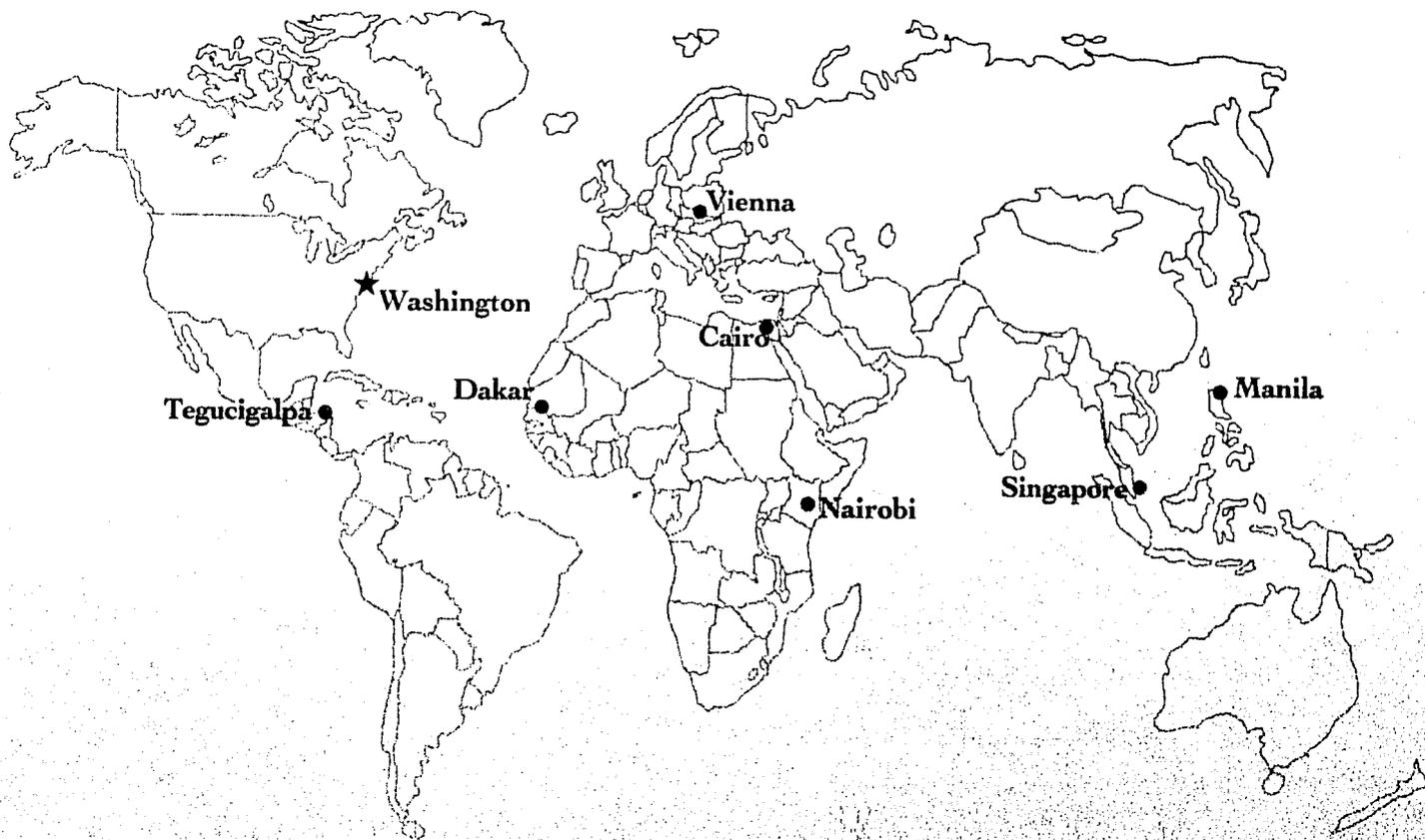


**Regional Inspector General for Audit
Dakar**

**AUDIT OF THE LOCAL CURRENCY EXPENDITURES
INCURRED BY THE MALIAN CONTROLLER GENERAL UNDER THE
FINANCIAL MANAGEMENT AND TRAINING PROJECT (NO. 688-0261)
FOR THE PERIOD AUGUST 1, 1991 TO JUNE 30, 1993**

**Audit Report No. 7-688-94-007-N
June 3, 1994**



**INSPECTOR
GENERALE**

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

UNITED STATES ADDRESS
RIG / DAKAR
AGENCY FOR INTERNATIONAL
DEVELOPMENT
WASHINGTON, D.C. 20521 - 2130

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

June 3, 1994

MEMORANDUM

To: Bruno A. Kosheleff, Acting Director, USAID/Mali

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

Subject: Audit of the Local Currency Expenditures Incurred by the Malian Controller General under the Financial Management and Training Project (No. 688-0261), for the period August 1, 1991 to June 30, 1993, (Audit Report No. 7-688-94-007-N)

The attached report, prepared by the non-Federal audit firm, KPMG Peat Marwick of Banjul, presents the results of a financial audit of the local currency expenditures incurred by the Malian Controller General (CGE) from the USAID grant under the Financial Management and Training Project in Mali.

On July 23, 1991, USAID signed a grant agreement with the Government of the Republic of Mali (GRM) to implement the \$2 million Financial Management and Training Project. Implemented by CGE, the project financed activities with the purpose of improving the GRM's ability to manage and monitor the use of financial resources. Specific inputs furnished by USAID under this project included technical assistance, commodities, training, administrative costs, and renovation of CGE facilities. During the period August 1, 1991 to June 30, 1993, the CGE had been advanced an amount of \$723,890 to implement project activities from which \$621,912 was reported as expended.

KPMG performed a financial audit in accordance with U.S. Government Auditing Standards of the \$621,912 in expenditures made by CGE to determine whether the Fund Accountability Statement for the period August 1, 1991 to June 30, 1993 was fairly presented and whether CGE 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 CGE's internal accounting controls over the USAID grant to plan the audit and to determine the nature, timing and extent of tests to be performed.

KPMG found that the Fund Accountability Statement fairly presented the expenditures incurred by CGE. However, the auditor did identify \$8,481 in questioned costs for ineligible payments. These questioned costs consisted of tax payments for \$5,032 and ineligible leave payments to employees for \$3,448. In obtaining an understanding of the internal control structure, the auditors noted six reportable conditions none of which were considered material weaknesses. Finally, in testing for compliance with applicable laws, regulations and agreement terms, the auditor reported that CGE complied in all material respects.

In its response to the draft audit report, USAID/Mali generally agreed with the auditor's findings and recommendations. However, regarding the questioned costs, USAID/Mali determined not to sustain a portion totalling \$3,580 which included \$3,448 in leave payments to employees and \$132 in tax payments.

The non-Federal audit report contains nine findings and nine recommendations which are to be implemented by CGE and USAID/Mali. The following recommendation has been included in the Office of the Inspector General's recommendation follow-up system.

Recommendation No. 1: We recommend that USAID/Mali resolve the \$8,481 in questioned costs and recover those costs which are determined to be ineligible.

Recommendation No. 1 is considered resolved upon report issuance since USAID/Mali determined that out of the \$8,481 questioned, \$3,580 were not to be sustained and provided acceptable justification to support its position. For the sustained \$4,901, a portion totalling \$1,707 has been closed since USAID/Mali provided copies of checks evidencing reimbursement of this amount to the project. For the remaining \$3,194 which represent ineligible taxes paid to a supplier, Shell/Mali, USAID/Mali provided a copy of a firm notice issued by the Malian Customs Office requesting that Shell/Mali be reimbursed. For this portion to be closed, USAID/Mali must issue a bill for collection to Shell/Mali or provide evidence that the project was reimbursed. RIG/A/Dakar will close the recommendation in its entirety upon receipt of a copy of this bill for collection or evidence that the project was reimbursed.

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

**UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
MALI**

**AUDIT OF LOCAL CURRENCY EXPENDITURES INCURRED BY THE
MALIAN CONTROLLER GENERAL (CGE) UNDER THE FINANCIAL
MANAGEMENT AND TRAINING PROJECT (No. 688-0261)
FOR THE PERIOD AUGUST 1, 1991 TO JUNE 30, 1993**

 **KPMG** Peat Marwick

Banjul, The Gambia
Chartered Accountants and Business Consultants

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Our Ref: pcbw/fmt/9401

Your Ref:

17 May 1994

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

Dear Mr Anklewich,

United States Agency for International Development, Mali
Audit of the local currency expenditure incurred by the Malian Controller
General (CGE) under the Financial Management and Training Project (No.
688-0261) for the period August 1, 1991 to June 30, 1993.

In accordance with your instructions dated August 25, 1993 (IQC no. 624-999-1-0-2024-00, Delivery Order No. 7) this report presents the results of our Financial audit of the local costs incurred by the Malian Controller General under the Financial Management and Training project No. 688-0261

The audit covered disbursements totalling FCFA 166,827,929 for the period August 1, 1991 to June 30, 1993.

