

Regional Inspector General for Audit
Dakar

PDABK-42

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**Audit of USAID's Cooperative Agreement with ESPOIR
under the Health and Family Planning Project (No. 681-0005)
in Cote d'Ivoire from November 30, 1992 to September 30, 1994**

**Audit Report No. 7-681-95-008-N
March 17, 1995**



U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

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

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WASHINGTON, D.C. 20521 - 2130

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WEST AFRICA

March 17, 1995

MEMORANDUM

To: Willard Pearson, Director, REDSO/WCA
From: *Walter E. Shepherd*
Walter E. Shepherd, Acting RIG/A/Dakar
Subject: Audit of USAID's Cooperative Agreement with ESPOIR under the Health and Family Planning Project (No. 681-0005) in Cote d'Ivoire from November 30, 1992 through September 30, 1994 (Audit Report No. 7-681-95-008-N)

The attached final report, prepared by the non-Federal audit firm, KPMG Peat Marwick of Banjul, presents the results of a financial audit of USAID's cooperative agreement with ESPOIR under the Health and Family Planning project (No. 681-0005) in Cote d'Ivoire from November 30, 1992 through September 30, 1994 .

On September 30, 1991, the United States and the Government of Cote d'Ivoire (GOCI) signed the Health and Family Planning Project (No. 681-0005) under which the U.S. through the United States Agency for International Development (USAID) was to provide a total grant of \$19.9 million to the GOCI through the Ministry of Health and Social Protection (MOHSP). The purpose of the project is to improve and expand the delivery of services in family planning, HIV/AIDS prevention and maternal and child health in both the public and private sectors, thereby reducing HIV/AIDS transmission and increasing contraceptive prevalence and maternal and child survival. The GOCI was to make a contribution (including in-kind) of not less than \$8.5 million; and the project was scheduled to be completed on September 30, 1995.

The project has four components: 1) family planning; 2) HIV/AIDS prevention; 3) child survival, and 4) maternal health. The HIV/AIDS component is comprised of inter-related elements: condom supply management to ensure an adequate supply of condoms; institutional development of an indigenous non-governmental organization (NGO) to

support community-based interventions: and information, education and communication support to provide information on available HIV prevention and control options and motivate behavioral change.

To implement the HIV/AIDS component of the Health and Family Planning Project, USAID on November 30, 1992, entered into a cooperative agreement (No. 624-0005-A-00-3016-00) with the ESPOIR (Entraide et Soins aux Personnes Malades ou Infectées par le Rétrovirus), an Ivorian NGO. The agreement was amended later on February 11, 1994 to increase funding to a total commitment of \$254,000. The purpose of this financial support was to reinforce ESPOIR's ability to strengthen HIV/AIDS counseling services in Cote d'Ivoire and community-based interventions through the establishment of two information support centers in Abidjan and in another large city. The planned expansion to provide ESPOIR's services in the other large city is expected to commence in February/March 1995. Inputs to be provided by USAID under this cooperative agreement include technical assistance, training, equipment, vehicles, and laboratory support.

KPMG Peat Marwick of Banjul performed the financial audit of USAID's cooperative agreement with ESPOIR in accordance with U.S. Government Auditing Standards to determine whether the Fund Accountability Statement for the period November 30, 1992 through September 30, 1994 was fairly presented and whether ESPOIR complied with applicable laws, regulations, and agreements that may have had a material effect on the Fund Accountability Statement. In carrying out this financial audit, the non-Federal auditor obtained an understanding of ESPOIR's internal accounting controls over the USAID funds to plan the audit and to determine the nature, timing and extent of tests to be performed.

KPMG Peat Marwick found that the Fund Accountability Statement was fairly presented. In obtaining an understanding of the internal control structure, the auditor noted matters involving the internal control structure and its operation, which the auditor considered as not material, and reported them to the management of ESPOIR in a separate letter dated December 27, 1994. Finally, in testing for compliance with applicable laws, regulations and agreements, the auditor stated that the ESPOIR complied in all material respects.

