

Regional Inspector General for Audit
Dakar

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9-547

**AUDIT OF USAID'S GRANT TO THE IVOIRIAN NATIONAL
COMMITTEE (NAC) UNDER THE HEALTH AND FAMILY
PLANNING PROJECT, PIL NO. NAC-92-02,
FROM DECEMBER 1992 TO JULY 1994**

**Audit Report No. 7-681-95-015-N
June 21, 1995**



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

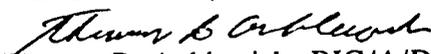
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June 21, 1995

MEMORANDUM

To: Willard Pearson, Director, REDSO/WCA

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

Subject: Audit of USAID's Grant to the Ivoirian National AIDS Committee (NAC) under the Health and Family Planning Project, PIL No. NAC-92-02, from December 1992 to July 1994 (Audit Report No. 7-681-95-015-N)

The attached final report, prepared by the non-Federal audit firm, Deloitte and Touche of Abidjan, presents the results of a financial audit of USAID's grant to the Ivoirian National AIDS Committee (NAC) under the Health and Family Planning Project, PIL No. NAC-92-02, from December 1992 to July 1994.

On September 30, 1991, the United States Agency for International Development (USAID) and the Government of Côte d'Ivoire (GOCI) signed the Health and Family Planning Project (No. 681-0005) under which USAID is to provide a total grant of \$19.9 million to the GOCI through the Ministry of Health and Social Protection (MOHSP). The goal of the project is to increase life expectancy, reduce the population growth rate, and increase the general well being of the population in Côte d'Ivoire. The Project is scheduled to be completed on September 30, 1997.

The project has three components: 1) family planning, 2) HIV/AIDS prevention, and 3) child survival and 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 AIDS/NGO to support community-based interventions; and Information, Education, and Communication (IEC) support to provide information on available HIV prevention and control options. In implementing the HIV/AIDS component, MOHSP is provided grant funds to support activities of the National AIDS Committee (NAC). On January 12, 1993, USAID committed \$202,000 under PIL No. NAC-92-02 for financing local costs incurred by NAC for research activities and support to other ministries and private companies.

Deloitte and Touche performed the financial audit of \$140,605 (FCFA 39,369,463) in expenditures incurred by NAC in accordance with U.S. Government Auditing Standards. The purpose of the audit was to determine whether the Fund Accountability Statement for the period from December 1992 to July 1994 was fairly presented and whether NAC complied with applicable laws, regulations, and agreements that may have had a material effect on the financial statements. In carrying out this financial audit, the non-Federal auditor obtained an understanding of NAC'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.

Deloitte and Touche found that the Fund Accountability Statement fairly presented disbursements made by NAC from the USAID grant except for \$24,395 (FCFA 6,830,759) in unsupported questioned costs. These costs represent 17 per cent of the total disbursements audited. In obtaining an understanding of the internal control structure, the auditor reported two findings, one of which was considered material—there is no statement of expenditures or bank reconciliations. Finally, in testing for compliance with applicable laws, regulations and agreements, the auditor stated that NAC complied in all material respects.

In its response to the draft audit report, REDSO/WCA generally agreed with the auditor's findings and recommendations. REDSO/WCA, however, determined that \$3,624 of the \$24,395 questioned was resolved as not sustained.

The non-Federal audit report contains three findings and three recommendations which should be implemented by REDSO/WCA and NAC. Due to the termination of the bilateral program in Cote d'Ivoire, RIG/A/Dakar will include only the following monetary recommendation in the Office of the Inspector General's recommendation follow-up system.

Recommendation No. 1: We recommend that REDSO/WCA resolve the \$24,395 unsupported questioned costs and recover those costs determined to be unsupported or unallowable.