1. SUMMARY

1.1 Background

On July 23, 1991 the U.S. Agency for International Development (USAID) and the Government of the Republic of Mali (GRM) signed a grant agreement to implement the Financial Management and Training Project in Mali. The total life of project funding was to be \$2 million by the project's completion date of December 31, 1995. The main components of the project are as shown below:

| project component | budgeted |
|---------------------------|------------------|
| Technical assistance | 264,550 |
| Commodities | 455,289 |
| Training | 405,452 |
| Administrative costs | 181,792 |
| Operating expenses | 238,665 |
| Renovation | 29,080 |
| Audit and Evaluation | 165,000 |
| Contingency and inflation | 260,172 |
| | <hr/> |
| TOTAL | 2,000,000 |
| | <hr/> |

The project is a bilateral grant and the grantee is the GRM acting through the Malian Controller General (CGE). The CGE is in charge of the review and audit of all government institutions including ministries and related services, the administrations including regional and public agencies budgets, the public and semi-public agencies operations, State enterprises operations, rural development organizations, etc. The CGE's responsibility includes the review of public and semi-public accountants' accounts concerning State owned resources and assets. The CGE's main objective is to ensure the safeguarding of the government properties through a) a systematic control of the use of government resources; b) a review of the agencies compliance with government's laws and regulations; c) actions to assure that human and financial resources are efficiently used.

The project's purpose was to provide the opportunity to the CGE to enhance the management capability of the government agents and to safeguard the use of its properties. It is expected that improved public sector funds management will improve the investment climate and then contribute to increase the private sector participation in the economy, thus promoting economic growth. To reach this goal, USAID was to finance activities with the purpose to improve the GRM's ability to manage and monitor the use of financial resources, including those provided by USAID - funded projects. In so doing USAID was to employ a combination of training, technical assistance and timely audits of bilateral and regional projects. Over 1,800 individuals in both the public and private sector were to be trained. The CGE was to be equipped, in both material and human resources terms, to carry out a full range of control and audit functions.

Inputs to be furnished by USAID under this project comprised of technical assistance, commodities, training, administrative costs, renovation of CGE facilities and the financing equivalent of \$ 723,890 (CFA 195,942,576) had been advanced to the CGE for these costs. In addition to these USAID financed inputs, the GRM was to contribute an amount equivalent to \$663,060 for CGE-related activities.

USAID/Mali requested the Regional Inspector General for Audit in Dakar (RIG/A/Dakar) to coordinate a financial audit of the amount granted to CGE in order to meet its audit management responsibilities set forth in A.I.D.'s Audit Management Resolution Program (AMRP). The financial audit performed under this scope of work covered the local expenditures incurred by CGE from the period August 1, 1991 to June 30, 1993. As of June 30, 1993, local expenditures incurred by CGE amounted to FCFA 166,827,929 (\$ 621,912) as detailed below:

| | |
|----------------------|------------------|
| Technical assistance | FCFA 30,678,358 |
| Commodities | 65,083,236 |
| Training | 15,310,650 |
| Administrative Costs | 13,865,219 |
| Operating expenses | 33,433,937 |
| Renovation | 8,456,529 |
| | <hr/> |
| | FCFA 166,827,929 |
| | <hr/> |

1.2 Audit Objectives and Scope

The objectives of this financial audit are to:

- i determine the reasonableness, propriety and allowability of local expenditures made by CGE during the period August 1, 1991 to June 30, 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 CGE'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) CGE'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 and the control risk; and
- iii perform tests of CGE's compliance with applicable laws, regulations, binding policies and procedures, and the Grant Agreement as part of obtaining reasonable assurance about whether the fund accountability statement is free of material misstatement and then report on the results of the compliance testing. These tests are also performed to determine whether the organization complied in all material respect with agreement terms, laws, binding policies, and regulations and express positive assurance of those items tested and negative assurance on those items not tested.

In testing compliance, specific steps and procedures must be designed to provide reasonable assurance of detecting errors, irregularities and illegal acts that could have a direct and material effect on Fund Accountability Statement.

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

- Review of the project grant agreement, project implementation letters and other related project documents and identifying those laws and regulations which, if not observed, could have a direct and material effect on the fund accountability statement;
- Review of previous financial evaluations and reports;
- Determination, understanding, documentation and evaluation of CGE organisational structure with respect to the local operating account in order to determine the extent to which established procedures and controls are functioning as intended and documented;
- Identification and assessment of the level and nature of control risk and design of substantive tests;
- Review and testing of expenditures made out of the local operating account by CGE for goods and services to determine whether they were allowable, reasonable, properly classified and recorded, relevant to project activities and supported by adequate documentary evidence.

- Determination, documentation and evaluation of the procedures for the control of funds, reconciliation of the movement in funds for the local operating account for the period under review including reconciliation of CGE recorded revenues and expenditures with bank records;
- Compilation of the fund accountability statement and agreement to the underlying records of the CGE for the local operating account for the period under review.
- Determination of whether advances and reimbursements were made in accordance with agreement terms and reconciling advances and reimbursements per USAID accounting system with those amounts reported by the CGE as receipts from USAID;
- Evaluation of the CGE's physical and accounting controls over USAID financed commodities and the determination of their proper use, maintenance and custody;
- Determination as to whether the CGE is in compliance with applicable laws, regulations and agreements by evaluating the CGE internal control system and substantive testing of recorded revenues and expenditures for the period under review;
- Planning of the audit so as to devise steps to identify instances or indications of fraud, abuse or illegal acts and reporting any such instances or indications to RIG/A/D.

The audit has been conducted in accordance with United States Government Auditing Standards as set forth by the Comptroller General of the United States (the 'Yellow Book'), Standards for internal controls in the Federal Government as set forth by the Comptroller General of the United States (The "Green book"), Guide for Financial Audits Contracted by the Agency for International Development issued by the AID office of the Inspector General and Assessing compliance with Applicable Laws and Regulations issued by General Accounting Office/Office of Policy (the 'Grey' Book'), except that we did not have an external quality control review by an unaffiliated audit organisation as required by paragraph 46 chapter 3 of Government Auditing Standards since no such quality control review program is offered by professional auditing organisations in The Gambia. 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 KPMG worldwide internal quality control review by partners and managers from other KPMG offices. In addition we did not fully meet the continuing education auditing standard. During the last two years we have not maintained sufficient documentary evidence to support that we have met the minimum 80 hours of continuing education requirement or the requirement to have 24 hours in subjects related to Government environment. However we do not believe this departure from auditing standards had any effect on the results of this audit and we are taking appropriate steps to implement a continuing education programme that fully satisfies the requirement.

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

1.3 Summary of Audit Results

1.3.1 Summary of audit results - financial

We found that the Fund Accountability Statement showing the receipts and disbursements made by the CGE in connection with USAID's grant to the CGE under the Financial Management and Training Project was presented fairly. However our testing of items on the Fund Accountability Statement found that the CGE incurred and was reimbursed by USAID/Mali for ineligible questioned costs of FCFA 2,295,528 (\$8,481). These expenditures are discussed in findings 4.2.1 and 4.2.2, summarised in the Fund Accountability Statement and detailed in appendix C to this report.

1.3.2 Summary of audit results - Internal control

We have assessed the overall internal control environment of CGE as satisfactory. This was based on the outcome of tests on the components of the project's control environment which are assessed as follows:

- | | |
|------------------------------------|----------------|
| • Control conciousness | - satisfactory |
| • segregation of duties | - weak |
| • management override | - satisfactory |
| • competence of personnel | - satisfactory |
| • Protection of assets and records | - satisfactory |

Most of the project's financial and internal control tasks are carried out by the Accountant, which increases the risk of fraud. It may also affect smooth flow of the project's activities if the Accountant is absent from work for a short or long period of time. The following reportable conditions were noted, none of which we consider to be material weaknesses.

- Lack of approved suppliers listing (finding 3.2.1)
- Inadequate evidence of competitive bidding (finding 3.2.2)
- Inadequate budgetary control (finding 3.2.3)
- Lack of segregation of duties (finding 3.2.4)
- Inadequate safeguard control over fixed assets (finding 3.2.5)
- Inadequate control over vehicle and fuel usage (finding 3.2.6)

/s/ [Signature]

1.3.3 Compliance

The principal laws, regulations, binding policies and procedures applicable to CGE are as follows:

- Project Grant Agreement
- Project Implementation Letter
- Malian open market bidding regulation- Decree no. 92-059/P-CTSP
- Malian code du Travail
- Malian code du prevoyance social

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

- Payment of commodity taxes from project funds (finding 4.2.1 and Appendix C)
- Payment of leave to employees less than twelve months in employment (finding 4.2.2)
- Verifying fixed assets annually instead of quarterly (finding 4.2.3)

1.4 Synopsis of Management Comments

Management comments are set out in verbatim at appendix A.