In its response to the draft audit report, REDSO/WCA generally agreed with the auditor's findings and recommendations. The non-Federal audit report contains two findings and two recommendations which should be implemented by REDSO/WCA and ESPOIR. RIG/A/Dakar is not making any recommendations based on the report.

**UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
COTE D'IVOIRE**

**AUDIT OF USAID'S COOPERATIVE AGREEMENT WITH E.S.P.O.I.R. UNDER
THE HEALTH AND FAMILY PLANNING PROJECT (No. 681-0005) IN COTE
D'IVOIRE FROM NOVEMBER 30, 1992 THROUGH SEPTEMBER 30, 1994.**

 **KPMG** Peat Marwick

**Banjul, The Gambia
Chartered Accountants**

Business Consultants

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KPMG Peat Marwick

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pcbw/espoir/9502

Our Ref:

Your Ref:

27 February 1995

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, Côte d'Ivoire.
Audit of USAID's Cooperative Agreement with ESPOIR under the Health and
Family Planning Project (No. 681-0005) in Côte d'Ivoire from November 30,
1992 through September 30, 1994.**

In accordance with your instructions dated November 22, 1994 (IQC no.624-999-I-0-2024-00, Delivery Order No. 12) this report presents the results of our Financial audit of the expenditures made by ESPOIR under the Cooperative Agreement under the Health and Family Planning Project (No. 681-0005) from November 30, 1992 through September 30, 1994.

The audit covered disbursements totalling FCFA 55,883,251 for the period November 30, 1992 through September 30, 1994.

Non-resident Partners:
R.M. Davies (Managing Partner)
D.O. Carew
P. J. Butler

1. SUMMARY

1.1 Background

On September 30, 1991, the United States and the Government of Côte d'Ivoire (GOCI) signed the Health and Family Planning Project (No. 681-0005) under which the U.S. through United States Agency for International Development (USAID) was to provide a total grant of \$19.9 million to the GOCI through the Ministry of Health and Social Protection (MOHSP). The purpose of the project is to improve and expand the delivery of services in family planning, HIV/AIDS prevention and maternal and child health in both the public and private sectors, thereby reducing HIV/AIDS transmission and increasing contraceptive prevalence and Maternal Child Survival. The GOCI was to make a contribution (including in-kind) of not less than \$8.5 million; and the project was scheduled to be completed on September 30, 1995.

The project has four components: 1) family planning; 2) HIV/AIDS prevention; 3) child survival; and 4) maternal health. The HIV/AIDS component is comprised of inter-related elements: condom supply management to ensure an adequate supply of condoms; institutional development of an indigenous NGO to support community-based interventions; and IEC support to provide information on available HIV prevention and control options and motivate behavioral change. Emphasis is placed on the private sector for family planning and HIV/AIDS, and on the public sector - Ministry of Health and Social Protection (MOHSP) for maternal health and child survival objectives.

To implement the HIV/AIDS component of the Health and Family Planning Project, USAID on November 30, 1992, entered into a Cooperative Agreement (No. 624-0005-A-00-3016-00) with the Entraide et Soins aux Personnes Malades ou Infectées par Le Rétrovirus (ESPOIR), an Ivorian NGO. The agreement was amended later on February 11, 1994 to increase funding to a total commitment of \$254,000. The purpose of this financial support was to reinforce ESPOIR's ability to strengthen HIV/AIDS counseling services in Côte d'Ivoire and community-based interventions through the establishment of two information support centres in Abidjan and in another large city. The planned expansion to provide ESPOIR's services in another large city had not taken place at the date of this report. It is expected that this will commence in February/March 1995. No expenditure has yet been made in this respect. Inputs to be provided by USAID under this cooperative agreement include technical assistance, training, equipment, vehicles and laboratory support.