Recommendation No. 1 is considered unresolved since out of the \$24,395 questioned, REDSO/WCA determined that \$3,624 was not sustained, but is yet to make a determination on the remaining \$20,771. The recommendation will be resolved once REDSO/WCA advises RIG/A/Dakar of its official determination of the sustainability of the entire \$24,395 questioned costs. For any amounts which REDSO/WCA determines to be not sustained, RIG/A/Dakar will close that portion of the recommendation upon receipt of REDSO/WCA's determination and any evidence required to support the position taken. For those amounts which REDSO/WCA determines to be sustained, that portion of the recommendation will be closed when such questioned costs are recovered 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 above recommendation.



**AUDIT OF THE EXPENDITURES MADE BY THE
IVORIAN NATIONAL AIDS COMMITTEE (NAC)
UNDER THE HEALTH AND FAMILY PLANNING
PROJECT, PIL NO. NAC-92-02
FROM DECEMBER 1992 TO JULY 1994**

**AUDIT OF THE EXPENDITURES MADE BY THE IVORIAN NATIONAL
AIDS COMMITTEE (NAC) UNDER THE HEALTH
AND FAMILY PLANNING PROJECT, PIL NO.NAC-92-02
FROM DECEMBER 1992 TO JULY 1994**

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I. TRANSMITTAL LETTER AND SUMMARY

October 10, 1994

Mr. Thomas B. Anklewich
Regional Inspector General for Audit
USAID/A/Dakar
Senegal

Dear Mr. Anklewich,

This report presents the results of our audit of the United States Agency for International Development (USAID)'s grant to the Ivorian National Aids Committee (NAC) under the Health and Family Planning Project, PIL No. NAC-92-02 from December 1992 to July 1994.

A. *Background*

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. Agency for International Development (USAID) is to provide a total grant of \$19.9 million to the GOCI through the Ministry of Health and Social Protection (MOHSP) with the goal to increase life expectancy, reduce the population growth rate, and improve the general well-being of the population of Cote d'Ivoire. The project is scheduled to be completed on September 30, 1997 with the GOCI making a contribution (including in-kind) of not less than \$8.5 million.

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 project has three components: 1) family planning; 2) HIV/AIDS prevention; and 3) child survival and maternal health. The HIV/AIDS component comprises of inter-related elements: condom supply management to ensure an adequate supply of condom; institutional development of an indigenous AIDS/NGO to support community-based interventions; and IEC support to provide information on available HIV prevention and control options and motivate behavioral change.

In implementing the family component, MOHSP is provided grant funds to support activities of the National AIDS Committee (NAC). On January 12, 1993, USAID committed \$202,000 under PIL No. NAC-92-02 for financing local costs incurred by NAC for research activities and support to other ministries and private companies.

The financial audit to be performed under this scope of work will cover expenditures made by NAC under PIL No. NAC-92-02 from December 1992 to July 1994.

B. Audit Objectives and Scope

We performed a financial and compliance audit of USAID's grant to the Ivorian National Aids Committee (NAC) under the Health and Family Planning Project, PIL No. NAC-92-02 from December 1992 to July 1994 in accordance with generally accepted auditing standards, US Government Audit Standards as set forth in the Comptroller General's Government Auditing Standards, and guidelines contained in the Office of the Inspector General's Guide for Financial Audits Contracted by the Agency for International Development, except that we did not have an external quality review by an unaffiliated audit organization as required by paragraph 46 of chapter 3 of Government Auditing Standards since no such quality review program is offered by professional auditing organizations in Côte d'Ivoire. We believe that the effect of this departure from financial audit requirement

of Government Auditing Standards is not material because we participate in the Deloitte Touche Tohmatsu International internal quality control program which requires Deloitte & Touche in Côte d'Ivoire to undergo a periodic quality control review by partners and managers from other Deloitte & Touche offices. In addition, we did not fully meet the continuing education auditing standard. During the last two years we have not maintained sufficient documentation evidence of meeting the minimum 80 hours of continuing education requirement or the requirement to have 24 hours in a given year in subjects related to the Government environment. However we do not believe that this departure from Government Auditing Standards has 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.

