

**Regional Inspector General for Audit
Dakar**

**Audit of the Rural Economic Institute's Expenditures charged
to the Mali Farming Systems Research and Extention Project
(No. 688-0232) from April 1, 1989 to April 30, 1993**

**Audit Report No. 7-688-95-006-N
March 17, 1995**



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

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March 17, 1995

MEMORANDUM

To: Joel Schlesinger, Director, USAID/Mali
From: *Walter E. Shepherd*
Walter E. Shepherd, Acting RIG/A/Dakar
Subject: Audit of the Rural Economic Institute's Expenditures Charged to the Mali Farming Systems Research and Extension Project (No. 688-0232), from April 1, 1989 to April 30, 1993; (Audit Report No. 7-688-95-006-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 operating costs of the Rural Economic Institute, under the Farming Systems Research and Extension Project in Mali from April 1, 1989 to April 30, 1993.

On March 9, 1985, the U.S. Agency for International Development (USAID) and the Government of the Republic of Mali (GRM) signed a bilateral agreement for the Farming Systems Research and Extension Project (FSRE) to improve the production, productivity and incomes of rural households. The purpose of the FSRE is to provide institutional support to the GRM's Rural Economic Institute (IER) to improve the effectiveness of its farming systems research program in order to develop agricultural technology relevant to farmers needs and circumstances, and to promote the effective transfer of such technology. IER is charged with the planning and administration of all research programs in Mali and its Division of Farming Systems Research (DRSPR) is directly responsible for the day-to-day implementation of the FSRE and for the management and control of operating expenses. To this end, the DRSPR received advances from USAID/Mali which were to be deposited into a separate interest-bearing account. As of April 30, 1993, \$4,177,630 had been granted to the IER. Of this amount, disbursements during the audit period totalled \$3,187,936.

KPMG Peat Marwick performed the financial audit in accordance with U.S. Government Auditing Standards of the \$3,187,936 in disbursements during the period April 1, 1989 to April 30, 1993 to determine whether the Fund Accountability Statement was fairly presented and whether IER 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 IER'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 fairly presents the disbursements made by the IER from the USAID grant, except for questioned costs of \$60,152 which consisted of \$37,814 in unsupported expenditures and \$22,338 in ineligible costs. The unsupported questioned costs consisted of \$428 in travel advances and \$37,386 in unconfirmed receivables owed to the project. The ineligible questioned costs consisted of \$17,596 in interest received and proceeds from sales of project assets which were not refunded to USAID, \$1,262 in unrecovered stolen cash, and \$3,480 in various ineligible costs charged to the project. Regarding the internal control structure, the auditor reported on non-material weaknesses due to the lack of adequate internal controls in several areas. Finally, in testing for compliance with applicable laws, regulations, and agreements, the auditor stated that IER complied in all material respects.

In its response to the draft report, USAID/Mali generally agreed with the auditor's findings and recommendations and also stated the actions taken or planned to resolve the questioned costs. Regarding the \$60,152 cost questioned, USAID/Mali determined not to sustain \$15,553 because the transactions involved were either authorized by USAID or subsequently justified by the IER; the Mission is yet to provide evidence to support this position. USAID/Mali resolved \$7,213 as sustained, of which it has recovered \$4,368 and plans to issue a bill for collection for the remaining \$2,845. The Mission is yet to make a determination regarding the sustainability of the remaining \$37,386 which represents the unconfirmed receivables.

The non-Federal audit report contains eleven findings and eleven recommendations which should be implemented by USAID/Mali and IER. The following recommendation to resolve questioned costs will be included in the Office of the Inspector General's recommendation follow-up system.

Recommendation No. 1: We recommend that USAID/Mali resolve the questioned costs of \$60,152 (\$37,814 unsupported) and recover those costs determined to be unallowable or unsupported.

Recommendation No. 1 is considered unresolved since of the \$60,152 questioned, USAID/Mali has made a determination on \$22,766 but is yet to determine the sustainability of the \$37,386 outstanding unconfirmed balance. To resolve this recommendation, USAID/Mali will have to advise RIG/A/Dakar of its official determination regarding the sustainability of the \$37,386 in unconfirmed balance. For any amount which USAID/Mali determines to be not sustained, RIG/A/Dakar will close that portion of the recommendation upon receipt of the Mission's determination and any evidence required to support the position taken. For those amounts which the Mission determines to be sustained, that portion of the recommendation will be closed when such questioned costs are billed for collection or recovered by USAID/Mali and the evidence thereof is provided to RIG/A/Dakar. Such evidence may include a copy of: a bill for collection, a document showing reimbursement, or a document showing that the amount questioned was offset against amounts due by USAID.

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

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UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
MALI
AUDIT OF THE RURAL ECONOMIC INSTITUTE'S EXPENDITURES CHARGED
TO THE MALI FARMING SYSTEMS RESEARCH AND EXTENSION PROJECT
(NO 688-0232), FROM APRIL 1, 1989 TO APRIL 30, 1993

 **Peat Marwick**

BANJUL, THE GAMBIA

Chartered Accountants and Business Consultants

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Our Ref:

~~10~~March 1995

Mr Thomas B. 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 Rural Economic Institute's Expenditures charged to the Mali
Farming Systems Research Extension Project (No 688-0232), April 1, 1989 to
April 30, 1993.

In accordance with your instructions dated May 10, 1993 (IQC no. 624-999-1-0-2024-00,
Delivery Order No. 6) this report presents the results of our financial audit of the expenditure
charged by the Rural Economic Institute to the Mali Farming Systems Research Extension
Project (No 688-0232).

The audit covered expenditures totalling FCFA 889,434,153 for the period April 1, 1989 to
April 30, 1993.



Member firm of
Klynveld Peat Marwick Goerdeler

Resident Manager:
Philip C Burrow

Non-resident Partners:
R. M. Davies (Managing Partner)
D. O. Carew
T. W. Allen
F. C. M. ...

1. SUMMARY

1.1 Background

1.1.1 Project purpose and objectives

On March 9, 1985, USAID and the Government of Mali (GRM) signed a bilateral agreement for the Farming Systems Research and Extension Project (FSRE) to improve the production, productivity and incomes of rural households. The purpose of FSRE was to provide institutional support to the GRM's Institute of Rural Economy (IER) to expand and increase the effectiveness of its farming systems research program in Mali in order to develop agricultural technology relevant to farmers needs and circumstances, and to promote the effective transfer of such technology.

The project consists of three main components:

1 Expansion of Farming Systems Research and Extension

The project planned to expand the operations of the IER to the Operation Haute Vallee zone in 1985 and the Operation Mil Mopti and Riz Mopti in Region V in 1989. In addition under this component the project planned to improve the management of the expanded research program and to improve communication, coordination and logistics. The farming Systems Research Division (DRSPR) was moved from Sikasso to Bamako.

2 Improvement of Research Extension Linkages

The project strengthened and developed four kinds of linkages

- linkages within the research system
- linkages between DRSPR, extension agencies and farmers
- linkages between DRSPR and training institutions and
- linkages between research organisations and those charged with agricultural policy and national planning

3 Training and staff development

The project aimed to strengthen the capacity of the national agricultural research and training institutions in Mali to conduct farming systems research and extension by providing four types of training:

- long term graduate training overseas
- short term training outside Mali at relevant International Agricultural Research Centres (IARC'S)
- In country workshops and seminars
- on the job training and introduction of FSRE concepts into the curricula of agricultural training institutions.

The financial audit performed covered the expenditures incurred by IER under the grant for the period 1 April, 1989 to 30 April 1993. The budget for this period is set out below:

	CFA
Construction	10,629,085
Vehicles and Mopeds	60,753,625
Other equipment	66,699,450
Research equipment	5,164,495
Training	36,680,117
Contingency	892,600
Salaries	203,946,933
Travel and transportation	32,779,250
Maintenance and repairs	79,524,402
Utilities and supplies	41,020,581
Support to other centres	325,771,941
Other expenses	61,762,112
Contingency	2,857,563
Total	928,482,154

1.2 Audit Objectives and Scope

The objectives of this financial audit are to:

- i. determine the reasonableness, propriety and allowability of expenditures made by IER during the period April 1, 1989 to April 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 or other comprehensive basis of accounting, including the cash receipts and disbursements basis;
- ii. obtain sufficient understanding of IER'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:
 - the scope of the auditor's work in obtaining an understanding of the internal control structure and in assessing the control risk,
 - IER'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,
 - the reportable conditions, including the material weaknesses identified as a result of the auditor's work in understanding and assessing the control risk; and
- iii. perform tests of IER's compliance with applicable laws, regulations, binding policies and procedures, and the Program 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 respects with agreement terms, law, binding policies, and regulations and express positive assurance on 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 the 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 paper, project implementation letters and other related project documents and identifying those laws and regulations which, if not observed, could have a direct and material effect on the fund accountability statement;
- Review of previous financial evaluations and reports;
- Determination, understanding, documentation and evaluation of IER's 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 IER 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 IER recorded revenues and expenditures with bank records;
- Compilation of the fund accountability statement and agreement to the underlying records of the IER for the local operating account for the period under review;
- Determination of whether advances and reimbursements were made in accordance with agreement terms and reconciliation of advances and reimbursements per USAID accounting system with those amounts reported by the IER as receipts from USAID;
- Evaluation of the IER's physical and accounting controls over USAID financed commodities and the determination of their proper use, maintenance and custody;

- Determination as to whether the IER is in compliance with applicable laws, regulations and agreements by evaluating the IER 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 A.I.D 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 of 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 program which requires KPMG , Banjul office to undergo a periodic 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 the Government environment. However we do not believe this departure from Government Auditing Standards have any impact on the results of this audit and we are taking appropriate steps to implement a continuing education program that fully satisfies the requirement.