1.2 Audit Objectives and Scope

The objectives of this financial audit are to:

- i Express an opinion on whether ESPOIR's Fund Accountability Statement for the USAID funds presents fairly, in all material respects, USAID funds received and disbursements made for the audit period in conformity with generally accepted accounting principles or other comprehensive basis of accounting (including the cash receipts and disbursements basis and modifications of the cash basis)
- ii Evaluate and obtain a sufficient understanding of ESPOIR's internal control structure related to the USAID funded project, assess control risk, and identify reportable conditions, including material internal control structure weaknesses.
- iii Perform tests to determine whether ESPOIR complied, in all material respects, with the agreement terms and applicable laws and regulations related to the USAID funded program and express positive assurance on those items tested and negative assurance on those items not tested. All material instances of noncompliance and all indications of illegal acts should be identified.

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

- Review of the Cooperative agreement between USAID and ESPOIR.
- Review of the subsequent amendment to the agreement.
- Review of contracts and subcontracts with third parties.
- Review of OMB Circular A-122 "Cost Principles for Nonprofit Organizations".
- Review of OMB Circular A-21 "Cost Principles for Educational Institutions".
- Review of Federal Acquisition Regulations (FAR).
- Review of USAID Acquisition Regulations (AIDAR).
- Review of Mandatory Standard Provisions for Non-U.S. Nongovernmental Grantees (USAID Handbook 13).
- Review of all Project financial and progress reports, charts of accounts, organisational charts; accounting systems descriptions; procurement policies and procedures.
- Review of direct costs billed to and reimbursed by USAID and costs incurred but pending reimbursement by USAID, identification and quantification of all questionable costs.
- Review of general ledgers and project ledgers to determine whether costs incurred were properly recorded. Reconciliation of direct costs billed to and reimbursed by USAID to the ESPOIR ledgers and general ledgers.
- Review of procedures used to control funds. Review of bank accounts and the controls on those bank accounts. Positive confirmation of bank balances.
- Determination of whether advances of funds were justified with documentation, including reconciliations of funds advanced, disbursed and available. We ensured that all project funding received by ESPOIR from USAID is appropriately recorded in ESPOIR's accounting records and that those records are periodically reconciled with information provided by USAID.
- Review of procurement procedures to determine that sound commercial practices including competition were used and reasonable prices were paid.
- Review of direct salary charges to determine whether the beneficiaries have been approved by USAID, and whether they are supported by appropriate payroll records. Determination of whether overtime is charged to the project and whether it is allowable under the terms of the cooperative agreement. Determination of whether allowances and fringe benefits received by employees are in accordance with the agreements and applicable laws and regulations.
- Review of travel and transportation charges to determine whether they were adequately supported and approved.
- Obtaining a sufficient understanding of the internal control structure to determine the nature, timing and extent of testing to be performed.

- Identification of the agreement terms and pertinent laws and regulations and determined which of those if not observed could have a direct and material effect on the Fund Accountability Statement.
- Assess for each material requirement, the risks that material noncompliance could occur. This included a consideration and assessment of the internal controls in place to assure compliance with agreement terms, laws and regulations.
- Design audit tests and procedures to test for errors, irregularities, and illegal acts that provide reasonable assurance of detecting both intentional and unintentional instances of noncompliance with agreement terms and applicable laws and regulations that could have a material effect on the fund accountability statement. We were aware of the possibility of illegal acts that could have an indirect and material effect on the fund accountability statement.
- Determination of whether payments have been made in accordance with the cooperative agreement terms and applicable laws and regulations.
- Determination of whether funds have been extended for purposes not authorised or not in accordance with the cooperative agreement terms and applicable laws and regulations.
- Determination of whether any commodities directly procured by USAID are unaccounted for or have not been used for their intended purposes in accordance with the cooperative agreement terms.
- Determination of whether those that received services and benefits were eligible to receive them.
- Determination of whether ESPOIR financial reports and claims for advances and reimbursement contain information that is supported by the books and records.

The scope of this financial audit was those expenditures made by ESPOIR from the USAID funds committed by the cooperative agreement under the Private Sector HIV/AIDS Budget Element of USAID's Health and Family Planning Project from November 30, 1992 through September 30, 1994.

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.