The objective of this engagement is to conduct a financial audit of USAID's Grant to the Ivorian National Aids Committee under the Health and Family Planning Project, PIL No. NAC-92-02 from December 1992 to July 1994.

The financial audit shall be performed in accordance with U.S. Government Auditing Standards and guidelines contained in the Office of the Inspector General's Guide for Financial Audits Contracted by the Agency for International Development and accordingly include such tests of the accounting records as deemed necessary under the circumstances.

The specific objectives of the audit are to:

- 1) Express an opinion on whether NAC's Fund Accountability Statement presents fairly, in all material respects, recurrent costs incurred for the audit period in conformity with the cash basis of accounting.
- 2) Evaluate and obtain a sufficient understanding of NAC's internal control structure related to the USAID funded program, assess control risk, and identify reportable conditions, including material internal control structure weaknesses;
- 3) perform tests of NAC's compliance with applicable laws, regulations, binding policies and procedures, and the grant agreement and express positive assurance on those items tested and report on the results of compliance testing.

The major audit procedures during our work consisted of:

- (a) reviewing the grant agreement and project implementation letters between USAID and NAC,
- (b) studying and evaluating NAC's internal control structure relative to USAID's grant in order to assess the control risks and to determine our audit procedures,
- (c) examining supporting documentation for selected expenditures incurred and performing tests for reasonableness, allowability and propriety in compliance with the terms of the Grant Agreement, applicable laws and regulations,
- (d) reviewing bank statements, reporting and reconciliation procedures,
- (e) determining whether the project has complied with applicable laws and regulations, the grant agreement terms and being alert to situations or transactions that could be indicative of fraud, abuse and illegal expenditures.

C. Summary of audit results

We summarize below our key conclusions which are fully detailed in the relevant sections of the present audit report.

1 Financial

We have given a qualified opinion on the Fund Accountability Statement due to questioned costs amounting to FCFA 6,830,759 (US\$24,395), representing 17% of total disbursements. These questioned costs are attributable to the following items:

	<u>FCFA</u>
Unreconciled bank items	172,550
Missing and invalid invoices	4,736,209
Unliquidated advances	<u>1,922,000</u>
Total unsupported	<u>6,830,759</u>

2. *Internal control*

Our review and evaluation of the internal control structure disclosed the following material weaknesses :

- a) We noted that NAC does not maintain any accounting records to identify and summarize the posting of individual transactions incurred under the grant. Supporting documentation is gathered for each budget category and sent to REDSO/WCA without making any copies to be held by the NAC . No statement of expenditures or bank reconciliations are prepared.
- b) The filing system does not systematically show evidence of the receipt and use of goods and services acquired under the grant.
- c) NAC does not maintain any cash account nor a register although cash is physically held by the accountant several days before it is deposited to bank.

Weaknesses a) and c) are considered material.

3 *Compliance*

Our testing of transactions and records selected disclosed immaterial instances of noncompliance in the following area:

The NAC does not maintain any records which would allow an easy determination of the actual level of the GOCI's contribution to the project.

D. Synopsis of management comments

We have received management comments relating to our final draft report (see Appendix 2). These comments are summarized here below:

Out of the total questioned costs of FCFA 22,190,644 (\$79,252) raised in our final draft report, REDSO/WCA replied that FCFA 16,374,553 (\$58,480) were not to be sustained. Copies of corresponding vouchers have been furnished to us in this respect.

As to the remainder, REDSO promised to continue to pursue gathering relevant supporting documentation. REDSO/WCA found the recommendations 1 and 3 no longer significant with the termination of the bilateral program in Côte d'Ivoire. It plans however to disseminate them among its counterparties for future actions.