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

1.3 Summary of Audit Results

1.3.1 Financial Section

We found that the Fund accountability statement representing the funds provided to IER by USAID under the FSREP was presented fairly except for questioned costs of FCFA 16,341,414 (\$ 60,152). Our audit testing found that IER charged to the project ineligible questioned costs of FCFA 6,090,903 (\$ 22,338). In addition expenditures were made in the amount of FCFA 10,250,511(\$ 37,814) which were not supported by adequate documentation at the time of our audit. These questioned costs are summarised in the fund accountability statement.

1.3.2 Internal control structure

Our overall assessment of the following aspects of the project's internal controls are as follows:

- control consciousness - Satisfactory
- segregation of duties
 - Sotuba Site - Satisfactory
 - Mopti Site - Weak
- management override - Satisfactory
- competence of personnel
 - Sotuba Site - Satisfactory
 - Mopti Site - Weak
- protection of assets and records - Satisfactory

The following reportable internal control weaknesses which we do not consider material were noted:

- Lack of control over travel advances (3.2.1)
- Bank charges paid on transfer of funds from Sotuba to Mopti (3.2.2)
- Lack of control over postings to the SECID loan account (3.2.3)
- Lack of fixed asset register and individual identification of assets(3.2.4)
- Lack of control over vehicle usage and fuel consumption (3.2.5)
- Lack of adequate control over cash balances (3.2.6)
- Inadequate incorporation of Mopti figures in the Financial Management Expert Report (3.2.7)

1.3.3 Compliance

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

- Project Grant Agreement and Amendments thereto.
- Project Implementation letters
- Malian open market bidding regulation- Decree no. 92-059/P-CTSP
- Malian code du Travail
- Malian code de prevoyance social

In our tests of compliance with the aforementioned laws, regulations and policies, we found the following immaterial instances of non compliance:

- Inappropriate payment of sales and other taxes on Sotelma invoices, printing invoices and petrol. (4.2.1)
- Non payment of Income Tax and National Insurance (4.2.2)
- Recording and Reporting cycle: Lack of visibility over contributions to the project from the GRM (4.2.3)
- Non reimbursement of interest receipts and proceeds from the sale of USAID assets.(4.2.4)

1.4 Synopsis of Management comments

Management comments have been incorporated into our findings and are shown verbatim in appendix A of our report.

2. Financial Section

2.1 Independent auditor's report

We have audited the Fund Accountability Statement (section 2.2) of the local expenditures charged by IER to the Project for the period April 1, 1989 to April 30, 1993. The Fund Accountability Statement is the responsibility of IER'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 sections 3.46 and 3.6 respectively of the aforementioned standards (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 part of our examination and as described in the schedule of questioned costs we found questioned costs totalling FCFA 16,341,414 (\$ 60,152) out of which FCFA 10,250,511 (\$ 37,814) was unsupported and CFA 6,090,903 (\$ 22,338) ineligible. These costs are to be resolved by USAID/Mali.

Except for the effects of any adjustments, if any, as might be determined to be necessary after the resolution of questioned costs as discussed above, in our opinion the Fund Accountability Statement referred to above presents fairly, in all material respects, advances received and expenditures charged by IER for the period in conformity with the basis of accounting described in note 1 of the Fund Accountability Statement.(section 2.2)

KPMG Peat Marwick

Firms Signature

Chartered Accountants

Banjul, The Gambia

Date *2 March* 1995

2.2 Fund Accountability Statement at April,30 1993

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Fund Accountability Statement

Description	Budget CFA	Receipts/Expenditures		Adjusted Actual CFA	Notes	Questioned Costs		Notes	
		Actual CFA	Adjustments CFA			Ineligible \$	Unsupported CFA		
Receipts									
Advances for the period to 3/31/89		300,784,009		300,784,009	3				
Advances during the period 3/31/89 to 4/30/93		864,774,656		864,774,656					
Total receipts from USAID/Mali		1,165,558,665		1,165,558,665					
Expenditures									
Expenditures justified to USAID/Mali at 3/31/89		259,920,932		259,920,932	3				
Expenditures justified to USAID/Mali during the period 3/3/89 to 4/30/93:									
Construction	10,629,085	10,587,035	5,823,220	16,410,255		500,000	1,792		8
Vehicles and Mopeds	60,753,625	59,290,625	376,850	59,667,475					
Other Equipment	66,699,450	60,843,959	2,963,850	63,807,809					
Research Equipment	5,164,495	2,330,995	943,823	3,274,818					
Training	36,680,117	27,874,096		27,874,096					
Contingency	892,600								
Salaries	203,946,933	200,719,376	16,725,186	217,444,562					
Travel and Transportation	32,779,250	32,971,100	8,408,070	41,379,170				119,360	428 8
Maintenance and repairs	79,524,402	82,977,017	7,128,240	90,105,257					
Utilities and supplies	41,020,581	121,849,249	3,035,260	124,884,509		215,832	774		
Support to other centres	325,771,941	225,447,677	(48,917,927)	176,529,750					
Other expenses	61,762,112	59,152,365	8,904,087	68,056,452		606,760	2,176		8
Contingency	2,857,563								
Expenditures justified to USAID/Mali during the period 3/3/89 to 4/30/93:	928,482,154	884,043,494		889,434,133					
Total Expenditures justified to USAID/Mali at 4/30/93	928,482,154	1,143,964,426		1,149,355,085		1,322,592	4,742	119,360	428
Balance of Un liquidated advances at 4/30/93		21,594,239		16,203,580					
Outstanding Balances									
Debtors		10,397,881	3,134,365	13,532,246	4			10,131,151	37,386 8
Creditors		(25,737,485)	212,598	(25,524,887)	5				
Funds due to USAID		(4,768,311)		(4,768,311)	6	4,768,311	17,596		8
Cash balances									
Scrubie		35,629,135		35,629,135					
Mopti		9,007,019	(9,027,283)	(20,264)					
Petty cash account		150,000	289,661	439,661					
Contribution from The Government of Mali		(3,084,000)		(3,084,000)	7				
Total outstanding balances		21,594,239		16,203,580					
Proof									
						4,768,311	17,596	10,131,151	37,386
Total receipts		1,165,558,665		1,165,558,665					
Total disbursements		1,143,964,426		1,149,355,085					
Total outstanding balances		21,594,239		16,203,580		6,090,903	22,338	10,250,511	37,814

2.3 Notes to the Fund Accountability Statement

1. The Project maintained its accountings records on an accrual basis which is a basis of accounting in accordance with generally accepted accounting principals..
2. The project maintained two accounting systems. We have based our FAS on the system maintained at the Sotuba site which is shown as the actual column in the Fund Accountability Statement and represents the consolidated records of the two sites as reported to USAID/Mali.

The adjustments made in the adjustments column are the entries necessary to ensure that the actual disbursements of the Mopti site, as recorded in the records maintained at Mopti, are correctly recorded in the consolidated records of the Sotuba site. The adjustments made are therefore a reanalysis of the line item 'support to other centres' and the Mopti outstanding bank balance at April 30, 1993, which was incorrectly shown in the consolidated Sotuba records. (section 3.2.7)

3. These advances and disbursements relate to the period ended March 31, 1989 and have not been audited as part of this audit.
4. The Debtors figure of FCFA. 13,532,246 comprises the following items;

	FCFA
Travel Advances	2,471,191
Accounts Receivable	929,904
SECID current account	10,131,151
Total	13,532,246

These amounts represent payments made by the project not yet justified to USAID/Mali, as of April 30, 1993. These amounts are to be either justified and charged to the expenditure accounts or refunded to the project. At the time of our audit, except for the SECID current account, the recovery of which is questionable since SECID was not able to confirm its balance, the other debtor balances were justified.

5. The Creditors figure of FCFA. 25,359,969 comprises the following items;

	FCFA
Social Security contributions	1,268,571
Due to Mobylette account	2,689,149
Due to suppliers	21,402,249
Sundry creditors at Mopti	164,918
Total	25,524,887

These amounts represent accrued expenditures which have been charged to the expenditure accounts but not yet paid, as of April 30, 1993.