2. FINANCIAL SECTION

2.1 Independent auditor's report on the Fund Accountability Statement

We have audited the Fund Accountability Statement showing the revenues and expenditures of the Malian Controller General (CGE) under the Financial Management and Training project for the period August 1, 1991 to June 30, 1993. The Fund Accountability Statement is the responsibility of CGE's management. Our responsibility is to express an opinion on the Fund Accountability statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and United States Government Auditing Standards issued by the Comptroller General of The United States, except that we did not have an external quality control review by an unaffiliated organisation nor did our audit staff complete the minimum continuing education as required by section 3.4.6 and 3.6 respectively of the aforementioned statements (See section 1.2 for further details). 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. An audit include examining on a test basis, evidence supporting the amounts and disclosures in the Fund Accountability Statement. An audit also includes assessing the accounting principles used and significant estimates made by project management, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1 to the Fund Accountability Statement (page 11), 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, the Fund Accountability Statement referred to above presents fairly, in all material respects CGE's advances and expenditures incurred and reimbursed for the period in conformity with the basis of accounting described in note 1 of the Fund Accountability Statement.

Kamir Peart Marwick

Chartered Accountants
Banjul, The Gambia.

Date: *17th May 1994*

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2.2 Fund Accountability Statement

| Budget category | Budget | Actual | Actual | Ineli- | Ineli- | Notes |
|-----------------------|--------------------|--------------------|----------------|------------------|--------------|-------|
| | CFA | CFA | \$ | gible | gible | |
| | | | | CFA | \$ | |
| RECEIPTS | | | | | | |
| Cash advance | | 195,942,576 | 723,890 | | | |
| DISBURSEMENTS; | | | | | | |
| Equipment | 75,987,981 | 65,083,236 | 240,443 | 121,612 | 449 | 2 |
| Training | 30,531,750 | 15,310,650 | 56,564 | 134,830 | 498 | 2 |
| Administrative costs | 15,672,485 | 13,865,219 | 51,224 | 933,389 | 3,448 | 3 |
| Operative costs | 48,271,660 | 33,433,937 | 123,518 | 1,105,697 | 4,086 | 2 |
| Revonation costs | 8,850,000 | 8,456,529 | 31,242 | | | |
| Technical Assistance | 43,186,933 | 30,678,358 | 113,338 | | | |
| Exchange Difference | | | 5,583 | | | |
| | <u>222,500,809</u> | <u>166,827,929</u> | <u>621,912</u> | <u>2,295,528</u> | <u>8,481</u> | |
| OUTSTANDING BALANCE | | 29,114,647 | 101,978 | | | 4 |

2.3 Notes to the Fund Accountability Statement

1. The Fund Accountability Statement has been prepared on the basis of cash accounting whereby income is recognised on receipt of cash or cash equivalent and expenditure recognised on the disbursement of cash or cash equivalent.

2. Equipment, Training and Operative questioned costs

These represent the total of value added tax on various commodities purchased under these budget categories. Such costs are questioned and classified as ineligible because taxes should not be payable from project funds but by the Government of Mali.

3. Administrative questioned cost - CFA 933,389 (\$ 3,448)

This comprises of:

Leave payments to accountants who had worked for the period October 1991 to June 1992.

CFA 553,949

Leave payment to World Bank employees who work for two months

CFA 379,440

933,389

4. Outstanding balance

This amount was satisfactorily reconciled with the balance at bank. The balance at bank was confirmed.

5. Currency Translation

Where necessary, currency translations have been performed using the Temporal method. That is, expenditures and receipts have been translated at the average rate for the period, based in this case on USAID/Mali Controllers Office month end translation rates and year end balances at the closing rate. The exchange rates actually used are as follows:

Average CFA 270.68 to \$1

Closing CFA 285.50 to \$1

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3. INTERNAL CONTROLS

3.1 Independent Auditor's Report on Internal Controls

We have audited the Fund Accountability Statement showing the revenues and expenditures of the Malian Controller General (CGE) under the Financial Management and Training project No. 688-0261 for the period August 1, 1991 to June 30, 1993 and have issued our report thereon dated 17 May 1994.

We conducted our audit in accordance with generally accepted auditing standards and United States Government Auditing Standard Issued by the Comptroller General of the United States, except that we did not have an external quality control review by an unaffiliated organisation nor did our audit staff complete the minimum continuing education as required by section 3.4.6 and 3.6 respectively of the aforementioned statements. 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 the CGE we considered its internal control structure in order to determine our audit 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 the CGE is responsible for establishing and maintaining an internal control structure for the project. In fulfilling this responsibility, estimates and judgements by project management are required to assess the expected benefits and related costs of the internal control structure, policies and procedures. The objectives of an internal control system are to provide management with reasonable, but not absolute, assurance that the assets are safeguarded against loss from unauthorised use or disposition, and that transactions are executed in accordance with the basis of accounting described in note 1 to the Fund Accountability Statement (section 2.2). Because of the 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 effectiveness of the design and operation of policies and procedure may deteriorate.

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

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

For all the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in effective operation, and we have 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 specific deficiencies in the design or operation of the internal control structure that, in our judgement, could adversely affect the CGE 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:

- Lack of approved suppliers list (finding 3.2.1)
- Inadequate evidence of competitive bidding (finding 3.2.2)
- Inadequate budgetary control (finding 3.2.3)
- Lack of segregation of duties (finding 3.2.4)
- Inadequate safeguard control over fixed assets (finding 3.2.5)
- Inadequate control over vehicle and fuel usage (finding 3.2.6)

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

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described above is a material weakness.

We also noted other matters involving the internal control structure and its operation that we reported to the management of USAID/Mali and the CGE in a separate letter dated November 15, 1993. (See appendix B)

The report is intended for the information of management and others within CGE 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.

Kenny Peter Mawier

**Chartered Accountants
Banjul, The Gambia**

Date *17th May 1994.*

3.2 FINDINGS

3.2.1 Procurement cycle : Lack of approved suppliers listing

Findings

We noted that the project does not have an approved list of suppliers. Proforma invoices were obtained from a wide range of suppliers, which may not be most appropriate for the goods/services purchased.

Implications

Lack of an approved suppliers list may result in losses to the project where sub standard goods or services are received and there is no possibility of recourse.

The project may not be able to fully develop a relationship between it and or suppliers such that trade and cash discounts and favourable delivery terms will be maximised.

There is little evidence that the pro forma invoices obtained are from suppliers specialised in supply of the goods and services in question such that the purchase will be deemed to have been subject of competitive and unbiased bidding.

Recommendation

We recommend that a list of recognised supplies be drawn up and approved by management. Thereafter, this should be subject to periodic review and update and should be used at all times when purchases are necessary.

Management comments

USAID Mali and the Malian Controller General believe that other selection alternatives exist to economically procure goods and services for the project. Any such selection procedure should take into consideration the environment of the market and the number of specialized suppliers. Nevertheless, USAID/Mali has prepared criteria that should be used by the project to select potential suppliers who will furnish the Project with all commodities through the year. The Malian Controller General is working toward establishing this list.

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3.2.2 Procurement cycle - Inadequate evidence of competitive bidding

Findings

The project has an established procedure of obtaining at least these proforma invoices for purchases above CFA 100,000. We came across some purchases for which these proforma invoices were not obtained and in instances when obtained, they were not grouped such that the basis of ultimate selection would be justified and documented and serve as a means of audit trail .

Implications

There is a risk of bids being obtained from parties connected to management which may lead to purchases at less financially or commercially advantageous terms.

Lack of complete evidence of the selection decision reduces assurance that the project obtains pro-forma invoices prior to selection and purchase and not after that, thereby defeating the purpose of obtaining such proformas.

Recommendation

We recommend that three pro-forma invoices are obtained prior to all purchases over CFA 100,000. These should be checked and that which is most advantageous to the project selected, the basis of selection justified and documented and all proforma invoices and the final invoices grouped together for future reference.

Management comments

This recommendation was made on the basis of a few cases where the project did not provide the evidence of competitive bidding due to a filing problem. The Malian Controller General has taken actions to ensure competitive bidding, documentation and filing procedures for all purchases, in conformity with the provisions of the current project manual of procedures.

3.2.3 Disbursement cycle - Inadequate budgetary control

Findings

1. We note that budgets are compared with actual expenditure in the monthly financial reports. Variances are however not analysed and explained.
2. In checking contracts entered into by the project, we observed that with regards to a contract with Mariama Bah for auditing assistance, USAID, in annex B of PIL 5, provided for an extension of this contract by US \$47,497, bringing the total contract sum to \$ 92,497. The Project however signed contracts with Mariama Bah totalling US \$ 120,062.