Our audit work was carried out on site at ESPOIR and USAID/Côte d'Ivoire. At the beginning and end of the field work, respectively, an entrance and exit conference were held to formally advise Project management and USAID/ Côte d'Ivoire of the audit objectives and scope and results. Prior to the exit conference, KPMG discussed the findings of our audit with USAID/Côte d'Ivoire and ESPOIR personnel.

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 ESPOIR in connection with USAID's grant to the ESPOIR under the Health and Family Planning Project was presented fairly.

1.3.2 Summary of audit results - Internal control

We have assessed the overall internal control environment of ESPOIR 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 consciousness | - satisfactory |
| • segregation of duties | - satisfactory |
| • management override | - satisfactory |
| • competence of personnel | - satisfactory |
| • Protection of assets and records | - satisfactory |

1.3.3 Compliance

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

- Project Grant Agreement
- Project Implementation Letters
- The Cooperative agreement effective November 30 1992 and subsequent amendment dated February 11, 1994.

1.4 Synopsis of Management Comments

Management of REDSO/WCA and ESPOIR agreed with the findings presented in this report which are included in sections 4.2.1 and 4.2.2 of this report and are shown verbatim in 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 ESPOIR for the period November 30, 1992 to September 30, 1994. The Fund Accountability Statement is the responsibility of ESPOIR'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 as required by section 3.4.6 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. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the Fund Accountability Statement. An audit also includes assessing the accounting principles used and significant estimates made by project management, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1 to the Fund Accountability Statement, 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 ESPOIR'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.

KPMG Paul Marwick

Chartered Accountants
Banjul, The Gambia.

Date: *27 February 1995*

2.2 Fund Accountability Statement

Budget category	Actual	Actual	Ineli-	Ineli-	Notes
	FCFA	US\$	gible	gible	
			FCFA	US\$	
RECEIPTS					
Advances	64,741,913	164,710	-	-	
Advances recovered			-	-	
			-	-	
DISBURSEMENTS:					
Salaries	45,110,480	125,064	-	-	
Consultants	386,000	1,070	-	-	
Office equipment, rent, furniture and repairs	3,027,508	8,393	-	-	
Office supplies and maintenance	3,813,159	10,572	-	-	
Vehicle maintenance and fuel	1,291,267	3,580	-	-	
Utilities	978,020	2,711	-	-	
Information, education and communication	1,076,660	2,985	-	-	
Exchange Difference	-	(5,789)	-	-	
	55,683,094	148,586			
Unallowed Expenditure	200,157	555	-	-	
TOTAL DISBURSEMENTS	55,883,251	149,141	-	-	
OUTSTANDING BALANCE	8,858,662	15,569	-	-	2

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. Outstanding balance

This amount was satisfactorily reconciled with the balance at bank and petty cash balances. The balance at bank was confirmed.

3. Currency Translation

Where necessary, currency translations have been performed using the Temporal method. That is, expenditures have been translated at the average rate for the period, based on actual rates at the time of liquidation of expenses. Advances have been translated at the actual rate prevailing at the time of the transfer.

Average	FCFA 360.7 to \$1
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Closing	FCFA to 569 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 ESPOIR under the Health and Family Planning Project (No: 681-0005) from November 30, 1992 through September 30, 1994 and have issued our report thereon dated February 27, 1995.

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 as required by section 3.4.6 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 ESPOIR 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 ESPOIR 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 no matters involving the internal control structure and its operation that we consider to be a reportable condition 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 ESPOIR's ability to record, process, summarize and report financial data consistent with the assertions of management in the Fund Accountability Statement.

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 the reportable condition described above is not a material weakness.

We did however note matters involving the internal control structure and its operation that we reported to the management of USAID/Côte d'Ivoire and the ESPOIR in a separate letter dated December 27, 1994.

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

**Chartered Accountants
Banjul, The Gambia**

Date 27 February 1995.

4. COMPLIANCE WITH AGREEMENT TERMS AND APPLICABLE LAWS

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

We have audited the Fund Accountability Statement representing the revenues and expenditures of ESPOIR under the Health and Family Planning Project (No 681-0005) for the period November 30, 1992 through September 30, 1994 and have issued our report thereon dated February 27, 1995.