6. Funds due to USAID.

	FCFA
Proceeds of sales of project assets not refunded	3,584,666
Interest received on project funds at Sotuba not refunded to USAID	1,183,645
Total	4,768,311

7. Contribution from the Government of Mali.

This amount represents funds received from the Government of Mali which have not been justified to USAID/Mali. The project records do not show any expenditure charged against the contribution from GRM. Total project expenditures have been charged against advances received from USAID and agree with USAID/Mali's MACS report.

8. Schedule of Questioned Costs

8.1 Ineligible costs

Ineligible cost of renovation of non IER property (section 3.2.3)	500,000
Sales tax paid on Sotelma and printing invoices at Mopti (See section 4.2.1)	215,832
Cash balance stolen (section 3.2.6)	352,000
Ineligible bank charges paid (section 3.2.2)	254,760
	606,760
	<hr/>
	1,322,592
Proceeds of sales of project assets not refunded (section 4.2.4)	3,584,666
Interest received on project funds at Sotuba not refunded to USAID (section 4.2.4)	1,183,645
Total	6,090,903

8.2 Unsupported costs

Unsupported travel advances (section 3.2.1)	119,360
Unconfirmed amount owed by SECID to the project (section 3.2.3)	10,131,151
Total	10,250,511

3. INTERNAL CONTROL STRUCTURE

3.1 Independent Auditor's Report on Internal Controls

We have audited the Fund Accountability Statement of IER under farming systems research extension project for the period April 1, 1989 to April 30, 1993 and have issued our report thereon dated March 2, 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 nor did our audit staff complete the minimum continuing education as required by sections 3.46 and 3.6 respectively of the aforementioned standards (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.

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

The management of the IER 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 project management's authorisation and recorded properly to permit the preparation of the Fund Accountability Statement 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 obtain 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 IER's ability to record, process, summarise 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 control over travel advances (3.2.1)
- Bank charges paid on transfer of funds from Sotuba to Mopti (3.2.2)
- Lack of control over postings to the SECID loan account (3.2.3)
- Lack of fixed asset register and individual identification of assets(3.2.4)
- Lack of control over vehicle usage and fuel consumption (3.2.5)
- Lack of adequate control over cash balances (3.2.6)
- Incorporation of Mopti figures in the Financial Management Expert Report (3.2.7)

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 signed 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 IER in a separate report dated May 27, 1994.

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

KPMG Bert Morrison

Firms Signature

Chartered Accountants

Banjul, The Gambia.

Date *2 March* 1995

3.2 Findings

3.2.1 Disbursement cycle: Lack of control over travel advances

Observation

There is no system of control of travel advances given to staff at the Mopti station.

We noted the following instances where travel advances were not correctly treated:

- A 4 day advance was given to Dr Abou Berthe and Zakaria Bakp on July 27, 1992 amounting to CFA 141,000. Perdiem and expenditure of CFA 127,810 was justified to the project and CFA 190 was returned leaving a balance of CFA 13,000 not returned to the project.
- On June 3, 1992, an advance of CFA 156,000 was given to Dr Abou Berthe and Seydou Diallo. Of this a total of CFA 150,500 was returned and justified leaving a balance of CFA 5,500 outstanding.
- On May 28, 1992, an advance of CFA 182,500 was given to Abou Berthe and Mady Keita. Of this CFA 45,660 was not returned or justified to the project but was later converted into per diem. No explanation for this has been given by the project.
- On October 10, 1992, an advance of CFA 130,000 was given to Aldoulaye Sidibe and Nampe Toure of which CFA 55,200 remains outstanding.

Implication

The lack of control over the payment and subsequent justification of travel advances has caused a financial loss to the project amounting to CFA 119,360.

Recommendation

We recommend that IER provide justification for CFA 119,360 or refund that amount to USAID. We also recommend that the project maintain a sub ledger of all travel advances given, justified and returned. The ledger should have provision for the separate recording of each individuals advances.

The ledger should be reconciled on a regular basis to the general ledger. In addition, amounts not returned after 30 days of return from a trip should be deducted from staff wages.

Management comments

Based on a review conducted by the Project, Mission acknowledges that CFAF 77,700 (USD 279) out of the CFAF 119,360 should be sustained since no justifications exist to support them. The Project will issue bills for collection to clear these advance amounts. The remaining amount of CFAF 41,660 (USD 149) should be considered unsustainable since the advance was cleared through a direct deposit into the Project bank account. Documentation of this deposit will be forwarded to RIG/A/Dakar.

The Project has established an appropriate tracking system for travel advances given to each employee. In addition, the Project has adopted a policy of deducting amounts not remitted within 30 days of return from a trip from staff wages.

3.2.2 Disbursement cycle: Bank charges paid on transfer of funds from Sotuba to Mopti

Observation

Bank charges amounting to CFA 254,760 have been paid for the transfer of funds from the Sotuba bank account to the Mopti bank account. These amounts have been deducted at source by the bank.

Implication

Bank charges were incurred because funds were transferred by cheque between the Sotuba account and the Mopti account. These charges have subsequently been avoided by the direct transfer of funds between the two banks. This amount represents an inefficient use of project funds and as such is questioned as ineligible.

Recommendation

We recommend that IER refund CFA 254,760 to USAID.

Management comments

Mission requests that this cost be considered unsustainable because the funds transfer process referred to is slow - it may take up to a month - and the project judged at the time of the transactions in question that the needs of the Project were too urgent to allow that long a wait. The decision was made by the Project management to avoid interruption of activities which might have created more serious problems for the project.

3.2.3 Disbursement cycle: lack of control over postings to the South East Consortium for International Development loan account

Observation

The project is given technical assistance by SECID. Depending on the availability of funds between the project and SECID, either will pay monies out on behalf of the other and charge amounts to a "loan" account (actually a current account), that has been set up between the two.

We have made the following observations

- In December 1991, the Mopti station of the project spent CFA 1,580,000 on the renovation of the Technical Assistant's house belonging to SECID. This amount should have been posted to the SECID loan account, however it was posted to project budget expenditure. A correction to transfer CFA 1,080,000 has subsequently been made however CFA 500,000 still remains outstanding which at the moment is being shown as justified project expenditure rather than as a year end closing balance.
- The project does not and cannot reconcile the balance on the SECID loan account either at Mopti or Sotuba. We are aware that the project records items onto the "loan" account without billing or informing SECID. The project prepares no regular reconciliation of the account.
- During our audit it was not possible for KPMG to reconcile the balance of FCFA 10,131,151 due by SECID to the project. SECID was not able to confirm this balance. This is because of a lack of information on the allowability of items posted onto the account, the lack of confirmation from SECID and a lack of guidelines as to what should be posted onto the account.

Implication

- The project has overstated its justified expenses by FCFA 500,000.
- The project does not know the true balance between the project and SECID. Determination of this balance is key to determining the justifiability of expenditures posted to this account and also expenditures similar to above that have been incorrectly posted.

Recommendation

We recommend that IER reconcile the SECID account which had a balance of FCFA 10,131,151 as of April 30, 1993 and submit the reconciliation along with statements and other supporting documents to USAID/Mali for review. Any unjustified amounts should be refunded to USAID. We also recommend that IER refund to USAID the FCFA 500,000 cost of renovation to the SECID technical assistant's house which was reported as justified project expenditure.

We have shown the balance due from SECID as a unsupported cost of the Project.

Management Comments

As of April 30, 1993 Project financial records show a balance CFAF 7,546,688 (USD 27,848). The Auditor states the amount at CFAF 10,131,151. His report shows that he made adjustments totalling CFAF 3,134,365, which appear to relate to the Project's operations at Mopti, of which he applied CFAF 2,584,463 to the SECID account and CFAF 549,902 to travel advances. The Auditor also states that an additional CFAF 500,000 was charged by the Project to USAID and should have been charged to SECID, and thus should also be added to the total. USAID Mali notes that since the end of the Audit period SECID has made two large payments against this account, CFAF 5,012,425 in September 1993 and CFAF 2,553,150 in October 1994. USAID Mali cannot resolve this questioned cost at this time. We feel we need additional time to analyze the adjustments made by the Auditor and the collections that have been made against the account since the end of the Audit period.

With regard to the renovation of the SECID technical assistants house, Mission acknowledges that this cost should be sustained. The Project will issue a Bill for Collection to SECID Headquarters to recover the amount.

3.2.4 Lack of fixed asset register and individual identification of assets

Observation

We noted that the fixed asset register was created from the periodic fixed asset verifications rather than from the purchase and disposal records. We also noted that some of the fixed assets were not marked with identification numbers as required.

These stock counts have not been prepared on a regular basis. During the time of our audit only the following physical inspections had been performed:

Items	Date of Inspection		
Fieldagents	09/09/93	10/06/92	25/10/91
Mopti Bureau	20/03/93	27/07/92	
Mopti Lodgements	20/03/93		
Sotuba Bureau	23/02/93	25/04/92	27/07/91
Sotuba Lodgements	1/11/93	1/03/92	17/5/91

Normal practice for the preparation of a fixed asset register is that the entries contained are built up from purchases and disposals during the life of the project. In addition at least quarterly physical counts of items should be prepared, either on a total or selective random basis to ensure that any unauthorised disposals are identified on a timely basis.