II. FINANCIAL SECTION

A. *Independent auditor's report*

We have audited the accompanying Fund Accountability Statement of USAID's Grant to the Ivorian National Aids Committee (NAC) under the Health and Family Planning Project, PIL No. NAC-92-02 from December 1992 to July 1994. This Fund Accountability Statement is the responsibility of NAC's management. Our responsibility is to express an opinion on this Fund Accountability Statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States, except that we did not have an external quality control review by an unaffiliated organization nor did our audit staff complete the minimum continuing education as required by Sections 3.46 and 3.6 respectively of the aforementioned standards. Those standards require that we plan and perform the audit to obtain reasonable assurance on whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall Fund Accountability Statement presentation. We believe our audit provides a reasonable basis for our opinion.

Our audit has raised questioned costs of FCFA 6,830,759 (\$24,395), representing 17% of total disbursements of the period examined. Those questioned costs are made up of the following:

	<u>FCFA</u>
Unreconciled bank item	172,550
Missing and invalid invoices	4,736,209
Unliquidated advances	<u>1,922,000</u>
Total unsupported	<u>6,830,759</u>

As described in the notes to the accounts, the Fund Accountability Statement was prepared on a cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, except for the questioned costs discussed in the preceding paragraph, the Fund Accountability Statement referred to above presents fairly, in all material respects the financial position of NAC for the expenditures made under the PIL No. NAC-92-02 in conformity with the basis of accounting described in Note 1 to the Fund Accounting Statement.

Deloitte & Touche
Deloitte & Touche
October 10, 1994

B. Fund Accountability Statement
 From December 1992 to July 1994
 (Figures are stated in FCFA)

	<u>Budget</u>	<u>Actual</u>	Questioned costs (Unsupported) <u>(note 1)</u>
Receipts			
Advances	<u>50,500,000</u>	<u>41,460,000</u>	
Total	<u>50,500,000</u>	<u>41,460,000</u>	
Disbursements			
Support to other ministries and private companies	13,750,000	16,073,894	2,094,550
Research			
Epidemiological	15,000,000	6,852,409	4,736,209
Behavioral	9,750,000	8,668,410	
Economic	<u>12,000,000</u>	<u>7,774,750</u>	
Total	<u>50,500,000</u>	<u>39,369,463</u>	<u>6,830,759</u>
Outstanding balance		<u>2,090,537</u>	

C. Notes to the Fund Accountability Statement

Note 1. Accounting Principles

The Fund Accountability Statement is prepared on the basis of cash receipts and disbursements.

In this report, we have used an exchange rate of US\$1 for FCFA 280 for the period under review.

Note 2

Unsupported costs are essentially made up of expenditures inadequately supported and funds advanced to regional committees still not justified at the date of audit.

III. INTERNAL CONTROL STRUCTURE

A. *Independent auditor's report*

We have audited the Fund Accountability Statement of USAID's Grant to the Ivorian National Aids Committee (NAC) under the Health and Family Planning Project, PIL No. NAC-92-02 from December 1992 to July 1994 and have issued our report thereon dated October 10, 1994.

We conducted our audit in accordance with generally accepted auditing standards and the Government Auditing Standards issued by the Comptroller General of the United States except that we did not have an external quality review by an unaffiliated organization nor did our staff complete the minimum continuing education as required by section 3.46 and 3.6 respectively of the aforementioned standards. 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 NAC's Fund Accountability Statement under the Health and Family Planning Project, PIL No. NAC-92-02 from December 1992 to July 1994, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the Fund Accountability Statement and not to provide assurance on the internal control structure.

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

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

- Accounting procedures
- Travel procedures

For all the control categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the Fund Accountability Statement.

The reportable conditions noted are as follows:

- (a) We noted that NAC does not maintain any accounting records to identify and summarize the posting of individual transactions incurred under the grant. Supporting documentation are gathered for each budget category and sent to REDSO/WCA without making copies to be held by the NAC. No statement of expenditures or bank reconciliations are prepared.
- (b) The filing system does not systematically show evidence of the receipt and use of goods and services acquired under the grant.
- (c) NAC does not maintain any cash account or register although cash is physically held by the accountant several days before it is deposited to the bank.

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 function.

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. We believe that the reportable conditions a) and c) described above are material.