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 as required by section 3.4.6 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 mis statement.

Compliance with agreement terms and laws and regulations applicable to ESPOIR is the responsibility of ESPOIR management. As part of obtaining reasonable assurance about whether the Fund Accountability Statement is free of material misstatement we performed tests of ESPOIR'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.

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

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

**Chartered Accountants
Banjul, The Gambia**

Date *27 February* 1995.

4.2 Findings

4.2.1 Payment of Employment Taxes from USAID Côte d'Ivoire Advances and subsequent liquidation of such expenses.

Observation

We noted that ESPOIR has paid the employers contribution of employment taxes and social security contributions from USAID advances and have justified these to USAID as liquidated advances.

In addition we noted the payment of FCFA 30,564 (US\$ 85) representing sales tax on a number of vehicle repair invoices.

The Cooperative Grant Agreement between ESPOIR and USAID and subsequent amendment signed February 11, 1994 includes the provisions of Appendix 4D entitled "Mandatory standard provisions for non-US, non Governmental Grantees", dated May 1986. These provisions prohibit the payment of "taxes" by a non Governmental recipient of USAID funds.

From our discussions with USAID/Côte d'Ivoire we understand, and have seen a unilaterally signed amendment to the cooperative agreement to the effect, that the mandatory provisions of June 1993 are to replace those included in the agreement as at September 30, 1994 which do not exclude the payment of taxes as allowable costs.

Although the payment of these taxes would be questioned as ineligible under the 1986 provisions we have not questioned these costs in our fund accountability statement pending receipt of the bilateral signed amendment which would render the taxes allowable under the cooperative agreement. Should it not be possible to obtain a copy of the bilaterally signed amendment such costs would be questioned as ineligible and we would recommend their recovery from ESPOIR by USAID/Côte d'Ivoire.

Management comments

Please find attached a copy of the amendment of the ESPOIR Cooperative Agreement that was signed by the representatives of REDSO/WCA and ESPOIR.

As REDSO/WCA has received a copy of the bilaterally signed amendment these costs are eligible for USAID financing.

4.2.2 Payment of project costs prior to July 1, 1992.

Observation

We noted that The Cooperative Grant Agreement between ESPOIR and USAID and subsequent amendment signed February 11, 1994 includes provision for the payment of project costs between July 1, 1992 and November 30, 1992.

These provisions allow for the reimbursement of "Telephone" costs up to an amount of US\$ 4,074.

ESPOIR have submitted a liquidation request as at September 30, 1994, which at the time of our audit had not been approved by USAID/Côte d'Ivoire, which includes an amount of FCFA 1,501,750 being the cost of installing a telephone system in May 1992 which was paid for by ESPOIR from other funds during May and June 1992.

ESPOIR intend to refund these other funds by liquidation of current USAID advances.

Our interpretation of the cooperative agreement prohibits reimbursement of expenditures made prior to July 1, 1992 and as such these costs should not be allowed as a liquidation as at September 30, 1994.

From discussions with USAID/Côte d'Ivoire we understand that it is unusual for pre agreement project costs to be limited to those incurred during a specific period and that the grant would be retrospectively amended so as to remove this limitation enabling the costs to be liquidated.

Recommendation

We recommend that USAID/Côte d'Ivoire either withhold the liquidation of the cost of the telephone system as at September 30, 1994 or amend the cooperative agreement to remove the limitation on liquidation of expenses incurred prior to July 1, 1992.

Management comments

REDSO/WCA concurs with the finding and recognizes that attachment 5 of the Cooperative Agreement between ESPOIR and USAID doesn't expressly include the installation of the telephone system.

The project office is discussing an amendment to the ESPOIR cooperative agreement to justify pre-award costs with the REDSO/WCA regional contracting officer, since it was the intent of REDSO/WCA to authorize this expense.

MEMORANDUM

APPENDIX A

DATE: January 25, 1995

FROM: Willard J. Pearson, Director, REDSO/WCA

SUBJECT: Audit of USAID's Cooperative Agreement with ESPOIR under the Health and Family Planning Project (No. 681-0005) from November 30, 1992 through September 30, 1994.