Implication

The purpose of maintaining a fixed asset register is to provide the project with complete list of assets that have been purchased with project funds. This list may then be used to ensure that, at any point in time, all assets purchased by the project physically exist and are being used for project purposes.

By not reconciling the fixed asset register to details of assets acquired and sold the project cannot be certain that all assets are in existence at a certain date and does not therefore have sufficient information to identify unauthorised disposal of assets on a timely basis.

When conducting physical verifications of fixed assets it will not be possible to differentiate homogenous assets which could lead to the lack of identification of unauthorised disposals.

Recommendation

We recommend that the project reviews all purchase and sale vouchers from the commencement of the project to identify fixed assets acquired during the project life to give an indication of those assets expected to exist at 30 April 1993. This information should be compared with the results of a physical stocktake carried out independently from the staff who have reviewed purchase and sale documentation and all differences communicated in detail to the Project Director and USAID.

The results of this exercise should form the basis a revised fixed asset register. All unauthorised disposals of fixed assets should be valued and at the discretion of USAID monies returned to the government of the United States of America.

For those items not already marked with identifying numbers and for those not recorded in the fixed asset register with such a number, we recommend that individual numbers be assigned to assets, recorded in the fixed asset register and permanently marked on the assets

Management comments

The Project agrees with the recommendation and started at the beginning of December 1994 to reconstruct its inventory of Project assets from its records and make the required reconciliations with physical counts. Aside from the Auditor's recommendation, an important reason for conducting a global inventory is that the Project will end on March 5, 1995 and it needs to have enough time to update, where necessary, the fixed asset register. The USAID/Mali management office is mandated to track this end of Project inventory and detect any unofficial disposal of assets. In addition the Project has marked each Project asset with a number that is noted in the fixed asset register.

3.2.5 Inventory and fixed assets control cycle: Lack of control over vehicle usage and fuel consumption.

Observation

We found no evidence of any system to control vehicle fuel consumption at Mopti between October 1991 and April 1993. Our review of vehicle log sheets after this date indicated a high proportion of errors and therefore we conclude that these controls have broken down.

Implication

Lack of control over vehicle fuel consumption increases the risk of fuel being used for other than project activities.

Lack of control over vehicle usage increases the risk of project assets being used for non project activities and compounds the possible misappropriation of project fuel.

Recommendation

We recommend that the established systems for control of fuel consumption and vehicle usage which have proved effective at the Sotuba station be introduced at Mopti.

Management comments

The Project established a system for control of fuel consumption and vehicle usage at Mopti which was reviewed and approved by the USAID Controller's office.

3.2.6. Recording and reporting cycle: Lack of adequate control over cash balances

Observation

We noted the following:

- Petty cash balances are not maintained on an imprest system;
- Receipts from unused travel advances are received into petty cash rather than being banked intact;
- Petty cash balances are kept in a tin which is locked in a safe in the cashiers office. The key to the safe is kept in the cashiers top drawer;
- There is no program of regular or surprise petty cash counts. No petty cash count was performed at April 30, 1993.

Implication

Project control over the existence and accuracy of petty cash balances is weak. We noted that an amount of CFA 352,000 was stolen by a previous cashier in April 1992. This amount was not recovered and has been treated as an unsupported cost in the fund accountability statement due to the fraudulent nature of the expense. This loss could have been avoided if a daily cash count in the presence of the cashier had been part of the projects system of cash control.

Recommendation

We recommend that:

- Cash balances be maintained on an imprest system, which should function as follows:

All current cash balances should be retired from the cashier. A round sum balance sufficient for a weeks transactions should be issued to the cashier. This amount should be replenished on a weekly basis and equal in amount to the invoices and receipts returned by the cashier. The entire cash balance should be retired on a monthly basis and any shortfalls made good by the cashier.

- All receipts, either from unused travel advances or other source be banked intact
- The key to the safe be kept in a key safe located in the chief accountants office, the key to which should be kept by the Project Director or other senior project official.
- Petty cash counts be performed on a daily basis by the chief accountant and should be witnessed by someone unrelated to the accounting function.
- IER recover the CFA 352,000 stolen.

Management comments

Mission requests that this cost be considered unsustainable because the Malian Labor Inspectorate made it clear that the Cashier who stole the funds could not be fired if he made reimbursement to the The Project. He could then only be given warnings. Based on the potential risks of retaining this cashier at the Project, the decision was made by the Project Director to fire him rather than accept reimbursement and a letter to that effect was sent to USAID, which concurred.

The Project believes that a daily cash count is not reasonable and has proposed and received approval from USAID to do regular cash counts twice a month with informal surprise cash counts at least once a week. The Project changed its procedures to have the key of the safe kept in the Chief Accountant's Key Safe.

3.2.7 Recording and reporting cycle: Inadequate incorporation of MOPTI figures in the Financial Management Expert Report

Observation

The results of the Mopti station have been incorporated in the Financial Management Expert Report (FMER) of the Sotuba site on the basis of funds advanced and justifications received without reconciliation of the period and bank account or verification of the outstanding balances at the end of the month. As a result a large number of journal entries have been made in the fund accountability statement to correct the bank balance at April 30, 1993 and ensure that Mopti costs are correctly analysed.

Implication

The information presented in the Sotuba FMER did not include the correct bank balance held at Mopti. In addition, since there were delays in the presentation of justified funds which had been spent and justified at the Mopti site, Sotuba were advancing funds slower than Mopti were spending and were reclaiming these monies from USAID slower.

We believe this to be one of the reasons for the project being short of monies and in turn a component in the problem that the project has a large number of outstanding balances at April 30, 1993.

The problems and weaknesses identified at Mopti have not been of a short term nature. These problems have been of a long term nature, caused essentially by the understaffing of the accounting function at the station which is wholly dependent on a single accountant to control all aspects of the procurement, disbursement, inventory and assets, reporting and recording control cycles.

These problems should have been identified at an early stage in the life of the Mopti station and appropriate corrective action taken to balance the level of effort required and resources available.

Recommendation

We recommend that funds be only advanced to other sites on an imprest system. Advances from the Sotuba site will then match the justification received ensuring that figures are timely, that bank balances are correctly stated and that funds are advanced from USAID in the correct period.

In addition, we recommend that an analysis of the correct staffing level of the Mopti station be undertaken and staff be provided in accordance with the outcome and results of this review.

Management comments

The Project headquarters in Bamako is making all efforts to keep Project sites advances within reasonable limits. However, it should be understood that the distance between Bamako and Mopti coupled with the poor banking system in Mopti make it very difficult to follow any pre-established funding and justification/liquidation schedule. An imprest funds replenishment system can fail easily because the banks are slow in making Project advances available to field offices, and the transmission of liquidation/justification vouchers from the field offices to the project headquarters is delayed because of the lack of appropriate mail services between Mopti and its field stations and Bamako.

Regarding the staffing issue, the Project recently provided the Mopti station with a more qualified accountant and it appears to the USAID/Mali Controllers office based on our recent visit to the site that progress has been achieved in performing Project accounting tasks.

4. Compliance with Agreement Terms and Applicable Laws

4.1 Independent auditors report

We have audited the Fund Accountability Statement of the IER Project for the period April 1, 1989 to April 30, 1993, and have issued our report thereon dated March 2, 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 nor did our staff complete the minimum continuing education as required by section 3.46 and 3.6 respectively of the aforementioned standards (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.

Compliance with Project terms and laws and regulations applicable to the project is the responsibility of IER's management. As part of obtaining reasonable assurance about whether the Fund Accountability Statement is free of material misstatement we performed tests of IER'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 provision. Accordingly, we do not express such an opinion.

The results of our tests indicate that, with respect to the items tested, IER complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that IER had not complied, in all material respects, with those provisions.

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

KPmg Paul Marwick

Firms signature

Chartered Accountants

Banjul, The Gambia.

Date *2 March 1996*

4.2 Findings

4.2.1 Disbursement Cycle: Inappropriate payment of sales and other taxes on Sotelma invoices, printing invoices and petrol.

Observation

We note that the project has paid sales tax on SOTELMA invoices at the Mopti station equivalent to CFA 188,832. Additionally sales tax of CFA 27,000 was paid on printing costs incurred at Mopti.

We note that the project has a tax exoneration for the purchase of Petrol and Gas oil. The project has paid tax however on the purchase of two stroke petrol which is a mixture of petrol and oil.

It has not been possible to calculate the tax element of this petrol since we have not been able to determine the tax free price. We estimate that the total value of two stroke petrol purchased and on which tax has been paid is CFA 8,711,040.

This petrol was obtained from normal petrol stations, the same as those where the project has been able to use their tax exoneration to obtain tax free petrol.

Implication

The project has paid tax which should not have been paid. The tax paid is a questioned ineligible cost and should be recovered from the project by the government of the United States.

The project has paid tax on petrol which it should be exonerated from doing.