Implications

Lack of commentary on budget variances may deprive management of vital information which may be needed for compilation of future budgets. Lack of reference to approved budgets prior to approval of contracts creates room for over-spending.

Recommendation

We recommend that in future, reference is made to budgets prior to approval of contracts and purchase orders.

Full details of variances should also be given for budget variances.

In relation to the Mariama Bah contract. We recommend that the circumstances leading to signing of this contract be looked into with a view to avoiding a reoccurrence.

Management comments

The project has taken actions to assure that prior to approving any contract, reference will be made to the detailed budget item and that monthly budget variances will be analyzed. However, The Malian Controller General does not agree with the recommendation related to the Mariam Bah contract since there was no over commitment of the Technical Assistance Budget under which her contract was recorded.

Auditors Response

Our concern over the Mariam Bah contract are that the contract was revised without reference to USAID/Mali. USAID/Mali authorised a total payment of \$ 92,497. The Project however signed contracts with Mariama Bah totalling US \$ 120,062.

In addition, we note Mariam Bah's contract was for the training of CGE staff in auditing procedures rather than the actual performance of audit.

KPMG Peat Marwick therefore maintain their finding and recommendation.

3.2.4 Disbursement cycle and Inventory and fixed asset control- Lack of segregation of duties

Findings

In our review of the projects procurement and disbursement cycles, we understand the following functions are performed by and are the responsibility of the accountant;

- Obtaining proforma invoices from suppliers
- Making selection decision
- Receives and acknowledges receipt of items
- Authorises payments and signatory to the bank account.
- Posts to cash book and prepares bank reconciliation statements
- Maintains fixed assets register
- Leads fixed assets verification team and compiles report
- Updates the commitment ledger

In addition, in our review of controls over fixed assets, we observed that the accountant;

- Takes delivery of all items purchased, examines them and records details in the fixed assets register.
- Allocates codes to all fixed assets
- Heads the fixed assets verification exercise and complete the results

Implications

There is a risk of disruption to the project's operations in the event of the accountant being away from work for a long period.

Concentration of all the above functions in the hands of the accountant creates room for initiation and payment for goods or services not received by the project or the project paying higher prices than would have otherwise been the case.

The accountant's workload may not permit him to carry out internal control functions within his responsibility for example reviewing vehicle log sheet.

There is a risk that items not supplied may be noted as having been received, included in the fixed assets register and verification report.

In summary, it would be far too easy for fraud to take place and/or for clerical errors to go unnoticed.

Recommendation

We recommend that steps are taken by management to enhance its internal control procedures. Tasks carried out by the Accountant should be reviewed and some of these re-allocated to other members of staff. In particular, the roles of obtaining proformas and making selection decisions should be separated. Also the task of receiving and acknowledging receipt of items procured should be assigned to a member of staff not connected with the approval of payment.



We recommend that delivery of items of fixed assets be witnessed by someone other than the accountant. We also recommend that fixed assets verification be conducted by someone other than the accountant who should only assist in identification.

Management comments

As recommended by the auditors, The Malian Controller General has issued an office notice to transfer some of the responsibilities in connection with the procurement cycle from the accountant to two other agents and thereby improve the internal control procedures. USAID/Mali will forward a copy of this notice to RIG/Dakar by Friday, April 22, 1994.

3.2.5 Inventory and fixed assets control - Inadequate safeguard controls over fixed assets

Findings

In our tests on the projects safeguard controls over its assets, the following points were observed:

- Apart from motor vehicles, none of the project fixed assets are covered by insurance policies.
- The fixed asset register is not completed with full details of assets description
- The following assets without any identification codes:

| | | | |
|---------------------------------|---|----------|-----|
| Hewlett packard printer | - | location | B6 |
| AST suga - ni computer | - | location | B6 |
| Split (Airwell) Air conditioner | - | location | B6 |
| Computer AST | - | Location | D11 |
- Vehicles leaving the CGE office building are not subject to any form of check as a security measure against unauthorised movement.

Implications

Lack of full description of assets on the fixed assets register and identification marks on some, may, in the absence of security checks on vehicles, lead to a situation of unauthorised movement of assets and ultimate loss to the project.

Lack of insurance policy for some assets increases the risk of loss in the event of fire, theft or other perils.

Recommendation

We recommend that insurance cover be taken up for all project assets.

Management should ensure that all assets are given identification codes which should be noted in the fixed assets register together with full description of the assets. Vehicles leaving the CGE should be inspected to avoid unofficial movement of assets.

Management comments

The Malian Controller General has contacted several insurance companies to eventually provide insurance cover for project assets other than vehicles , which are already covered.

At the time of the audit, a new inventory control system was made mandatory for all Government of Mali institutions and it includes, among other things, a fixed assets register. As a supreme audit institution, the Malian Controller General is required to complete the installation of its inventory control system within a reasonable time frame. USAID/Mali note that the implementation of the system is in progress.

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3.2.6 Inventory and fixed assets control - Inadequate control over vehicle and fuel usage

Findings

In checking vehicle and fuel usage, we observed that:

- There were some vehicle log sheets without details of the vehicle number, date and name of the driver.
- There were instances of vehicle usage without preparation of requisition.
- There was no evidence to show that log sheets are checked after preparation or used in monitoring fuel consumption and maintenance cost.
- The record of fuel coupons on hand as maintained by the store keeper is not cross checked and reconciled coupon stubs are not completed and the coupons not stamped.

Implication

Lack of proper control over vehicles requisition and log sheets reduces assurance that fuel usage is purely attributable to the project's activities. There is also less justification for maintenance cost.

Lack of independent check and reconciliation of fuel coupons may lead to these being diverted or records incorrectly prepared.

Failure to fully complete and stamp all coupons exposes the project to risk of loss if such coupons are presented for use by non project vehicle holders.

Recommendation

All vehicle log sheets should be completed in every detail. These should be periodically reviewed by the accountant and a reasonableness test carried out as a means of check on fuel usage.

The record of coupons should be also be cross-checked at least once a month and also whenever fresh coupons are purchased.

Management comments

The Malian Controller General has issued an office notice that addresses this recommendation. This notice contains the job description for Controller General's agents who will now be doing some of the work done by the accountant before, thereby allowing the accountant to have time to closely follow up vehicles log sheets and gasoline usage.

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4. COMPLIANCE WITH AGREEMENT TERMS AND APPLICABLE LAWS

4.1 Independent auditors report on compliance of the CGE with applicable laws and regulations

We have audited the Fund Accountability Statement representing the revenues and expenditures of the Malian Controller General (CGE) under the Financial Management and Training Project (No 688-0261) for the period August 1, 1991 to June 30, 1993 and have issued our report thereon dated 17 May 1994.

We conducted our audit in accordance with generally accepted auditing standards and United States Government Auditing Standards issued by the Comptroller General of the United States except that we did not have an external quality control review by an unaffiliated organisation nor did our audit staff complete the minimum continuing education as required by section 3.4.6 and 3.6 respectively of the aforementioned statements (see section 1.2 for further details). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Fund Accountability Statement is free of material mis statement.

Compliance with agreement terms and laws and regulations applicable to the CGE is the responsibility of CGE management. As part of obtaining reasonable assurance about whether the Fund Accountability Statement is free of material misstatement we performed tests of CGE's compliance with certain provisions of agreement terms and laws and regulations. However, our objective was not to provide an opinion on overall compliance with such provisions.

Our testing of transactions, and records disclosed instances of non compliance with these laws and regulations. All instances of non compliance that we found are identified in the accompanying schedule of findings and questioned costs.

The results of our tests of compliance indicate that with respect to the items tested, CGE 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 CGE had not complied, in all material respects with those provisions

The report is intended for the information of management and others within CGE 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.

Kings Peter Manville

**Chartered Accountants
Banjul, The Gambia**

Date *17th May* 1994.

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4.2 Findings

4.2.1 Payment of commodity taxes from Project funds

Section I(1) of the Project Grant Agreement stipulates that "If USAID and any public or private organization furnishing commodities through USAID financing for operations is, under the laws, regulations or administrative procedures of the cooperating country, liable for customs, duties and import taxes on commodities imported into the cooperating country for purposes of carrying out this agreement, the Grantee will pay such duties and taxes unless exemption is otherwise provided by any applicable international agreement".

Contrary to this, the project paid taxes on various commodities so far procured to the total of CFA 1,362,139 (\$ 5,032).

Implication

Payment of taxes contravenes the Grant Agreement and also deprives the project from use of its funds over the length of time the payments were made.

Recommendation

We recommend that USAID recovers the amount from the Government of Mali. Management should also ensure that invoices/bills are reviewed periodically and any taxes paid, recovered from the Government of Mali.