This report is intended for the information of the management and MOHSP and USAID. The restriction is not intended to limit the distribution of this report which is a matter of public record.

Deloitte & Touche
Deloitte & Touche
October 10, 1994

B. FINDINGS

1. Weaknesses in the accounting and internal control system

Condition

We noted several weaknesses in the accounting and internal control system:

- a) We noted that NAC does not maintain any accounting records to identify and summarize the postings of individual transactions incurred under the grant. Supporting documentation are gathered for each budget category and sent to REDSO/WCA. No statement of expenditures or bank reconciliations are prepared.
- b) In addition the filing system does not systematically show evidence of receipt and use of goods and services acquired under the grant.
- c) NAC does not maintain any petty cash account nor a register although cash is physically held by the accountant several days before it is deposited to bank.

Criteria

PIL NAC-92-02 stipulates that NAC should provide to REDSO/WCA on a quarterly basis, a summary of the status of NAC's bank account for REDSO/WCA funded activities.

The Grant Agreement (Section C.4) provides that any goods or services financed under the grant should be procured on a fair and, to the maximum extent practicable, on a competitive basis.

Section B.5 stipulates that the grantee should maintain books and records in accordance with generally accepted accounting principles and practices consistently applied.

Cause

Management is not adequately involved in designing procedures and controls, and in their implementation.

Effect/Risk

There is a risk of misappropriation of project assets.

Recommendation

Internal control procedures should be designed and implemented to ensure adherence to internal control standards.

*2. Unsupported Expenditures*Condition

We noted several instances where fees and per diem paid to researchers and inquirers were not properly authorized. In addition, supporting documentation relating to Economic and epidemiological surveys were not available for examination at the date of the audit in September 1994. Unsupported costs which amounted to FCFA 6,830,759 (\$24,395) are summarized below:

	<u>FCFA</u>	<u>US\$</u>
Unliquidated advances to regional committees	1,922,000	6,864
Supporting documentation not available for review	4,036,209	14,415
Bills and invoices not valid	700,000	2,500
Unsupported sundry items	<u>172,550</u>	<u>616</u>
	<u>6,830,759</u>	<u>24,393</u>

In appendix 1, we provide the details of these unsupported costs.

Criteria

As per the Grant Agreement, the grantee should maintain books and records adequate to show, without limitation, the receipt and use of goods and services acquired under the Grant.

Specific General Accounting Office standards state that internal control systems and all transactions and other significant events are to be clearly documented, and the documentation is to be readily available for examination.

Cause

- Funds requested by committee members and researchers are in general, immediately disbursed to them in full. Unfortunately, the ongoing procedures do not enforce timely or periodic justification of advances received.
- Copies of supporting documentation transmitted to USAID are not systematically kept in file at the project site.

Effect/Risk

- The audit opinion on the statement of expenditures may be qualified.
- USAID may disallow such costs.

Recommendation

We recommend that appropriate actions be initiated by the project management to justify or reimburse to USAID the questioned costs.

In addition, funds should be allocated to Regional Committees and researchers on the basis of a revolving system. Commodities may be directly purchased by NAC and made available to committee members and researchers, as much as possible.

IV. COMPLIANCE WITH AGREEMENT TERMS AND APPLICABLE LAWS

A. Independent auditor's report

We have audited the Fund Accountability Statement of USAID's Grant to Ivorian Ministry of Health and Social Protection (MOHSP) under the Health and Family Planning Project, PIL No. NAC-92-02 from December 1992 to July 1994 and have issued our report thereon dated October 10, 1994.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States, except that we did not have an external quality review by an unaffiliated organization nor did our staff complete the minimum continuing education as required by section 3.46 and 3.6 respectively of the aforementioned standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Fund Accountability Statement is free of material misstatement.

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

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

This report is intended for the information of the management of NAC and USAID. This restriction is not intended to limit the distribution of this report which is a matter of public record.