Recommendation

We recommend that the project apply for the recovery of tax paid from the relevant authorities. If this money is not forthcoming the balance should be repaid to the Government of the United States.

In the future, the project should ensure that before payments are made no tax is being incurred. In the examples noted the invoices being paid clearly stated that tax was charged on the amount.

We recommend that the project apply for tax exoneration for the purchase of two stroke petrol. In addition the project should apply for the refund of tax paid to date.

We recommend that IER determine the tax paid on petrol and refund the amount of this tax to USAID.

Management Comment

With regard to Sales Tax of CFA 215,832 paid on Sotelma (telephone company), and printing invoices at Mopti, Mission will issue Bills for Collection to recover these amounts.

Just after the beginning of Project activities, the Project requested and received tax exoneration for all procurements to be made. However this tax exoneration does not apply to small purchases nor to purchases of two stroke petrol made in the countryside. The Project staff is requesting that the Auditors provide a detailed list of the procurements of two stroke petrol which total to CFAF 8,711,040 which they state is the amount of purchases which include taxes. Once this is received, the Project will determine the portion that does not fall under either of the two exceptions and request a refund of this amount.

4.2.2 Disbursement cycle: Wages and salaries

Observation

We noted the following at the Mopti station:

- Although not material we noted 4 instances where wages have been calculated using an incorrect tax rate. We understand the reason for this was a lack of communication between the Mopti and Bamako stations since wages were processed at the latter.
- The project does not maintain personnel files for staff. This prevented KPMG from testing to ensure that there were no ghost employees on the payroll.
- For the period February, 1992 to May, 1992 the project did not deduct tax or national insurance from employees on 3 month contracts of employment. We have calculated the amount of tax not deducted from staff and not paid over to the relevant authorities as CFA 313,156
- For certain employees we noted that contracts of employment had not been registered with the Regional Inspector for work although we understand from our discussions with representatives of USAID/Mali that the inspector for work was aware of these employees.

Implication

- Article 223 of the Malian work code imposes a penalty of 2% per month for the late payment of income tax.

Recommendation

We recommend that payroll be independently reviewed before payment of wages. The project should ensure that PAYE, national insurance and other deductions are correctly made by evidence of this review being carried out.

We recommend that any payments made to the relevant authorities that are not recoverable from employees be treated as an ineligible cost by USAID.

The lack of deduction of income tax from employees salaries and the lack of subsequent payment of these monies to the relevant authorities should be addressed immediately. We recommend that the project try to recover these amounts from the staff involved as soon as possible. The project should make the relevant authorities aware of the situation and should if necessary make payment of these amounts. Any amount which is not recoverable from staff should be treated as a questioned cost by USAID/Mali and the irrecoverable amount recovered from the project.

Management comment

The Project is working with the Labor Inspectors to resolve the income tax issue as regards temporary employees. Based on the results of this review, the Project will determine which amounts are owed to the Malian authorities by the employees. Based on this determination, USAID/Mali will ensure that any amounts due from employees but not recoverable from them are collected from the Project.

4.2.3 Recording and Reporting cycle: Lack of visibility over contributions to the project from the GRM

Observation

The grant agreement states that during years 8,9 and 10 of the project, being the period May 1, 1992 to April 30, 1995, the GRM is responsible for the provision of 30% of operating costs of the project, to include:

- Gasoline and Gas oil
- Lubricants
- Vehicle repair
- Office and research supplies
- Publications

From the records available at the time of the audit and from discussions with project and USAID staff, the level of contributions being made by the GRM is not readily identifiable and is not controllable by the project.

Implication

The project, and in turn USAID/Mali, has no control over the GRM's compliance with the grant agreement.

For USAID to determine the level of any future funding or extension of the project it would appear reasonable that such information be presented in a identifiable and easily understandable form by the GRM to the project and USAID on a timely basis, in accordance with the reporting requirements of the project.

Recommendation

We recommend that the project and USAID assist the GRM to agree a standard format of reporting information on a timely basis and continue assistance to ensure that reporting is carried out in accordance with this agreement.

Management comments

This refers to the Government of The Republic of Mali, (GRM), contribution to the project. USAID/Mali has produced a report format which it has sent to all USAID Projects for reporting on the GRM contribution to Projects. In addition, a Mission Order was prepared which gives guidelines on the reporting of Host Country contributions.

4.2.4 Non reimbursement of interest receipts and proceeds from the sale of USAID assets.

Observation

The Project received FCFA 1,183,645 in interest earned on the Project bank account at Sotouba and proceeds from sales of fixed assets of FCFA 3,548,666.

These amounts were not refunded to USAID at the time of our audit.

Recommendation

We recommend that USAID/Mali recover the above amounts from the project or alternatively release the funds for project activities.

Management comments

By May 1994, the total of bank interest received on the Project's account had risen to CFAF 1,318,736. This amount was then remitted to USAID. Copies of the deposit documents will be forwarded to RIG/A/Dakar. Accordingly, USAID/Mali requests that this questioned cost not be sustained and this portion of the recommendation be closed.

Proceeds from sale of Project assets USD 13,228 (CFAF 3,584,666). Mission requests that this amount be considered unsustainable and this portion of the recommendation closed since the auction sale was made with USAID approval and with the understanding that the CFAF 3,584,666 would be deposited into the Project operating bank account to support Project operations. Documentation relating to this approval and proof of the deposit of the funds will be forwarded to RIG/A/Dakar.

Appendix A Management Comments

UNCLAS RIG AIDAC FOR RIG/A/DAKAR RIG/A/DAKAR USAID

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

DISTRIBUTION: RIG
CHARGE: RIG

VZCZCDK0723
RR RUEHDK
DE RUEHBP #0136/01 0091409
ZNR UUUUU ZZH
R 091402Z JAN 94
FM AMEMBASSY BAMAKO
TO AMEMBASSY DAKAR 0912
BT
UNCLAS SECTION 01 OF 06 BAMAKO 00136

RIG AIDAC

FOR RIG/A/DAKAR

E.O. 12356: N/A

SUBJECT: AUDIT OF THE RURAL ECONOMIC INSTITUTE'S EXPENDITUR
- CHARGED TO THE MALI FARMING SYSTEMS RESEARCH AND
- EXTENSION PROJECT (NO. 688-0232), FROM APRIL 1, 19
- TO APRIL 30, 1993.

1. USAID MALI IS PLEASED TO PROVIDE RIG/A/DAKAR WITH COMMENTS AND DESCRIPTION OF CORRECTIVE ACTIONS TAKEN TO RESOLVE AND CLOSE BOTH RIG'S AND THE INDEPENDENT AUDITORS' RECOMMENDATIONS. THIS RESPONSE CABLE IS PRESENTED IN TWO PARTS AS FOLLOWS:

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

A. RECOMMENDATION NO. 1: THAT USAID MALI RESOLVE THE QUESTIONED COSTS OF US DOLS 61,435, (US DOLS 39,097 UNSUPPORTED) AND RECOVER THOSE COSTS DETERMINED TO BE UNALLOWABLE OR UNSUPPORTED.

STATUS OF THE RECOMMENDATION: THE US DOLS 61,435 (OR CFAF 16,699,414) OF QUESTIONED COSTS ARE BROKEN DOWN INTO THE FOLLOWING CATEGORIES:

A.1 UNSUPPORTED COSTS OF US DOLS 39,097 (OR CFAF 10,608,511) WHICH ARE FURTHER BROKEN DOWN INTO THE FOLLOWING SUB-ELEMENTS:

A.1.1. TRAVEL ADVANCE US DOLS 428 (OR CFAF 119,360): BASED ON A REVIEW CONDUCTED BY THE PROJECT, MISSION ACKNOWLEDGES THAT CFAF 77,700 (US DOLS 279) OUT OF THE CFAF 119,360 SHOULD BE SUSTAINED SINCE NO JUSTIFICATIONS

UNCLAS RIG AIDAC FOR RIG/A/DAKAR RIG/A/DAKAR USAID

BAMAKO 00136

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UNCLAS RIG AIDAC FOR RIG/A/DAKAR RIG/A/DAKAR USAID

EXIST TO SUPPORT THEM. THE PROJECT WILL ISSUE BILLS FOR COLLECTION TO CLEAR THESE ADVANCE AMOUNTS. THE REMAINING AMOUNT OF CFAF 41,660 (US DOLS 149) SHOULD BE CONSIDERED UNSUSTAINED SINCE THE ADVANCE WAS CLEARED THROUGH A DIRECT DEPOSIT INTO THE PROJECT BANK ACCOUNT. DOCUMENTATION OF THIS DEPOSIT WILL BE FORWARDED TO RIG/A/DAKAR.