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

We have reviewed the draft subject audit report of ESPOIR under the Health and Family Planning Project. Our comments provided below are intended to address the findings and recommendations as you requested in your memorandum dated January 10, 1995.

Finding 4.2.1: Payment of Employment Taxes from USAID Cote d'Ivoire Advances and subsequent liquidation of such expenses

Recommendation: Should it not be possible to obtain a copy of the bilaterally signed agreement such costs would be questioned as ineligible and we would recommend their recovery by USAID/Cote d'Ivoire.

Comment: Please find attached a copy of the amendment of the ESPOIR Cooperative Agreement that was signed by the representatives of REDSO/WCA and ESPOIR.

Conclusion: As REDSO/WCA has received a copy of the bilaterally signed amendment, these costs are eligible for USAID financing.

Finding 4.2.2: Payment of project costs prior to July 1, 1992.

Recommendation: We recommend that USAID/Cote d'Ivoire either withhold the liquidation of the cost of the telephone system as at September 30, 1994 or amend the cooperative agreement to remove the limitation on liquidation of expenses incurred prior to July 1, 1992.

Comment: REDSO/WCA concurs with the finding and recognizes that attachment 5 of the Cooperative Agreement between ESPOIR and USAID doesn't expressly include the installation of the telephone system.

Conclusion: The project office is discussing an amendment to the ESPOIR cooperative agreement to justify pre-award costs with the REDSO/WCA regional contracting officer, since it was the intent of REDSO/WCA to authorize this expense.

AMENDMENT OF COOPERATIVE AGREEMENT

1.(a) Amendment No. Two (02)	2.(a) Agreement No. 624-0005-A-00-3016-00
1.(b) Effective Date November 30, 1992	2.(b) Effective Date November 30, 1992
3. Recipient (Name and Address) ESPOIR-COTE D'IVOIRE 01 BP 6929 Abidjan 01 Cote d'Ivoire	4. Administered By Agreement Officer Office of Procurement REDSO/WCA/OP, c/o American Embassy 01 B.P. 1712, Abidjan 01 Côte d'Ivoire
5. Fiscal Data (This Amendment) Project No. : 681-0005 Project Office : REDSO/WCA/PMO/HP PIO/T No. : 681-0005-3-20342 Appropriation : 72-112/31014 Budget Plan Code: GSS2-92-21681-KG13 Res. Control No.: W320100	6. Funding Status Previous Est. Amount : Increase this Amt. : Total Estimated Amount : Previous Obligation : \$254,000 This Obligation : -0- Total Obligated Amount : \$254,000 Estimated Add'l. Oblig.:

7. The United States Government, represented by the Agency for International Development (hereinafter referred to as "USAID" or "Grantor") hereby amends this Agreement pursuant to the authority contained in the Foreign Assistance Act of 1961, as amended, and the Federal Grant and Cooperative Agreement Act of 1977 (P.L. 95-224).

The purpose of this amendment is to (1) revise the estimated completion date to September 30, 1994, (2) delete the Mandatory Standard Provision Number entitled "Allowable Costs (May 1986)" and substitute the provision "Allowable Costs (June 1993) in lieu thereof.

All other terms and conditions remain unchanged.

8. Except as herein provided, all terms and conditions of the Agreement referenced in Block # 2(a) as heretofore changed, remain unchanged and in full force and effect.

9. Recipient is required to sign this document and return the original and (two) 2 copies to the issuing office.

10.(a) RECIPIENT ACKNOWLEDGEMENT
ESPOIR-COTE D'IVOIRE

BY: J. AGNESS-SOUNHORO
A. Boudouma
(Name typed or printed)

TITLE: PRESIDENT

DATE: 27-01-95

10.(b) UNITED STATES OF AMERICA
AGENCY FOR INTERNATIONAL DEVELOPMENT

BY: Orion Yeandel
(Name typed or printed)

TITLE: Agreement Officer

DATE: 27-01-95