cited were used for project purposes and were accordingly justified.

Mission accepts as ineligible costs \$132 representing use of 100 liters of gas coupons used in connection to the logistician's father's funeral.

**Auditors' comments:**

Mission's comments mention a tacit approval of the use of the United Nations vehicle. Unless a written document clearly indicating the effective approval from USAID is provided, we maintain the recommendation that USAID/Senegal recover ineligible costs totalling FCFA 290,500 (\$1,092).

**4.B.3.: Non deduction of the 5% withholding tax from consultancy fees**

We noted that the 5% withholding tax was not retained by the project on fee payments made to two researchers for the first term 1991, and to a consultant for an amount of FCFA 400,000 (\$1,504) on February 13, 1992.

Article 138 of "Ordonnance n° 90.31" (the Senegal tax code) specifies that fees paid to individual consultants are subjected to a 5% withholding tax when the amount paid exceeds FCFA 25,000 (\$94).

Concerning the two researchers, ISTI did not apply the 5% withholding tax because there was no consultancy contract signed between the FHPP and the two researchers.

As for the FCFA 400,000 (\$1,504) fees, it was due to an omission from ISTI.

The risk penalty is FCFA 56,250 (\$211) for the first case and FCFA 20,000 (\$75) for the second one.

**Recommendation 4.B.3.:**

We recommend for future projects, USAID/Senegal review the GOS laws relating to withholding taxes and ensure that projects are in compliance with them.

**Management comments:**

Mission will consider the merits of this recommendation in this future projects as suggested.

**APPENDIX A**

**SCHEDULE OF QUESTIONED COSTS**

**AUDIT OF THE LOCAL COSTS CHARGED  
BY THE INTERNATIONAL SCIENCE AND  
TECHNOLOGY INSTITUTE TO THE SENEGAL  
FAMILY HEALTH AND POPULATION PROJECT  
(No 685 - 0248)**

**from January 1, 1991 to March 31, 1993**

<i>Findings/Noncompliance</i>	<u>Questioned Costs</u>	
	<i>Ineligible</i>	<i>Unsupported</i>
ISTI wrote checks totalling FCFA 11,242,615 (\$42,265) without documenting that the beneficiaries actually received the payments (see Appendix B):		FCFA 11,242,615 (\$ 42,265)
Gas consumption of 1,430 liters valued 500,500 FCFA (\$1,881) not justified by neither vehicle log book nor gas used daily report (Appendix D):		FCFA 500,500 (\$1,881)
Gas coupons for 830 liters valued 290,500 (\$1,092) used by a vehicle not belonging to the project or by an agent of the Project for personal purposes (Appendix D)	FCFA 290,500 (\$1,092)	

**APPENDIX B**  
**LIST OF WID CHECKS RECEIPTS NOT FOUND**

<i>Date of issue</i>	<i>Amounts (CFA)</i>	<i>Beneficiary</i>
02-28-1992	1,670,540	"Projet Ndangane"
02-28-1992	2 338,250	"Medina Sabakh"
02-28-1992	2,218,000	"Koungheul Mali"
01-08-1993	1,587,000	"Bergerie Mborine"
01-08-1993	1,033,250	"Caisse de crédit /Deny M. Guèye"
02-23-1993	2,395,575	"Groupement Féminin Sareyoba"
	<u>11,242,615</u>	