A.1.2. OVERSTATEMENT OF PROJECT COSTS US DOLS 1,283 (OR CFAF 358,000): THE AUDITORS STATE ON PAGE 17 OF THEIR REPORT, IN THEIR SCHEDULE OF UNSUPPORTED COSTS, THAT A MOVEMENT IN BROUGHT FORWARD FIGURES IN THE PROJECT'S FINANCIAL EXPERT REPORT, BETWEEN JULY AND AUGUST OF 1990, CAUSED AN OVERSTATEMENT IN EXPENDITURES CHARGED TO THE PROJECT OF CFAF 358,000. LATER, ON PAGE 29 OF THEIR REPORT, IN THEIR FINDINGS ON INTERNAL CONTROL, THEY STATE THAT THE ERROR OCCURRED IN JULY OF 1991. MISSION REVIEWED FINANCIAL REPORTS SUBMITTED BY THE PROJECT AND OBSERVED THAT THE TOTAL OF EXPENDITURES AS STATED BY THE PROJECT AT THE BEGINNING OF AUGUST WAS HIGHER THAN THE TOTAL STATED BY THEM AT THE END OF JULY BY CFAF 358,000. SINCE EXPENDITURES WERE COMPUTED BY THE PROJECT ON A CUMULATIVE BASIS, AND SINCE THE PROJECT'S BANK ACCOUNT HAS BEEN RECONCILED REGULARLY EACH MONTH, IT APPEARS TO US THAT THIS ERROR WOULD HAVE CAUSED THE CHARGES MADE BY USAID TO THE PROJECT TO BE UNDERSTATED, RATHER THAN OVERSTATED. IF THE CORRECT LOWER BEGINNING BALANCE FOR THE MONTH OF AUGUST HAD BEEN USED, THE CHARGE WOULD HAVE BEEN HIGHER THAN THE CHARGE WHICH WAS ACTUALLY MADE. SINCE THIS PROJECT IS OPERATING ON AN ADVANCE/LIQUIDATION BASIS, THE CORRECTION TO THE PROJECT'S EXPENSE ACCOUNT CAN BE MADE VIA JOURNAL ENTRY TO INCREASE THE CHARGES MADE TO THE PROJECT, WHICH WILL HAVE THE EFFECT OF REDUCING ITS OUTSTANDING ADVANCE BALANCE MAINTAINED AT USAID MALI. USAID MALI WILL REVIEW THE PROJECT'S BOOKS AND REPORTS FOR THE MONTHS OF JULY AND AUGUST, 1990, AND MAKE THIS CORRECTION IF IT PROVES TO BE APPROPRIATE, BUT IN ANY CASE, WE FEEL THERE IS NO REASON TO BELIEVE THAT AN OVERSTATEMENT OF CHARGES TO THE PROJECT OCCURRED. ACCORDINGLY, WE ASK THAT RIG/A/DAKAR CLOSE THIS PORTION OF THE RECOMMENDATION AND DELETE IT FROM THE FINAL REPORT.

A.1.3. UNCONFIRMED BALANCE OWED TO THE PROJECT BY SOUTH EAST CONSORTIUM FOR INTERNATIONAL DEVELOPMENT, (SECID), US DOLS 37,386 (OR CFAF 10,131,151): AS OF APRIL 30, 1993, PROJECT FINANCIAL REPORTS SHOW A BALANCE OF CFAF 7,546,688, (US DOLS 27,848). THE AUDITOR STATES THE AMOUNT AT CFAF 10,131,151. HIS REPORT SHOWS THAT HE MADE ADJUSTMENTS TALLING CFAF 3,134,365, WHICH APPEAR TO RELATE TO THE PROJECT'S OPERATIONS AT MOPTI, OF WHICH HE APPLIED CFAF 2,584,463 TO THE SECID ACCOUNT AND CFAF 549,902 TO TRAVEL ADVANCES. THE AUDITOR ALSO STATES

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THAT AN ADDITIONAL CFAF 500,000 WAS CHARGED BY THE PROJECT TO USAID AND SHOULD HAVE BEEN CHARGED TO SECID, AND THUS SHOULD ALSO BE ADDED TO THE TOTAL. USAID MALI NOTES THAT SINCE THE END OF THE AUDIT PERIOD SECID HAS MADE TWO LARGE PAYMENTS AGAINST THIS ACCOUNT, CFAF 5,012,425 IN SEPTEMBER 1993 AND CFAF 2,553,150 IN OCTOBER 1994. USAID MALI CANNOT RESOLVE THIS QUESTIONED COST AT THIS TIME. WE FEEL WE NEED ADDITIONAL TIME TO ANALYZE THE ADJUSTMENTS MADE BY THE AUDITOR AND THE COLLECTIONS THAT HAVE BEEN MADE AGAINST THE ACCOUNT SINCE THE END OF THE AUDIT PERIOD.

A.2 INELIGIBLE QUESTIONED COSTS OF US DOLS 22,338 (OR CFAF 6,090,903) WHICH ARE FURTHER BROKEN DOWN INTO THE FOLLOWING SUB-ELEMENTS:

A.2.1 INTEREST RECEIVED NOT FORWARDED TO USAID US DOLS 4,368 (OR CFAF 1,183,645). BY MAY 1994, THE TOTAL OF BANK INTEREST RECEIVED ON THE PROJECT'S ACCOUNT HAD RISEN TO CFAF 1,318,736. THIS AMOUNT WAS THEN REMITTED TO USAID. COPIES OF THE DEPOSIT DOCUMENTS WILL BE FORWARDED TO RIG/A/DAKAR. ACCORDINGLY, USAID MALI REQUESTS THAT THIS QUESTIONED COST NOT BE SUSTAINED AND THIS PORTION OF THE RECOMMENDATION BE CLOSED.

A.2.2. PROCEEDS FROM SALES OF PROJECT ASSETS US DOLS 13,228 (OR CFAF 3,584,666). MISSION REQUESTS THAT THIS AMOUNT BE CONSIDERED UNSUSTAINED AND THIS PORTION OF THE RECOMMENDATION CLOSED SINCE THE AUCTION SALE WAS MADE WITH USAID APPROVAL AND WITH THE UNDERSTANDING THAT THE CFAF 3,584,666 WOULD BE DEPOSITED INTO THE PROJECT OPERATING BANK ACCOUNT TO SUPPORT PROJECT OPERATIONS. DOCUMENTATION RELATING TO THIS APPROVAL AND PROOF OF THE DEPOSIT OF THE FUNDS WILL BE FORWARDED TO RIG/A/DAKAR.

A.2.3. VARIOUS INELIGIBLE COSTS OF US DOLS 3,480 (OR CFAF 1,322,592) INCLUDING:

A.2.3.1 UNRECOVERED STOLEN CASH OF US DOLS 1,262 (OR CFAF 352,000): MISSION REQUESTS THAT THIS COST BE CONSIDERED UNSUSTAINED BECAUSE THE MALIAN LABOR INSPECTORATE MADE IT CLEAR THAT THE CASHIER WHO STOLE THE FUNDS COULD NOT BE FIRED IF HE MADE REIMBURSEMENT TO THE PROJECT. HE COULD THEN ONLY BE GIVEN WARNINGS. BASED ON THE POTENTIAL RISKS OF RETAINING THIS CASHIER AT THE PROJECT, THE DECISION WAS MADE BY THE PROJECT DIRECTOR TO FIRE HIM RATHER THAN ACCEPT REIMBURSEMENT AND A LETTER TO THAT EFFECT WAS SENT TO USAID, WHICH CONCURRED.

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A.2.3.2 RENOVATION OF SECID RESIDENCE US DOLS 1,792 (OR CFAF 500,000). MISSION ACKNOWLEDGES THAT THIS COST SHOULD BE SUSTAINED. THE PROJECT WILL ISSUE A BILL FOR COLLECTION TO SECID HEADQUARTERS TO RECOVER THE AMOUNT.

A.2.3.3 BANK CHARGES OF DOLS 913 (OR CFAF 254,760). THE AUDITOR STATES THAT THIS COST WAS INCURRED BECAUSE THE PROJECT'S SOTUBA CENTER TRANSFERRED FUNDS TO ITS MOPTI BRANCH BY CHECK RATHER THAN EMPLOYING A FUNDS TRANSFER, WHICH COULD HAVE BEEN MADE WITHOUT INCURRING BANK CHARGES. MISSION REQUESTS THAT THIS COST BE CONSIDERED UNSUSTAINED BECAUSE THE FUNDS TRANSFER PROCESS REFERRED TO IS SLOW - IT MAY TAKE UP TO A MONTH - AND THE PROJECT JUDGED AT THE TIME OF THE TRU SCTIONS IN QUESTION THAT THE NEEDS OF THE PROJECT WERE TOO URGENT TO ALLOW THAT LONG A WAIT. THE DECISION WAS MADE BY THE PROJECT MANAGEMENT TO AVOID INTERRUPTION OF ACTIVITIES WHICH MIGHT HAVE CREATED MORE SERIOUS PROBLEMS FOR THE PROJECT.

A.2.3.4 SALES TAXES OF CFAF 215,832 PAID ON SOTELMA, (TELEPHONE COMPANY), AND PRINTING INVOICES AT MOPTI: MISSION WILL ISSUE BILLS FOR COLLECTION TO RECOVER THESE AMOUNTS.