Management comments

USAID/Mali stated that:

- With regard to taxes paid to Shell for the purchase of fuel (\$3,194 or FCFA 864,410): The customs office has issued a firm notice authorising the district treasury to reimburse Shell for the taxes it collected from the project on the purchase of fuel. Once Shell receives the refund from the Treasury, it will reimburse the project.
- With regard to taxes paid to Diama Toyota on the purchase of vehicle spare parts (\$1,163 or FCFA 314,664): Diama has reimbursed this amount to the project with its check numbered BMCD 0075343. A copy of this check will be forwarded to RIG Dakar by Friday, April 22, 1994.
- With regard to taxes paid to Buhan Et Teisseire on the purchase of office equipment (\$544 or FCFA 147,288): Buhan et Teisseire has reimbursed this amount to the project with its check number BMCD 0056886. A copy of this check will be forwarded to RIG Dakar by Friday, April 22, 1994.
- With regard to taxes paid by the Technical Assistant to the project on the purchase of office furniture in Dakar, Senegal (\$117 or FCFA 31,600): a fax was sent to the supplier in Dakar requesting a refund of taxes paid. The supplier has replied asking the Malian Controller General to refer to the Senegalese Customs Office for any refund that should be made. The mission believes that the procedures required to have this amount collected from the Senegalese Customs Office would be too costly and time consuming to be worthwhile to the project.

- With regard to taxes paid to BP SAM, a gasoline station, on the purchase of fuel (\$15 or FCFA 4,177): We believe that this questioned cost should not be sustained because the purchase in question was made from a retailer during a trip in the countryside, and under the circumstances it is not practical to obtain the Tax Exemption.

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4.2.2 Payment of leave to employees less than twelve months in employment

Finding

Article 154 of the Malian code du travail provides that a worker is entitled to annual leave after 12 months of employment, at the rate of 2 1/2 days a month. We observed that employees on three months contracts were paid leave allowances at the end of their contracts. The total of such payments is calculated as CFA 933,389 (\$3,448) and has been classified as ineligible in the Fund Accountability Statement.

From our discussions with the auditee, it is their understanding that leave allowances can be paid on the basis of time apportionment, even though the employee has not completed 12 months service, and such allowances were paid to avoid confrontation with members of staff and that this is normal practice within Mali.

Implication

We believe that the Malian code du travail was contravened. Project funds which could have been invested in interest bearing deposits if not readily needed was otherwise spent.

This is also evidence of inadequate cross checking prior to approval of payments.

Recommendation

We recommend that given the difference of opinion on the interpretation of the act, USAID/Mali make their own interpretation of how they wish the act to be interpreted and take appropriate action accordingly.

In future, all payments should be properly reviewed for reasonableness, allowability and propriety before approval.

Management comments

USAID/Mali state that the Controller General has provided copies of articles from the Malian Labor code which authorise leave payment to employees who have worked less than 12 months. These legal provisions state that the amount to be paid to the employee should be equal to the total wages earned divided by 12. A copy of all related documentation will be forwarded to RIG Dakar by Friday, April 22, 1994.

4.2.3 Annual verification of fixed assets

Project Implementation letter no.1 dealing with Accounting and Reporting Procedures provides that separate records should be established and maintained for expendable and non-expendable inventory supplies. It also provides that costing of equipment should be reconcilible with the central and subsidiary ledger and inventory of non-expendable equipment should be taken and reconciled on a quarterly basis. We observed that costing of equipment subsidiary ledgers, also, inventory of non-expendable items was carried out once a year.

Implication

The accounting and reporting procedures contained in PIL no. 1 were not adhered to even though such an undertaking was made.

Recommendation

We recommend that the total value of equipment in the fixed assets register be reconciled with the financial report. Inventory of non-expendable equipment should be carried out quarterly.

Management comments

The Malian Controller General is now reconciling the fixed assets value in the register with that given in the financial report. The inventory of non expendable property will be conducted quarterly as recommended by the auditors.

Management Comments

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ACTION: RIG-1
INFO: DCM-1 AMB-1

DISTRIBUTION: RIG
CHARGE: RIG

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RR RUEHDK
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R 191404Z APR 94
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TO AMEMBASSY DAKAR 0285
BT
UNCLAS SECTION 01 OF 05 BAMAKO 02896

RIG AIDAC

FOR: RIG DAKAR FOR THOMAS B. ANKLEWICH

E.O. 12356: N/A

SUBJECT: USAID MALI RESPONSE TO THE DRAFT REPORT ON
- THE AUDIT OF THE LOCAL CURRENCY EXPENDITURES
- INCURRED BY THE MALIAN CONTROLLER GENERAL
- UNDER THE FINANCIAL MANAGEMENT AND TRAINING
- PROJECT, (NO.688-0261), FOR THE PERIOD
- AUGUST 1, 1991 TO JUNE 30, 1993.

1. USAID MALI IS PLEASED TO RESPOND TO THE RECOMMENDATIONS ISSUED BY THE AUDIT FIRM KPMG PEAT MARWICK. PLEASE FIND BELOW DESCRIPTIONS OF THE ACTIONS TAKEN OR BEING PLANNED BY USAID MALI TOWARD CLOSING THE RIG DAKAR RECOMMENDATION AND THOSE OF THE PEAT MARWICK AUDITORS.

2. RIG DAKAR RECOMMENDATION, (THIS IS THE ONLY RECOMMENDATION THAT HAS BEEN INCLUDED IN THE U.S. INSPECTOR GENERAL'S AUDIT RECOMMENDATION TRACKING SYSTEM):

RECOMMENDATION NO.1: WE RECOMMEND THAT USAID MALI RESOLVE THE \$8,481 IN QUESTIONED COSTS AND RECOVER THOSE COSTS DETERMINED TO BE INELIGIBLE.

STATUS OF THIS RECOMMENDATION: THE \$8,481 OF QUESTIONED COSTS IS COMPOSED OF SIX ELEMENTS WHICH ARE DESCRIBED BELOW ALONG WITH THE CLOSING ACTIONS TAKEN:

2.1 TAXES PAID TO SHELL FOR THE PURCHASE OF FUEL (\$3,194 OR FCFA 864,410): THE CUSTOMS OFFICE HAS ISSUED A FIRM NOTICE AUTHORIZING THE DISTRICT TREASURY TO REIMBURSE SHELL FOR THE TAXES IT COLLECTED FROM THE PROJECT ON THE PURCHASE OF FUEL. ONCE SHELL RECEIVES

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THE REFUND FROM THE TREASURY, IT WILL REIMBURSE THE PROJECT. USAID MALI REQUESTS THAT THIS PORTION OF THE RECOMMENDATION BE CLOSED BASED ON THE ISSUANCE OF THE CUSTOMS OFFICE NOTICE. A COPY OF THE CUSTOMS OFFICE NOTICE WILL BE FORWARDED TO RIG DAKAR BY FRIDAY APRIL 22, 1994.

2.2 TAXES PAID TO DIAMA TOYOTA ON THE PURCHASE OF VEHICLE SPARE PARTS (\$1,163 OR CFAF 314,664): DIAMA HAS REIMBURSED THIS AMOUNT TO THE PROJECT WITH ITS CHECK NUMBER BMCD 0075343. A COPY OF THE CHECK WILL BE FORWARDED TO RIG DAKAR BY FRIDAY APRIL 22, 1994. USAID MALI REQUESTS THAT THIS PORTION OF THE RECOMMENDATION BE CLOSED.

2.3 TAXES PAID TO BUHAN ET TEISSEIRE ON THE PURCHASE OF OFFICE EQUIPMENT (\$544 OR CFAF 147,288): BUHAN ET TEISSEIRE HAS REIMBURSED THIS AMOUNT TO THE PROJECT WITH ITS CHECK NUMBER BMCD 0056886. A COPY OF THE CHECK WILL BE FORWARDED TO RIG DAKAR BY FRIDAY 22, 1994. USAID MALI REQUESTS THAT THIS PORTION OF THE RECOMMENDATION BE CLOSED.

2.4. TAXES PAID BY THE TECHNICAL ASSISTANT TO THE PROJECT ON THE PURCHASE OF OFFICE FURNITURE IN DAKAR, SENEGAL (\$117 OR CFAF 31,600): A FAX WAS SENT TO THE SUPPLIER IN DAKAR REQUESTING A REFUND OF TAXES PAID. THE SUPPLIER HAS REPLIED ASKING THE MALIAN CONTROLLER GENERAL TO REFER TO THE SENEGALESE CUSTOMS OFFICE FOR ANY REFUND THAT SHOULD BE MADE. THE MISSION BELIEVES THAT THE PROCEDURES REQUIRED TO HAVE THIS AMOUNT COLLECTED FROM THE SENEGALESE CUSTOMS OFFICE WOULD BE TOO COSTLY AND TIME-CONSUMING TO BE WORTHWHILE TO THE PROJECT. BASED ON THIS COST-BENEFIT ASSESSMENT, MISSION REQUESTS THAT THIS PORTION OF THE RECOMMENDATION BE CLOSED.