**APPENDIX C**  
**CHECKS IN CIRCULATION**

<i>BENEFICIARIES</i>	<i>CHECK NUMBERS</i>	<i>DATE</i>	<i>AMOUNT</i>
<i>OUSMANE DIOUF</i>	118262	04/28/88	1,050
<i>SALIOU DIOUF</i>	127370	08/30/88	11,500
<i>LA RESIDENCE</i>	161176	04/12/89	52 655
<i>ABDOULAYE GUEYE</i>	52011	02/12/93	1,100
<i>GROUP. FEM. DE KOUMBIDIA SOCE</i>	50253	02/23/93	370,205
<i>GROUP. FEMININ HLM SIKILO III</i>	52054	02/23/93	404,200
<i>GROUP. FEMININ SARADIOUGARY</i>	52056	02/23/93	379,000
<i>GROUP. FEMININ DE GOSSAS</i>	52057	02/23/93	987,000
<i>GROUP. FEMININ DE FARAR</i>	52058	02/23/93	370,805
<i>GROUP. FEMININ DE FATICK</i>	52059	02/23/93	831,000
<i>GROUP. FEMININ DE HERSENT</i>	52060	02/23/93	525,150
<i>GROUP. FEMININ DE MBORINE</i>	52061	02/23/93	725,550
<i>GROUP. FEM. DENY MALICK GUEYE</i>	52062	02/23/93	815,575
<i>GROUP. FEMININ DE NDIAKHIRATE</i>	52063	02/23/93	513,803
<i>GROUP. FEMININ PETIT MBAO</i>	52064	02/23/93	415,575
<i>GROUP. FEM. NGOR BOKADIAMU</i>	52065	02/23/93	542,595
<i>CHEKH AHMADOU BAMBA DIOP</i>	52071	02/25/93	5,200
<i>SAREDICA</i>	297801	03/22/93	324,174
<i>SAREDICA</i>	297802	03/22/93	14,400
<i>PAPETERIE DE L'ETOILE</i>	297804	03/26/93	298 700
<i>IPM DES PROFESSIONS LIBERALES</i>	297817	03/29/93	34,825
<i>CAISSE DE SECURITE SOCIALE</i>	297818	03/29/93	63,000
<i>EXCAF</i>	297821	03/30/93	5,860,000
<i>AISSATOU GAYE</i>	297822	03/30/93	142,500
<i>TOTAL POINT E</i>	297823	03/30/93	11,230
<i>TOTAL POINT E</i>	297824	03/30/93	19,165
<i>PEYRISSAC SENEGAL</i>	297825	03/30/93	1,598,686
<i>BIFIT SENEGAL</i>	297826	03/30/93	241,740
<i>BOUNAMA DIA</i>	297833	03/30/93	46,033
<i>DAME MBARKA FAYE</i>	297835	02/26/93	12,000
<i>IPM DES PROFESSIONS LIBERALES</i>	297836	03/30/93	78,028
<i>CAISSE DE SECURITE SOCIALE</i>	297837	03/30/93	91,634
<i>COMPTABILITE TELEPHONIQUE</i>	297840	03/30/93	71,472
<i>DAKAROISE D'EQUIPEMENT</i>	297841	03/31/93	330,240
<i>DAKAROISE D'EQUIPEMENT</i>	297842	03/31/93	61,250
<i>SOTIBA</i>	297843	03/31/93	3 983,960
<i>TAREK H. FAWAZ</i>	297844	03/31/93	76,500
<i>PERCEPTEUR DAKAR SOURCE</i>	297845	03/31/93	110,336
<i>TOTAL POINT E</i>	297846	03/31/93	11,515
<i>SAREDICA</i>	297847	03/31/93	130,045
		<b>TOTAL</b>	<b>20,563,396</b>

**APPENDIX D**  
**GAS CONSUMPTION QUESTIONED COSTS**

In performing our tests on gas consumption reports made to USAID, we found out :

- unsupported gas consumption of 1,430 liters valued FCFA 500,500 (\$1,881) for there were neither vehicle log book nor gas used daily report in the justification files;
- ineligible gas coupons representing 100 liters valued FCFA 35,000 (\$132) because 100 liters used by a Project agent for personal use.

Therefore, total gas consumption questioned costs were incurred for FCFA 535,500(\$2,013).

## **APPENDIX E**

### **ACRONYMS**

USAID	UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
ISTI	INTERNATIONAL SCIENCE AND TECHNOLOGY INSTITUTE
GOS	GOVERNMENT OF SENEGAL
SN / SMI	NATIONAL OFFICE OF MOTHER AND CHILD HEALTH CARE
WID	WOMEN IN DEVELOPMENT
PIL	PROJECT IMPLEMENTATION LETTER
AID	AGENCY FOR INTERNATIONAL DEVELOPMENT
FHPP	FAMILY HEALTH AND POPULATION PROJECT
RIG	REGIONAL INSPECTOR GENERAL
VSPP	PRIVATE AND PARASTATAL SECTOR
BNR	NATIONAL CENSUS BUREAU OF SENEGAL
PSF	GOS MANAGEMENT IMPLEMENTATION UNIT OF THE FAMILY HEALTH AND POPULATION PROJECT
PNA	GOS MANAGED INSTITUTION TO DISTRIBUTE DRUGS TO HOSPITALS
HPNO	HEALTH POPULATION NUTRITION OFFICE
NU	UNITED NATIONS

## MEMORANDUM

April 5, 1994

TO: Thomas B. Anklewich, RIG/A/Dakar  
FROM: *Wayne McKee*  
Wayne McKee, Controller, USAID/Senegal

SUBJECT: Draft Report covering the Audit of the Local Costs Charged by the International Science and Technology Institute to the Senegal Family Health and Population Project (no. 685-0248), from January 1, 1991 to March 31, 1993

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

A. RIG Recommendation no. 1: USAID/Senegal resolve the \$59,187 in unsupported costs disbursed to subprojects (\$42,265 undocumented and \$16,922 undelivered checks)...

This recommendation is based on the finding that under the Women in Development program, \$ 42,265 was transferred by ISTI without documenting that the beneficiaries received the payments. Under this program, ISTI was responsible for participating in the selection of the WID organizations eligible to receive funds and for preparation of the checks, but was not responsible for monitoring and exercising control over the disbursement. This was the responsibility of the Government of Senegal (GOS). Documentation supporting the transfer of these funds from the WID coordinator to the beneficiaries has now been received from the GOS. We have reviewed this information and have found it to be satisfactory.