PART II. MISSION AND IER/FSRE MANAGEMENT COMMENTS ON AUDITOR'S RECOMMENDATIONS CONCERNING THE INTERNAL CONTROL STRUCTURE OF THE FSRE. THESE RECOMMENDATIONS ARE NOT INCLUDED IN THE INSPECTOR GENERAL'S AUDIT RECOMMENDATION FOLLOW-UP SYSTEM.

RECOMMENDATION: WE RECOMMEND THAT IER PROVIDE JUSTIFICATION FOR CFAF 119,360 OR REFUND THAT AMOUNT TO

USAID. WE ALSO RECOMMEND THAT THE PROJECT MAINTAIN A SUBLEDGER OF ALL TR\VEL ADVANCES GIVEN, JUSTIFIED AND RETURNED. THE LEDGER SHOULD HAVE PROVISION FOR THE SEPARATE RECORDING OF EACH INDIVIDUAL'S ADVANCES. THIS SUBLEDGER SHOULD BE RECONCILED ON A REGULAR BASIS TO THE GENER\L LEDGER. BALANCES NOT REMITTED TO THE PROJECT WITHIN 30 DAYS OF RETURN FROM A TRIP SHOULD BE DEDUCTED FROM STAFF WAGES.

STATUS OF THE RECOMMENDATION: REFER TO RECOMMENDATION NO.A.1.1 ON TRAVEL ADVANCES. THE PROJECT HAS ESTABLISHED AN APPROPRIATE TRACKING SYSTEM FOR TRAVEL ADVANCES GIVEN TO EACH EMPLOYEE. IN ADDITION, THE PROJECT HAS ADOPTED A POLICY OF DEDUCTING AMOUNTS NOT REMITTED WITHIN 30 DAYS OF RETURN FROM A TRIP FROM STAFF

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WAGES.

RECOMMENDATION: WE RECOMMEND THAT IER REFUND CFAF 254,760 TO USAID.

STATUS OF THE RECOMMENDATION: REFER TO RECOMMENDATION NO.A.2.3.3 ON BANK CHARGES.

RECOMMENDATION: WE RECOMMEND THAT IER RECONCILE THE SECID ACCOUNT WHICH HAD A BALANCE OF CFAF 10,131,151 AS OF APRIL 30, 1993 AND SUBMIT THE RECONCILIATION ALONG WITH STATEMENTS AND OTHER SUPPORTING DOCUMENTS TO USAID/MALI FOR REVIEW. ANY UNJUSTIFIED AMOUNTS SHOULD BE REFUNDED TO USAID. WE ALSO RECOMMEND THAT IER REFUND TO USAID THE CFAF 500,000 COST OF RENOVATION TO THE SECID TECHNICAL ASSISTANT'S HOUSE WHICH WAS REPORTED AS JUSTIFIED PROJECT EXPENDITURE.

STATUS OF THE RECOMMENDATION: REFER TO RECOMMENDATION NO.A.1.3 ON UNCONFIRMED BALANCE OWED TO THE PROJECT AND NO.A.2.3.2 ON THE SECTION ON THE RENOVATION OF SECID RESIDENCE.

RECOMMENDATION: WE RECOMMEND THAT THE PROJECT REVIEW ALL PURCHASE AND SALE VOUCHERS FROM THE COMMENCEMENT OF THE PROJECT TO IDENTIFY FIXED ASSETS ACQUIRED DURING THE PROJECT LIFE TO GIVE AN INDICATION OF THOSE ASSETS EXPECTED TO EXIST AT 30 APRIL 1993. THIS INFORMATION SHOULD BE COMPARED WITH THE RESULTS OF A PHYSICAL STOCKTAKE CARRIED OUT INDEPENDENTLY FROM THE STAFF WHO HAVE REVIEWED PURCHASE AND SALE DOCUMENTS AND ALL DIFFERENCES COMMUNICATED IN DETAIL TO THE PROJECT DIRECTOR AND USAID.

THE RESULTS OF THIS EXERCISE SHOULD FORM THE BASIS OF A REVISED FIXED ASSET REGISTER. ALL UNAUTHORIZED DISPOSAL OF FIXED ASSETS SHOULD BE VALUED AND AT THE DISCRETION OF USAID MONIES RETURNED TO THE GOVERNMENT OF THE UNITED STATES OF AMERICA.

FOR THOSE ITEMS NOT ALREADY MARKED WITH IDENTIFYING NUMBERS AND FOR THOSE NOT RECORDED IN THE FIXED ASSET REGISTER WITH SUCH A NUMBER, WE RECOMMEND THAT INDIVIDUAL NUMBERS BE ASSIGNED TO ASSETS, RECORDED IN THE FIXED ASSET REGISTER AND PERMANENTLY MARKED ON THE ASSETS.

STATUS OF THE RECOMMENDATION: THE PROJECT AGREES WITH THE RECOMMENDATION AND STARTED AT THE BEGINNING OF DECEMBER 1994 TO RECONSTRUCT ITS INVENTORY OF PROJECT ASSETS FROM ITS RECORDS AND MAKE THE REQUIRED RECONCILIATIONS WITH PHYSICAL COUNTS. ASIDE FROM THE AUDITOR'S RECOMMENDATION, AN IMPORTANT REASON FOR

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CONDUCTING A GLOBAL INVENTORY IS THAT THE PROJECT WILL END ON MARCH 5, 1995 AND IT NEEDS TO HAVE ENOUGH TIME TO UPDATE, WHERE NECESSARY, THE FIXED ASSETS REGISTER. THE USAID MALI MANAGEMENT OFFICE IS MANDATED TO TRACK THIS END-OF-PROJECT INVENTORY AND DETECT ANY UNOFFICIAL DISPOSAL OF PROJECT ASSETS. IN ADDITION, THE PROJECT HAS MARKED EACH PROJECT ASSET WITH A NUMBER THAT IS NOTED IN THE FIXED ASSETS REGISTER.

RECOMMENDATION: WE RECOMMEND THAT THE ESTABLISHED SYSTEMS FOR CONTROL OF FUEL CONSUMPTION AND VEHICLE USAGE WHICH HAVE PROVED EFFECTIVE AT THE SOTUBA STATION BE INTRODUCED AT MOPTI.

STATUS OF THE RECOMMENDATION: THE PROJECT ESTABLISHED A

SYSTEM FOR CONTROL OF FUEL CONSUMPTION AND VEHICLE USAGE AT MOPTI WHICH WAS REVIEWED AND APPROVED BY THE USAID CONTROLLER'S OFFICE.

RECOMMENDATION: WE RECOMMEND THAT A FULL BREAKDOWN AND VERIFICATION OF THE MONTH END BALANCES BE SUBMITTED WITH THE FINANCIAL MANAGEMENT EXPERT REPORT ON MONTHLY BASIS.

WE ALSO RECOMMEND THAT IER EITHER PROVIDE JUSTIFICATION THE CFAF 358,000 OR REFUND THE AMOUNT TO USAID.

STATUS OF THE RECOMMENDATION: REFER TO RECOMMENDATION NO.A.1.2 ON OVERSTATEMENT OF PROJECT COSTS.

RECOMMENDATION: WE RECOMMEND THAT:

- CASH BALANCES BE MAINTAINED ON AN IMPREST SYSTEM, WHICH SHOULD FUNCTION AS FOLLOWS:

ALL CURRENT CASH BALANCES SHOULD BE RETIRED FROM THE CASHIER. A ROUND SUM BALANCE SUFFICIENT FOR A WEEKS TRANSACTIONS SHOULD BE ISSUED TO THE CASHIER. THIS AMOUNT SHOULD BE REPLENISHED ON A WEEKLY BASIS AND EQUAL IN AMOUNT TO THE INVOICES AND RECEIPTS BY THE CASHIER. THE ENTIRE CASH BALANCE SHOULD BE RETIRED ON A MONTHLY BASIS AND ANY SHORTFALLS MADE GOOD BY THE CASHIER.

- ALL RECEIPTS, EITHER FROM UNUSED TRAVEL ADVANCES OR OTHER SOURCE BE BANKED INTACT

- THE KEY TO THE SAFE BE KEPT IN A KEY SAFE LOCATED IN THE CHIEF ACCOUNTANTS OFFICE, THE KEY TO WHICH SHOULD BE KEPT BY THE PROJECT DIRECTOR OR OTHER SENIOR PROJECT OFFICIAL.

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- PETTY CASH COUNTS BE PERFORMED ON A DAILY BASIS BY THE CHIEF ACCOUNTANT AND SHOULD BE WITNESSED BY SOMEONE UNRELATED TO THE ACCOUNTING FUNCTION.

- IER RECOVER THE CFAF 352,000 STOLEN.