2.5 TAXES PAID TO BP SAM, A GASOLINE STATION, ON THE PURCHASE OF FUEL (\$15 OR CFAF 4,177): WE BELIEVE THAT THIS QUESTIONED COST SHOULD NOT BE SUSTAINED BECAUSE THE PURCHASE IN QUESTION WAS MADE FROM A RETAILER DURING A TRIP IN THE COUNTRYSIDE, AND UNDER THE CIRCUMSTANCES IT IS NOT PRACTICAL TO OBTAIN THE TAX EXEMPTION. THEREFORE, MISSION REQUESTS THAT THIS PORTION OF THE RECOMMENDATION BE CLOSED.

2.6 PAYMENTS MADE IN LIEU OF LEAVE TO EMPLOYEES THAT HAD LESS THAN TWELVE MONTHS IN EMPLOYMENT (\$3,448 OR CFAF 933,389): THE CONTROLLER GENERAL HAS PROVIDED COPIES OF ARTICLES FROM MALIAN LABOR CODE WHICH AUTHORIZE LEAVE PAYMENT TO EMPLOYEES WHO HAVE WORKED LESS THAN TWELVE MONTHS. THESE LEGAL PROVISIONS STATE THAT THE AMOUNT TO BE PAID TO THE EMPLOYEE SHOULD BE

EQUAL TO THE TOTAL WAGES EARNED DIVIDED BY 12. AS THE PAYMENT OF LEAVE WAS MADE IN ACCORDANCE WITH THE GOVERNMENT OF MALI'S REGULATIONS, MISSION REQUESTS THAT THIS PORTION OF THE RECOMMENDATION BE CLOSED. USAID MALI WILL FORWARD ALL RELATED DOCUMENTATION TO RIG DAKAR BY FRIDAY 22, 1994.

3. PEAT MARWICK RECOMMENDATIONS, (RECOMMENDATIONS NOT INCLUDED IN THE INSPECTOR GENERAL'S TRACKING SYSTEM). THESE RECOMMENDATIONS ARE LISTED SEQUENTIALLY AND NUMBERED AS THEY APPEAR IN THE REPORT.

3.1. WE RECOMMEND THAT A LIST OF RECOGNIZED SUPPLIERS BE DRAWN UP AND APPROVED BY MANAGEMENT. THEREAFTER, THIS SHOULD BE SUBJECT TO PERIODIC REVIEW AND UPDATE AND SHOULD BE USED AT ALL TIMES WHEN PURCHASES ARE NECESSARY.

STATUS OF THIS RECOMMENDATION: USAID MALI AND THE MALIAN CONTROLLER GENERAL BELIEVE THAT OTHER SELECTION ALTERNATIVES EXIST TO ECONOMICALLY PROCURE GOODS AND SERVICES FOR THE PROJECT. ANY SUCH SELECTION PROCEDURE SHOULD TAKE INTO CONSIDERATION THE ENVIRONMENT OF THE MARKET AND THE NUMBER OF SPECIALIZED SUPPLIERS. NEVERTHELESS, USAID MALI HAS PREPARED CRITERIA THAT SHOULD BE USED BY THE PROJECT TO SELECT POTENTIAL SUPPLIERS WHO WILL FURNISH THE PROJECT WITH ALL COMMODITIES THROUGH THE YEAR. THE MALIAN CONTROLLER GENERAL IS WORKING TOWARD ESTABLISHING THIS LIST. ACCORDINGLY, MISSION REQUESTS THAT THIS RECOMMENDATION BE CLOSED.

3.2. WE RECOMMEND THAT THREE PROFORMA INVOICES BE OBTAINED PRIOR TO ALL PURCHASES OVER CFA 100,000. THESE SHOULD BE CHECKED AND THAT WHICH IS MOST ADVANTAGEOUS TO THE PROJECT SELECTED, THE BASIS OF SELECTION JUSTIFIED AND DOCUMENTED AND ALL PRO-FORMA INVOICES AND THE FINAL INVOICES GROUPED TOGETHER FOR FUTURE REFERENCE.

STATUS OF THIS RECOMMENDATION: THIS RECOMMENDATION WAS MADE ON THE BASIS OF A FEW CASES WHERE THE PROJECT DID NOT PROVIDE EVIDENCE OF COMPETITIVE BIDDING DUE TO A FILING PROBLEM. THE MALIAN CONTROLLER GENERAL HAS TAKEN ACTIONS TO ENSURE ADEQUATE BIDDING, DOCUMENTATION AND FILING PROCEDURES FOR ALL PURCHASES, IN CONFORMITY WITH THE PROVISIONS OF THE CURRENT PROJECT MANUAL OF PROCEDURES. MISSION REQUESTS THAT THIS RECOMMENDATION BE CLOSED.

3.3. WE RECOMMEND THAT IN THE FUTURE, REFERENCE BE MADE TO BUDGETS PRIOR TO APPROVAL OF CONTR\CTS AND PURCHASE ORDERS. FULL DETAILS OF VARIANCES SHOULD ALSO BE GIVEN FOR BUDGET VARIANCES. IN RELATION TO THE MARIAM BAH CONTRACT, WE RECOMMEND THAT THE CIRCUMSTANCES LEADING TO THE SIGNING OF THIS CONTRACT BE LOOKED INTO WITH A VIEW TO AVOIDING A RECURRENCE.

STATUS OF THIS RECOMMENDATION: THE PROJECT HAS TAKEN ACTIONS TO ASSURE THAT PRIOR TO APPROVING ANY CONTRACT, REFERENCE WILL BE MADE TO THE RELATED BUDGET ITEM AND THAT MONTHLY BUDGET VARIANCES WILL BE ANALYZED. HOWEVER, THE MALIAN CONTROLLER GENERAL DOES NOT AGREE WITH THE RECOMMENDATION RELATED TO THE MARIAM BAH CONTRACT SINCE THERE WAS NO OVER-COMMITMENT OF THE TECHNICAL ASSISTANCE BUDGET UNDER WHICH HER CONTRACT WAS RECORDED. MISSION REQUESTS THAT THIS RECOMMENDATION BE CLOSED.

3.4. WE RECOMMEND THAT STEPS BE TAKEN BY MANAGEMENT TO ENHANCE ITS INTERNAL CONTROL PROCEDURES. TASKS CARRIED OUT BY THE ACCOUNTANT SHOULD BE REVIEWED AND SOME OF THESE RE-ALLOCATED TO OTHER MEMBERS OF STAFF. IN PARTICULAR, THE ROLES OF OBTAINING PROFORMA INVOICES AND MAKING SELECTION DECISIONS SHOULD BE SEPARATED. ALSO THE TASK OF RECEIVING AND ACKNOWLEDGING RECEIPT OF ITEMS PROCURED SHOULD BE ASSIGNED TO A MEMBER OF STAFF NOT CONNECTED WITH THE APPROVAL OF PAYMENT. WE RECOMMEND THAT THE DELIVERY OF FIXED ASSET ITEMS BE WITNESSED BY SOMEONE OTHER THAN THE ACCOUNTANT. WE ALSO RECOMMEND THAT FIXED ASSETS VERIFICATION BE CONDUCTED BY SOMEONE OTHER THAN THE ACCOUNTANT WHO SHOULD ONLY ASSIST IN IDENTIFICATION.

STATUS OF THIS RECOMMENDATION: AS RECOMMENDED BY THE AUDITORS, THE MALIAN CONTROLLER GENERAL HAS ISSUED AN OFFICE NOTICE TO TRANSFER SOME OF THE RESPONSIBILITIES IN CONNECTION WITH THE PROCUREMENT CYCLE FROM THE ACCOUNTANT TO TWO OTHER AGENTS AND THEREBY IMPROVE THE INTERNAL CONTROL PROCEDURES. USAID MALI WILL FORWARD A COPY OF THIS NOTICE TO RIG DAKAR BY FRIDAY, APRIL 22, 1994. MISSION REQUESTS THAT THIS RECOMMENDATION BE CLOSED.

3.5. THE PROJECT SHOULD STIPULATE A TIME LIMIT WITHIN WHICH ALL ADVANCES SHOULD BE WITHDRAWN AFTER RETURN FROM THE TRIPS FOR WHICH THE ADVANCES WERE MADE. ALL THESE MONIES REFUNDED SHOULD BE DEPOSITED WITHOUT DELAY INTO THE BANK.