Based on our monitoring of this activity, we believe that satisfactory controls were exercised by the Government of Senegal in its oversight of WID program activities. To further verify these controls, we plan to conduct a limited scope financial review of procedures followed under this program to verify that funds were used as intended.

Regarding the finding that \$ 16,922 of checks which were not delivered to intended recipients, we have confirmed that these funds have now been transferred to recipients as authorized. These checks were held for two months because ISTI had closed the local account and, as a result, the Family Health and Population

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Program(FHPP)/WID Coordinator could not receive per diem to travel. When Coopers and Lybrand assumed management of the FHPP, per diem funds were made available to the coordinator, who then distributed checks to the intended beneficiaries.

B. RIG Recommendation no. 2 that USAID/Senegal resolve the \$2,973 in questioned gas coupon costs..."

USAID/Senegal accepts as ineligible costs \$132 representing use of 100 liters of gas coupons used in connection the logistician's father's funeral. However, this amount will be collected from the GOS, not ISTI, since the logistician was employed and supervised by the GOS.

Our response to the balance of the questioned costs (\$2,841) is as follows:

1. The auditors state that 1050 liters (\$1,381) of gas coupons have not been justified by ISTI (Recommendation 4.B.1).

We have reviewed correspondence from ISTI asserting to USAID/Senegal that 550 of the above 1050 liters has been properly justified. The remaining coupons representing 500 liters were provided to Dr. Nakoulima, former GOS Director Technique of the Population and Child Survival program. Unfortunately, Dr. Nakoulima is no longer with the GOS. We are attempting to verify the justification of these coupons and are continuing to pursue resolution of this issue with the GOS.

We do not accept this claim against ISTI inasmuch as we do not find that they acted improperly in releasing the coupons to the GOS official.

2. The auditors also cite unsupported gas consumption of 380 liters (\$ 500). The audit report does not provide us with sufficient information to make an informed judgement on this questioned cost. This amount presumably represents coupon inventory as of November 29,1991, when ISTI's project management changed; we are attempting to locate information concerning this inventory. We request that Ernst & Young provide us with additional information regarding this finding.

3. The auditors report that 730 liters of gas (\$960) were delivered to and used by "...a United Nations car..." without prior approval of USAID.

We agree that ISTI should have obtained prior approval of USAID/Senegal for the allocation of gasoline to the United Nations vehicle. However, tacit approval for this allocation had been given by USAID/Senegal in approving the July 1991 work plan, which included the statement that USAID/Senegal agreed to support

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supervision visits to all 10 regions, including four previously covered UNFPA regions. Le Projet Bien Etre (UNFPA funded) covered gasoline expenditures from the regional level in all 10 regions. This joint supervision required the use of the UNFPA vehicle in order to reach all 10 regions. The 730 liters (\$960) cited were used for project purposes and were accordingly justified. We do not agree that ISTI should be billed for these costs.

### C. Ernst & Young Recommendations

1. Recommendation nos. 3.B.1 (separation of duties and supervision), 3.B.2 (control over receipt of commodities and equipment) and 3.B.3 (overtime hours) are essentially procedural recommendations. Since the contract with ISTI has been completed, they cannot be implemented at this time. However, we will review these recommendations in the context of the follow-on to this contract for 'lessons learned'.

2. E & Y recommendation 3.B.4 cites lack of control over funds given to sub-projects. We do not agree with this recommendation in its entirety (see para. A above) but agree to revisit our procedures under the WID program to assure that internal controls are properly addressed.

3. E & Y recommendation 3.B.5 requires that USAID/Senegal obtain documentation from ISTI in support of control of funds provided to WID subprojects. See our comments under para. A above.

4. E & Y recommendation 4.B.1 is addressed in paras. B.1 and B.2 above, and Recommendation 4.B.2 has been addressed in para. B.3 above.

5. We will consider the merits of Recommendation 4.B.3. in future projects as suggested.

Report Distribution

APPENDIX G

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IG/A/PPO	4
IG/LC	1
AIG/I & S	1
IG/RM/C & R	5
IG/A/FA	1
IG/I/DFO	1
RIG/A/BONN	1
RIG/A/CAIRO	1
RIG/A/NAIROBI	1
RIG/A/SAN JOSE	1
RIG/A/SINGAPORE	1
RIG/A/EUR/WASHINGTON	1
REDSO/WCA	1
REDSO/WCA/WAAC	1
USAID/Benin	1
USAID/Burkina Faso	1
USAID/Cameroon	1
USAID/Cape Verde	1
USAID/Chad	1
USAID/The Gambia	1
USAID/Ghana	1
USAID/Guinea	1
USAID/Guinea-Bissau	1
USAID/Mali	1
USAID/Morocco	1
USAID/Niger	1
USAID/Nigeria	1
USAID/Togo	1
USAID/Tunisia	1

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