Deloitte & Touche
Deloitte & Touche
October 10, 1994

B. Findings**3. *MOHSP's contribution not calculated*****Condition**

The NAC does not maintain any records which would allow an easy determination of the actual level of the MOHSP's contribution to the project.

Criteria

PIL No.92-02 paragraph 3C stipulates that the NAC will provide an estimate of the value, with back-up documentation, of the MOHSP's contribution to the project (salaries, office space, rent, etc) on an annual basis.

Cause

Management seems not to be aware of the importance of this requirement.

Effect/Risk

Project financial data are incomplete in the absence of evaluation of the GOCI's contribution.

Recommendation

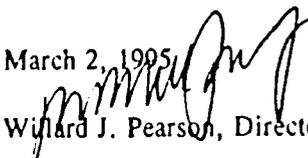
Action should be taken to adequately monitor GOCI's contribution. Management and USAID should support efforts to obtain accounting cooperation from the Department of Finance of the Ministry of Health.

Appendix 1

UNSUPPORTED EXPENDITURES

<u>Budget category</u>	<u>Date</u>	<u>Description</u>	<u>Amount</u>	<u>Comments</u>
Support to other ministries and private companies	03/02/94	Provided Local AIDS Committees	1,922,000	Unliquidated
	31/07/94	Unreconciled bank item	172,530	Unexplained cost reconciliatio difference
		Sub-Total	<u>2,094,550</u>	
Epidemiological	10/06/93	Hotel Ran Bouaké	388,000	Invalid bills (no letter head)
	06/93	Hotel Méridien KGO	144,000	idem
	17/05/93	Hotel Cascade Man	168,000	idem
		Sundry expenditures	4,036,209	Supporting documentation not available
		Sub-Total	<u>4,736,209</u>	
		Total	<u>6,830,759</u>	

MEMORANDUM

DATE: March 2, 1995 
FROM: Willard J. Pearson, Director, REDSO/WCA
SUBJECT: Audit of USAID's Grant to the Ivorian National AIDS Committee (NAC) under the Health and Family Planning Project, PIL No. NAC-92-02, from December 1992 to July 1994.
TO: Thomas B. Anklewich, RIG/A/Dakar

We have reviewed the subject draft audit report. Our comments provided below are intended to address the findings and recommendations requested in your memorandum dated December 20, 1994.

A. RIG's recommendation: *We recommend that REDSO/WCA resolve the total unsupported costs of \$79,252 and recover those costs determined to be unallowable or unsupported.*

REDSO/WCA has made the following determinations on the cited total questioned costs of \$79,252:

1. Unliquidated advance to regional committees (CFA 1,922,000)

REDSO/WCA concurs with the cited amount per the audit report. However, be advised that a voucher to liquidate CFA 1,014,668 spent to support the activities of the regional committees (Attachment 1) was prepared and is being processed by WAAC. It has been agreed with the NAC's administrator that the NAC's accountant will travel to the regions to collect additional receipts or remaining unspent funds. REDSO/WCA will continue to follow-up with this issue.

Conclusion: The remaining amount of CFA 907,332 is to be sustained.

2. Unapproved fees and per diems paid to researchers and interviewers (CFA 10,086,700)

Be advised that the USAID project officer verbally approved the fees and per diems paid to researchers and interviewers to conduct the three studies. Confirmation of this approval has been provided by the former project officer, now residing in Washington, via electronic mail (Attachment 2).

Conclusion: This amount is not to be sustained.

3. Supporting documentation is not available for review (CFA 8,481,209)

Be advised that the NAC forwarded the supporting documentation for the "per diem/fees of training and survey" related to the study on the economic impact of AIDS (see Attachment 3) in the amount of CFA 4,445,000.

Conclusion: The remaining amount of CFA 4,036,209 is to be sustained.

4. Bills and invoices not valid (CFA 903,765)

Please be advised that the original bills for the "purchase of recording material (CFA 183,000)" and "Statistic Atelier Longuet" were provided to REDSO/WCA. A copy of these original bills are attached (Attachment 4).