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STATUS OF THIS RECOMMENDATION: THIS RECOMMENDATION IS NOT RELEVANT SINCE TRAVEL ADVANCE CHECKS ARE MADE IN THE NAMES OF THE INDIVIDUAL TRAVELLERS AND ANY UNSPENT FUNDS REMAINING AFTER THE TRIPS ARE IMMEDIATELY DEPOSITED INTO THE PROJECT BANK ACCOUNT, (THERE EXISTS NO PETTY CASH). THE AUDITORS ARE CONCERNED WITH A PARTICULAR ADVANCE WHICH WAS MADE TO A CONTROLLER TO COVER A SERIES OF SEMINARS THAT WERE HELD IN FOUR DIFFERENT REGIONS OF MALI, INCLUDING BAMAKO. THE UNSPENT ADVANCE BALANCE WAS REFUNDED TO THE PROJECT AFTER A ONE MONTH DELAY. THIS DELAY OCCURRED BECAUSE THE SEMINAR SCHEDULED IN BAMAKO WAS POSTPONED. MISSION REQUESTS THAT THIS RECOMMENDATION BE DELETED FROM THE FINAL REPORT AND CLOSED.

3.6. WE RECOMMEND THAT INSURANCE COVERAGE BE PROVIDED FOR ALL PROJECT ASSETS. MANAGEMENT SHOULD ENSURE THAT ALL ASSETS ARE GIVEN IDENTIFICATION CODES WHICH SHOULD BE NOTED IN THE FIXED ASSETS REGISTER TOGETHER WITH FULL DESCRIPTIONS OF THE ASSETS. VEHICLES LEAVING THE MALIAN CONTROLLER GENERAL'S OFFICE SHOULD BE INSPECTED TO DETECT ANY UNAUTHORIZED MOVEMENT OF ASSETS.

STATUS OF THIS RECOMMENDATION: THE MALIAN CONTROLLER GENERAL HAS CONTACTED SEVERAL INSURANCE COMPANIES TO EVENTUALLY PROVIDE INSURANCE COVER FOR PROJECT ASSETS OTHER THAN VEHICLES, WHICH ARE ALREADY COVERED.

AT THE TIME OF THE AUDIT, A NEW INVENTORY CONTROL SYSTEM WAS MADE MANDATORY FOR ALL GOVERNMENT OF MALI INSTITUTIONS AND IT INCLUDES, AMONG OTHER THINGS, A FIXED ASSETS REGISTER. AS A SUPREME AUDIT INSTITUTION, THE MALIAN CONTROLLER GENERAL IS REQUIRED TO COMPLETE THE INSTALLATION OF ITS INVENTORY CONTROL SYSTEM WITHIN A REASONABLE TIME FRAME. MISSION REQUESTS THAT THIS RECOMMENDATION BE CLOSED ON A BASIS THAT THE IMPLEMENTATION OF THE SYSTEM IS IN PROGRESS.

3.7. ALL VEHICLE LOG SHEETS SHOULD BE COMPLETED IN EVERY DETAIL. THESE SHOULD BE PERIODICALLY REVIEWED BY THE ACCOUNTANT AND A REASONABLENESS TEST CARRIED OUT AS A MEANS OF CHECKING ON FUEL USAGE. THE RECORD OF COUPONS SHOULD ALSO BE CROSS-CHECKED AT LEAST ONCE A MONTH AND ALSO WHENEVER FRESH COUPONS ARE PURCHASED.

STATUS OF THIS RECOMMENDATION: THE MALIAN CONTROLLER GENERAL HAS ISSUED AN OFFICE NOTICE THAT ADDRESSES THIS RECOMMENDATION. THIS NOTICE CONTAINS THE JOB DESCRIPTION FOR CONTROLLER GENERAL'S AGENTS WHO WILL NOW BE DOING SOME OF THE WORK DONE BY THE ACCOUNTANT BEFORE, THEREBY ALLOWING THE ACCOUNTANT TO HAVE TIME TO CLOSELY FOLLOW UP VEHICLES LOG SHEETS AND GASOLINE USAGE. MISSION REQUESTS THAT THIS RECOMMENDATION BE CLOSED.

3.8. WE RECOMMEND THAT USAID RECOVER THE AMOUNTS

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IDENTIFIED BY THE AUDITORS AS QUESTIONED COSTS FROM THE GOVERNMENT OF THE REPUBLIC OF MALI, (GOVERNMENT OF MALI). MANAGEMENT SHOULD ALSO ENSURE THAT INVOICES AND BILLS ARE REVIEWED PERIODICALLY AND ANY TAXES PAID ARE RECOVERED FROM THE GOVERNMENT OF MALI.

STATUS OF THIS RECOMMENDATION: REFER TO POINTS 2.1 TO 2.5.

3.9. WE RECOMMEND THAT GIVEN THE DIFFERENCE OF OPINION ON THE INTERPRETATION OF THE ACT, (REGARDING PAYMENTS IN LIEU OF LEAVE TO EMPLOYEES), USAID MALI MAKE ITS OWN INTERPRETATION OF HOW IT WISHES THE ACT TO BE INTERPRETED AND TAKE APPROPRIATE ACTION ACCORDINGLY. IN

FUTURE, ALL PAYMENTS SHOULD BE PROPERLY REVIEWED FOR REASONABLENESS, ALLOWABILITY AND PROPRIETY BEFORE APPROVAL.

STATUS OF THE RECOMMENDATION: REFER TO POINT 2.6

3.10. WE RECOMMEND THAT THE TOTAL VALUE OF EQUIPMENT IN THE FIXED ASSETS REGISTER BE RECONCILED WITH THE VALUE STATED IN THE FINANCIAL REPORT. INVENTORY OF NON-EXPENDABLE EQUIPMENT SHOULD BE CARRIED OUT QUARTERLY.

STATUS OF THIS RECOMMENDATION: THE MALIAN CONTROLLER GENERAL IS NOW RECONCILING THE FIXED ASSETS VALUE IN THE REGISTER WITH THAT GIVEN IN THE FINANCIAL REPORT. THE INVENTORY OF NON-EXPENDABLE PROPERTY WILL BE CONDUCTED QUARTERLY AS RECOMMENDED BY THE AUDITORS. MISSION REQUESTS THAT THIS RECOMMENDATION BE CLOSED.

3.11. WE RECOMMEND THAT PRE-NUMBERED PAYMENT VOUCHERS BE INTRODUCED AND USED AS A MEANS OF CODING AND APPROVING ALL PROJECT PAYMENTS.

STATUS OF THIS RECOMMENDATION: THE SUGGESTION FOR A PAYMENT VOUCHER FORMAT PROVIDED BY THE AUDITORS AT THE EXIT CONFERENCE WAS FOUND TO BE UNCLEAR TO THE MALIAN CONTROLLER GENERAL. THE AUDITORS PROMISED TO FURNISH THE CONTROLLER GENERAL WITH AN EXAMPLE OF THAT VOUCHER FORMAT BUT NOTHING HAS BEEN RECEIVED SO FAR. HOWEVER, MISSION BELIEVES THAT THE PAYMENT VOUCHER ACTUALLY IN USE AT THE CONTROLLER GENERAL IS ADEQUATE TO ENSURE GOOD INTERNAL CONTROL OVER PROJECT FUNDS DISBURSEMENTS. MISSION REQUESTS THAT RIG DAKAR ASK THE AUDITORS TO SEND THEIR VOUCHER FORMAT TO THE CONTROLLER GENERAL AND THAT THIS RECOMMENDATION BE CLOSED.

3.12. WE RECOMMEND THAT A REGISTER BE INTRODUCED TO RECORD ALL INCOMING INVOICES AND BILLS.

STATUS OF THIS RECOMMENDATION: THE PROJECT HAS OPENED A REGISTER TO RECORD ALL INCOMING INVOICES AND BILLS. MISSION REQUESTS THAT THIS RECOMMENDATION BE CLOSED.

3.13. WE RECOMMEND THAT PROFORMA INVOICES RELATING TO A PARTICULAR PURCHASE BE GROUPED TOGETHER AND ADEQUATELY REFERENCED TO THE ULTIMATE PURCHASE INVOICE. ALTERNATIVELY, THE PROFORMA INVOICES COULD BE ATTACHED TO THE FINAL INVOICES AND PAYMENT VOUCHER AND SUITABLY REFERENCED.

STATUS OF THIS RECOMMENDATION: WE BELIEVE THAT THIS RECOMMENDATION SHOULD NOT BE SUSTAINED BECAUSE THE MALIAN CONTROLLER GENERAL USES A SYSTEM IN WHICH PROFORMA INVOICES ARE GROUPED TOGETHER WITH COPIES OF PURCHASE REQUISITIONS AND CROSS-REFERENCED TO PURCHASE ORDERS WHICH ARE ATTACHED TO THE FINAL INVOICES TO PERMIT AUDIT TRAILS. MISSION REQUESTS THAT THIS RECOMMENDATION BE CLOSED.