STATUS OF THE RECOMMENDATION: REFER TO RECOMMENDATION NO.2.3.1 ON UNRECOVERED STOLEN AMOUNT. THE PROJECT BELIEVES THAT A DAILY CASH COUNT IS NOT REASONABLE AND HAS PROPOSED AND RECEIVED APPROVAL FROM USAID TO DO REGULAR CASH COUNTS TWICE A MONTH WITH INFORMAL SURPRISE CASH COUNTS AT LEAST ONCE A WEEK. THE PROJECT CHANGED ITS PROCEDURES TO HAVE THE KEY OF THE SAFE KEPT IN THE CHIEF ACCOUNTANT'S KEY SAFE.

RECOMMENDATION: WE RECOMMEND THAT FUNDS BE ONLY ADVANCED TO OTHER SITES ON AN IMPREST SYSTEM. ADVANCES FROM THE SOTUBA SITE WILL THEN MATCH THE JUSTIFICATIONS RECEIVED ENSURING THAT FIGURES ARE TIMELY, THAT BANK BALANCES ARE CORRECTLY STATED AND THAT FUNDS ARE ADVANCED FROM USAID IN THE CORRECT PERIOD.

IN ADDITION, WE RECOMMEND THAT AN ANALYSIS OF THE CORRECT STAFFING LEVEL OF THE MOPTI STATION BE UNDERTAKEN AND STAFF BE PROVIDED IN ACCORDANCE WITH THE OUTCOME AND RESULTS OF THIS REVIEW.

STATUS OF THE RECOMMENDATION: THE PROJECT HEADQUARTERS IN BAMAKO IS MAKING ALL EFFORTS TO KEEP PROJECT SITES' ADVANCES WITHIN REASONABLE LIMITS. HOWEVER, IT SHOULD BE UNDERSTOOD THAT THE DISTANCE BETWEEN BAMAKO AND MOPTI COUPLED WITH THE POOR BANKING SYSTEM IN MOPTI MAKE IT VERY DIFFICULT TO FOLLOW ANY PRE-ESTABLISHED FUNDING AND JUSTIFICATION/LIQUIDATION SCHEDULE. AN IMPREST FUNDS REPLENISHMENT SYSTEM CAN FAIL EASILY BECAUSE THE BANKS ARE SLOW IN MAKING PROJECT ADVANCES AVAILABLE TO FIELD OFFICES, AND THE TRANSMISSION OF LIQUIDATION/JUSTIFICATION VOUCHERS FROM THE FIELD OFFICES TO THE PROJECT HEADQUARTERS IS DELAYED BECAUSE OF THE LACK OF APPROPRIATE MAIL SERVICES BETWEEN MOPTI AND ITS FIELD STATIONS AND BAMAKO. REGARDING THE STAFFING ISSUE, THE PROJECT RECENTLY PROVIDED THE MOPTI STATION WITH A MORE QUALIFIED ACCOUNTANT AND IT APPEARS TO THE USAID MALI CONTROLLER'S OFFICE BASED ON OUR RECENT VISIT TO THE SITE THAT PROGRESS HAS BEEN ACHIEVED IN PERFORMING PROJECT ACCOUNTING TASKS.

RECOMMENDATION: WE RECOMMEND THAT THE PROJECT APPLY FOR THE RECOVERY OF TAX PAID FROM THE RELEVANT AUTHORITIES. IF THIS MONEY IS NOT FORTHCOMING THE BALANCE SHOULD BE

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REPAID TO THE GOVERNMENT OF THE UNITED STATES.

IN THE FUTURE, THE PROJECT SHOULD ENSURE THAT BEFORE PAYMENTS ARE MADE NO TAX IS BEING INCURRED. IN THE EXAMPLES NOTED THE INVOICES BEING PAID CLEARLY STATED THAT TAX WAS CHARGED ON THE AMOUNT.

WE RECOMMEND THAT THE PROJECT APPLY FOR TAX EXONERATION FOR THE PURCHASE OF TWO STROKE PETROL. IN ADDITION THE PROJECT SHOULD APPLY FOR THE REFUND OF TAX PAID TO DATE.

WE RECOMMEND THAT IER DETERMINE THE TAX PAID ON PETROL AND REFUND THE AMOUNT OF THIS TAX TO USAID.

STATUS OF THE RECOMMENDATION: JUST AFTER THE BEGINNING OF PROJECT ACTIVITIES, THE PROJECT REQUESTED AND RECEIVED TAX EXONERATION FOR ALL PROCUREMENTS TO BE MADE. HOWEVER, THIS TAX EXONERATION DOES NOT APPLY TO SMALL PURCHASES NOR TO PURCHASES OF TWO-STROKE PETROL MADE IN THE COUNTRYSIDE. THE PROJECT STAFF IS REQUESTING THAT THE AUDITORS PROVIDE A DETAILED LIST OF THE PROCUREMENTS OF TWO-STROKE PETROL WHICH TOTAL TO CFAF 8,711,040, WHICH THEY STATE IS THE AMOUNT OF PURCHASES WHICH INCLUDE TAXES. ONCE THIS IS RECEIVED, THE PROJECT WILL DETERMINE THE PORTION THAT DOES NOT FALL UNDER EITHER OF THE TWO EXCEPTIONS AND REQUEST A REFUND OF THIS AMOUNT.

RECOMMENDATION: WE RECOMMEND THAT PAYROLL BE INDEPENDENTLY REVIEWED BEFORE PAYMENT OF WAGES. THE PROJECT SHOULD ENSURE THAT PAY AND NATIONAL INSURANCE AND OTHER DEDUCTIONS ARE CORRECTLY MADE BY EVIDENCE OF THIS REVIEW BEING CARRIED OUT.

WE RECOMMEND THAT ANY PAYMENTS MADE TO THE RELEVANT AUTHORITIES THAT ARE NOT RECOVERABLE FROM EMPLOYEES BE TREATED AS AN INELIGIBLE COST BY USAID. THE LACK OF INFORMATION OF INCOME TAX FROM EMPLOYEES' SALARIES AND THE LACK OF SUBSEQUENT PAYMENT OF THESE MONIES TO THE RELEVANT AUTHORITIES SHOULD BE ADDRESSED IMMEDIATELY. WE RECOMMEND THAT THE PROJECT TRY TO RECOVER THESE AMOUNTS FROM THE STAFF INVOLVED AS SOON AS POSSIBLE. THE PROJECT SHOULD MAKE THE RELEVANT AUTHORITIES AWARE OF THE SITUATION AND SHOULD IF NECESSARY MAKE PAYMENT OF THESE AMOUNTS. ANY AMOUNT WHICH IS NOT RECOVERABLE FROM STAFF SHOULD BE TREATED AS A QUESTIONED COST BY USAID/MALI AND THE IRRECOVERABLE AMOUNT RECOVERED FROM THE PROJECT.

STATUS OF THE RECOMMENDATION: THE PROJECT IS WORKING WITH THE LABOR INSPECTORS TO RESOLVE THE INCOME TAX ISSUE AS REGARDS TEMPORARY EMPLOYEES. BASED ON THE RESULTS OF THIS REVIEW, THE PROJECT WILL DETERMINE WHICH

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AMOUNTS ARE OWED TO THE MALIAN AUTHORITIES BY THE EMPLOYEES. BASED ON THIS DETERMINATION, USAID MALI WILL ENSURE THAT ANY AMOUNTS DUE FROM EMPLOYEES BUT NOT RECOVERABLE FROM THEM ARE COLLECTED FROM THE PROJECT.

RECOMMENDATION: WE RECOMMEND THAT THE PROJECT AND USAID ASSIST THE GRM TO AGREE ON A STANDARD FORMAT OF REPORTING INFORMATION ON A TIMELY BASIS AND CONTINUE ASSISTANCE TO ENSURE THAT REPORTING IS CARRIED OUT IN ACCORDANCE WITH THIS AGREEMENT.

STATUS OF THE RECOMMENDATION: THIS REFERS TO THE GOVERNMENT OF THE REPUBLIC OF MALI, (GRM), CONTRIBUTION TO THE PROJECT. USAID MALI HAS PRODUCED A REPORT FORMAT WHICH IT HAS SENT TO ALL USAID PROJECTS FOR REPORTING ON THE GRM CONTRIBUTION TO PROJECTS. IN ADDITION, A MISSION ORDER WAS PREPARED WHICH GIVES GUIDELINES ON THE REPORTING OF HOST COUNTRY CONTRIBUTIONS.

RECOMMENDATION: WE RECOMMEND THAT USAID/MALI RECOVER THE ABOVE AMOUNTS (INTEREST EARNED AND PROCEEDS FROM SALES OF FIXED ASSETS) FROM THE PROJECT OR ALTERNATIVELY RELEASE THE FUNDS FOR PROJECT ACTIVITIES.

STATUS OF THE RECOMMENDATION: REFER TO RECOMMENDATIONS A.2.1 ON INTEREST EARNED AND A.2.2 ON PROCEEDS FROM SALES OF ASSETS.

2. USAID MALI THANKS RIG/A/DAKAR FOR ITS CONTINUED ASSISTANCE IN CARRYING OUT ITS AUDIT MANAGEMENT PROGRAM.
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NO TEXT IN THIS SECTION

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