With respect to the hotel bills, the NAC's administrator has requested additional time to clarify the issues related to the bills provided to support hotel expenditures at Bouake (CFA 388,000), Korogho (CFA 144,000) and Man (CFA 168,000) during the implementation of the epidemiological study. Examples of these statements are provided in Attachment 5. To this end, the NAC's accountant will travel to these locations to verify the hotel bills. The NAC's Administrator will advise REDSO/WCA of the findings and provide documentation. REDSO/WCA will continue to monitor this issue and will take appropriate action.

Conclusion: The CFA 700,000 related to the invalid hotel bills are to be sustained.

5. Sundry unsupported items (CFA 796,970)

5.1 No travel tickets (Total: CFA 296,600)

This amount relates to travel expenses incurred by trainees from the regional AIDS committees for their participation in various workshops in Tabou, San Pedro and Bouake. In view of the difficulties of getting travel receipts when traveling within the regions in cars/buses and bush taxis, REDSO/WCA/WAAC accepted signed statements from each of the participants acknowledging receipts of funds as sufficient documentation to support the travel costs. During the examination of the vouchers related to these in-country travels, WAAC determined that the costs and form of documentation were reasonable. Examples of these statements are provided in Attachment 5. In our view, these costs are valid and sufficiently documented.

Conclusion: This amount is not to be sustained.

5.2 Usage not documented: "Fuel" (CFA 200,000), "Duplimata" (CFA 51,320), "Typing" (CFA 52,000), "Printing Binding" (CFA 7,000) for the behavioral research study

REDSO/WCA concurs with the findings of the report related to the weaknesses in the accounting and internal control system of NAC. The lack of supporting documentation on usage was resulted from the limited knowledge of the research team members on accounting and documentation practices. The researchers were not briefed by the NAC's accountant on the documentation required for their research related expenditures. However, given the validity and reasonable amount of the receipts which were submitted, the high quality of the report produced by the behavioral research team, and our Agency's new focus on results-oriented performance, REDSO/WCA is prepared to accept the behavioral research team's report as proof positive that reported expenditures were incurred.

Conclusion: The CFA 310,320 related to the lack of documentation for usage of research funds is not to be sustained.

5.3 Unexplained cost reconciliation difference (CFA 172,550)

The draft audit report does not provide any background information for NAC and REDSO/WCA to make a clear determination on this amount. In any case, with the termination of the USAID bilateral

project in Cote d'Ivoire, REDSO/WCA is working to liquidate all advances to the NAC in order to close-out the NAC's account with Citibank. REDSO/WCA will bear in mind this issue and take appropriate action as needed.

Conclusion: This amount is to be sustained.

5.4 Non beneficiary name on the Bondoukou "Relais" hotel bill (CFA 17,500)

In this case, the hotel room number was listed in place of the name of the beneficiary on the hotel bill. The bill was valid in all other respects. To replace the current hotel bill with one which has the correct beneficiary name would require additional expenditures for in-country travel to Bondoukou. In view of the small value of the questioned cost, we do not believe it is worth pursuing.

Conclusion: This amount is not to be sustained.

6. Summary

Out of the total questioned and unsupported costs of \$79,252, REDSO/WCA will continue to pursue appropriate documentation for the following:

- unliquidated advance to regional committees: CFA 907,332
- supporting documentation that was unavailable for review: CFA 4,036,209
- amount related to invalid hotel bills: CFA 700,000
- unexplained cost reconciliation difference: CFA 172,550

Total amount to be recovered: CFA 5,816,091 (\$20,771.75)

B. Findings and recommendations of Deloitte & Touche

1. Please see above comments for response to finding 2.

2. With the termination of the bilateral program in Cote d'Ivoire, the recommendations related to findings 1 and 3 of the report are no longer significant. However, REDSO/WCA plans to disseminate the recommendations and lessons learned from this audit within REDSO/WCA and among our counterparts in the region.