3.14. WE RECOMMEND THAT A DETAILED CONTRACT STATUS BE PREPARED FOR ALL EXISTENT CONTRACTS AND THAT THIS SHOULD BE REVIEWED AND INITIALED BY THE DIRECTOR BEFORE APPROVAL FOR PAYMENT OF ANY INVOICE WHICH IS SUBMITTED UNDER A CONTRACT.

STATUS OF THIS RECOMMENDATION: THE MALIAN CONTROLLER GENERAL WILL APPLY THIS RECOMMENDATION BY REVIEWING THE STATUS OF ANY CONTRACT BEFORE APPROVING PAYMENT AGAINST ANY INVOICE RELATING TO THAT CONTRACT. MISSION REQUESTS THAT THIS RECOMMENDATION BE CLOSED.

3.15. INDIVIDUAL FILES, (INCLUDING ALL DETAILS OF CORRESPONDENCE WITH STAFF), SHOULD BE MAINTAINED FOR ALL PERMANENT STAFF AND PROPERLY REFERENCED FILES FOR TEMPORARY OR SHORT TERM CONTRACTEES SHOULD BE ESTABLISHED. EVERY INDIVIDUAL EMPLOYED BY THE PROJECT SHOULD HAVE AN APPROVED CONTRACT SIGNED BY THE EMPLOYEE AND THE PROJECT EXECUTIVE CLEARLY STATING THE APPLICABLE TERMS OF REFERENCE. HOURLY TIME SHEETS SHOULD BE MAINTAINED FOR INDIVIDUALS EMPLOYED ON A TEMPORARY BASIS AND THERE MUST BE SOMEONE SUPERVISING THEIR WORK AT ALL TIMES AND THIS MUST BE EVIDENCED BY TIME SHEETS.

STATUS OF THIS RECOMMENDATION: PROJECT MANAGEMENT HAS UNDERTAKEN TO ENSURE THAT INDIVIDUALS RECRUITED UNDER

THE PROJECT HAVE PROPERLY ESTABLISHED CONTRACTS, AND

UNCLAS RIG AIDAC BAMAKO 02896

THAT THOSE EMPLOYED ON A TEMPORARY BASIS ARE PROPERLY
SUPERVISED. MISSION REQUESTS THAT THIS RECOMMENDATION BE
CLOSED. DAMERON

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Appendix B**Management report on minor weaknesses**

The attached findings were reported in a letter to USAID/Mali and CGE Management on November 15, 1993.

1. ACCOUNTING SYSTEM

1.1 Lack of payment vouchers - Findings

We observed that payment vouchers are not in use. Approval of bank disbursement is made on the invoices, bills or other supporting documents. Thereafter the cheque number is stated on the document for the purposes of reference.

Implication

This creates difficulties in checking the sequence of payments made and also leads to errors in classification since a payment may relate to more than one budget code.

Recommendation

We recommend that pre-numbered payment vouchers be introduced and used as a means of coding and approval of all project payments.

Management Comments

Mission requests that RIG Dakar ask the auditors to send their voucher format to the Controller General.

1.2 Lack of invoice register - Findings

The project does not have a register where details of all invoices, bills and claims on it are entered.

Implication

There is a possibility of invoices/bills being paid for goods or services not received by the project.

There is no source of reference if invoices/bills already paid are missing.

There is a risk of payments being duplicated where invoices already approved may be represented for payment.

Recommendation

We recommend that a register be introduced to record all incoming invoices and bills.

Management Comments

The project has opened a register to record all incoming invoices and bills.

1.3 Filing of documents - Findings

Proforma invoices, requisitions and invoices are all filed separately. However, there is no proper reference on these documents to facilitate checking.

Implication

There is limited evidence that proforma invoices are obtained prior to and used in the decision as to which supplier to choose from.

Recommendation

We recommend that proforma invoices relating to a particular purchase are grouped together and adequately referenced to the ultimate purchase invoice. Alternatively, the proforma invoices could be attached to the final invoice and payment voucher and suitably referenced.

Management comments

USAID/Mali state that this recommendation should not be sustained because the Malian Controller General uses a system in which proforma invoices are grouped together with copies of purchase requisitions and cross referenced to purchase orders which are attached to the final invoices to permit audit trails.

Auditors response

The Controller General's system of grouping proforma invoices together with copies of purchase requisitions and cross referenced to purchase orders was not applied in the course of the year under review. Whilst requisitions were obtained, their relationship to the final invoice was not evident.

2 PAYMENT OF CONTRACTS - Findings

We observed that the bulk of the payments by the project are on the basis of signed contracts. Both performance and payment are normally over a period of time because of the nature of the contract. Apart from invoices approved by the Director when presented by the Accountant, there is no evidence that both performance and payment status are reviewed prior to approval of current invoices.

Implication

There is a risk of payments being made for items not supplied or payments being approved above that which was contracted for.

Recommendation

We recommend that a detailed contract status be prepared for all existing contracts and this should be reviewed and initialled by the Director before approval of any invoice which is subject of a contract.

Management comments

The Malian Controller General will apply this recommendation by reviewing the status of any contract before approving payment against any invoice relating to that contract.

3 RECORDING AND REPORTING - Salary and wages - Findings

It was observed that no personnel files are maintained for each employee neither were contracts maintained for accountants taken over from the World Bank. The contracts seen for staff on 3 months renewable contracts were not properly filed. Secondly, payrolls prepared did not correctly reflect the amounts payable to the employees.

In addition, the project did not maintain proper and adequate records for the calculation of wages of the computer aides employed to work in the documentation centre. The records maintained did not clearly indicate hours worked and lacked proper evidence of proper supervision in some instances.

Implications

Where individual files are not maintained for permanent staff, or contracts, for temporary staff or consultants, it makes it quite difficult to evaluate staff details and determine actual staff employed by the project and the terms and duration of their contracts.

The absence of signed contracts for personnel taken over from the World Bank makes it impossible to determine actual number taken over and on what terms.

When payroll records are not properly prepared and details shown are incorrect, it creates the risk of manipulation of figures shown on payroll and unintentional under or overpayment of monies to staff and makes it difficult to perform proper reconciliation of payroll.

Where inadequate records are maintained with regards to timekeeping, it makes it quite difficult to determine actual hours worked.

Recommendation

Individual files (including all details of correspondence with staff) should be maintained for all permanent staff and a properly referenced file for temporary/short term contractees

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should be established.

Every individual employed by the project should have an approved contract signed by the employee and the project executive clearly stating terms of reference of employment.

Hourly time sheets should be maintained for individuals employed on a temporary basis and there must be someone supervising the work at all times and this must be evidenced in the time sheets.

Management comments

Project management has undertaken to ensure that individuals recruited under the project have properly established contracts, and that those employed on a temporary basis are properly supervised.

Appendix C

Analysis of Ineligible tax payments

| Payment date | Cheque number | Description | Amount paid FCFA | Taxation paid FCFA |
|----------------------------|---------------|----------------------|---------------------|-------------------------|
| 10/09/91 | 2731453 | 3100 litres fuel | 930,000 | 430,900 |
| 10/09/91 | 2731453 | 50 litres fuel | 15,000 | 6,950 |
| 14/09/91 | 2731454 | 100 litres fuel | 34,000 | 17,900 |
| 11/11/91 | 2731474 | Paper rolls | 72,680 | 10,560 |
| 16/10/91 | 2731474 | Ink cartridge | 85,586 | 12,436 |
| 2/12/91 | 2731493 | Transparencies | 29,250 | 4,250 |
| 9/12/93 | 2731493 | Ink cartridge | 85,586 | 12,436 |
| 3/10/91 | 2731493 | Paper rolls | 201,165 | 29,229 |
| 30/11/91 | 2731490 | Various stationary | 46,800 | 6,800 |
| 19/12/91 | 2723113 | 4 Desks | 477,544 | 69,387 |
| 22/02/92 | 2723147 | 2000 litres fuel | 600,000 | 278,000 |
| 28/03/92 | 2762627 | Working papers | 189,600 | 31,600 |
| 16/06/92 | 2832903 | Vehicle spares | 59,572 | 1,785 |
| 27/07/92 | - | 390 litres fuel | 117,000 | 54,210 |
| 24/07/92 | - | 30 litres fuel | 9,000 | 4,170 |
| 22/08/92 | 2809325 | 550 litres fuel | 165,000 | 76,450 |
| 11/09/92 | 2838286 | projector bulbs | 15,190 | 2,190 |
| 31/12/92 | 2823643 | Vehicle spares | 51,510 | 7,484 |
| 31/12/92 | 2823643 | Sandpaper/cellotape | 10,952 | 1,591 |
| 19/10/92 | 2823609 | Motor spares | 5,575 | 810 |
| 19/10/92 | 2823609 | Motor Oil | 5,527 | 810 |
| 8/06/93 | 22098 | Various motor spares | 2,079,812 | 302,191 |
| Total taxation paid | | | | <u>1,362,139</u> |

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Report Distribution

APPENDIX E

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