

**Regional Inspector General for Audit
Dakar**

**AUDIT OF USAID'S GRANT TO THE MINISTRY OF HEALTH AND
SOCIAL PROTECTION UNDER THE COMBATING CHILDHOOD
COMMUNICABLE DISEASES PROJECT (NO. 698-0421.81)
FROM FEBRUARY 24, 1993 TO JULY 31, 1994**

**Audit Report No. 7-698-95-016-N
June 27, 1995**



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

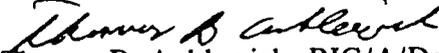
UNITED STATES ADDRESS
RIG / DAKAR
AGENCY FOR INTERNATIONAL
DEVELOPMENT
WASHINGTON, D. C. 20521 - 2130

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

June 27, 1995

MEMORANDUM

To: Willard Pearson, Director, REDSO/WCA

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

Subject: Audit of USAID's Grant to the Ministry of Health and Social Protection under the Combating Childhood Communicable Diseases Project (No. 698-0421.81), from February 24, 1993 to July 31, 1994 (Audit Report No. 7-698-95-016-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 Ministry of Health and Social Protection under the Combating Childhood Communicable Diseases Project (No. 698-0421.81), from February 24, 1993 to July 31, 1994.

On June 28, 1985, the United States Agency for International Development (USAID) and the Government of Cote d'Ivoire (GOCI) signed the Combating Childhood Communicable Diseases (CCCD) Project which authorized \$880,400 in grant assistance to the GOCI through the Ivorian Ministry of Health and Social Protection (MOHSP). The project's goal is to reduce infant and childhood morbidity and mortality in Cote d'Ivoire by expanding and upgrading immunization services, oral rehydration services and providing preventive malaria treatment of fevers. Amendments Nos. 1 through 3 to the agreement increased the project's funding to \$2,031,000 and extended its completion date to September 30, 1993. A follow-on project titled the Maternal Child Health (MCH) project continued the activities of the CCCD project from October 1, 1993 to September 30, 1994. The follow-on project placed emphasis on integrated care of the mother and child including well-tested intervention for child survival and maternal health and the use of community health workers in order to increase the coverage of health care in rural areas. As of July 31, 1994, MOHSP's records showed it had received advances from REDSO/WCA totaling \$318,997 of which the MOHSP had expended \$173,021.

Deloitte and Touche performed a financial audit of the \$173,021 in expenditures incurred by the MOHSP in accordance with U.S. Government Auditing Standards. The purpose of the audit was to determine whether the Fund Accountability Statement for the period

February 24, 1993 to July 31, 1994 was fairly presented and whether the MOHSP 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 the MOHSP's internal accounting controls over 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 the disbursements made by the MOHSP from the USAID grant. The audit did, however, identify questioned costs amounting to \$3,167 (CFA 967,361) which consisted of \$117 in ineligible payments of gas and taxes and \$3,050 in unsupported payments for various purchases. In obtaining an understanding of the internal control structure, the auditor found minor weaknesses such as insufficient documentation to support some expenditures. In testing for compliance with applicable laws, regulations and agreements, the auditor stated that the MOHSP complied in all material respects. The auditor, however, reported that the MOHSP did not maintain records of the GOCI's contribution to the project as required by the grant agreement. The agreement required the GOCI to make a contribution of \$7 million (CFA 2 billion) to the project.

In its response to the draft audit report, REDSO/WCA stated that \$750 out of the \$3,762 originally questioned by the auditors should not be sustained. The auditors agreed with REDSO on \$595 of the \$750, but not on the remaining \$155 because of a lack of sufficient evidence.

The non-Federal audit report contains five findings and five recommendations which should be implemented by REDSO/WCA and the MOHSP. 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 total questioned costs of \$3,167 (\$3,050 unsupported) and recover those costs determined to be unallowable or unsupported.

Recommendation No. 1 is considered unresolved until REDSO/WCA advises RIG/A/Dakar of its official determination of the sustainability of the 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.

**Deloitte &
Touche**



Imm. Alpha 2000 146 Etage
Rue Gourgas - Plateau
01 B.P. 224 ABIDJAN 01

Téléphone (225) 22.29.91 / 22.29.96
Facsimile (225) 22.29.79 / 21.84.46
Telex (933) 22 820 DHANDS CI

**Audit of USAID's Grant to Ivorian Ministry of Health
and Social Protection under the Combatting Childhood
Communicable Diseases Project in Côte d'Ivoire
from February 24, 1993 to July 31, 1994**

**Deloitte Touche
Tohmatsu
International**

S A au capital de 37 500 000 F CFA
Compte Constitué 9104204 R.C. ABIDJAN 150640

A

**Audit of USAID's Grant to the Ivorian Ministry of Health
and Social Protection under the Combatting Childhood
Communicable Diseases Project in Côte d'Ivoire
from
February 24, 1993 to July 31, 1994**

TABLE OF CONTENTS

	<u>Page</u>
I. TRANSMITTAL LETTER AND SUMMARY	
A. Background	1
B. Audit objectives and scope	2
C. Summary of audit results	4
1. Financial	
2. Internal Control	
3. Compliance	
D. Synopsis of Management Comments	5
II. FINANCIAL SECTION	
A. Independent Auditor's Report	8
B. Fund Accountability Statement	9
C. Notes to the Fund Accountability Statement	11
III. INTERNAL CONTROL STRUCTURE	
A. Independent Auditor's Report	13
B. Findings	15
IV. COMPLIANCE WITH AGREEMENT TERMS AND APPLICABLE LAWS	
A. Independent Auditor's Report	19
B. Findings	20
APPENDIX	
REDSO/WCA's comments	

B



I. TRANSMITTAL LETTER AND SUMMARY

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

October 10, 1994

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 Ministry of Health and Social Protection under the Combatting Childhood Communicable Diseases Project in Côte d'Ivoire from February 24, 1993 to July 31, 1994.

A. BACKGROUND

On June 28, 1985, the US Agency for International Development (USAID) and the Government of Côte d'Ivoire (GOCI) signed the Combatting Childhood Communicable Diseases Project (No.698-0421.81), which authorized \$880,400 in grant assistance to the GOCI through the Ivorian Ministry of Health and Social Protection (MOHSP) with the goal to reduce the level of infant and childhood morbidity and mortality in Côte d'Ivoire by expanding and upgrading immunization services, oral rehydration services and providing presumptive malaria treatment of fevers. Further, amendments Nos.1 through 3 extended the life of project funding to \$2,031,000 by the project completion date of September 30, 1993. USAID's assistance was to be complemented by a GOCI contribution estimated at CFA 2,005,400,000

The grant to the Ivorian Ministry of Health and Social Protection included two components: the Combatting Childhood Communicable Diseases (CCCD) and the Maternal Child Health (MCH) project.

The purpose of the project was to strengthen the ability of the MOHSP to deliver primary health-care services and thereby attempt to reduce infant and child morbidity and mortality. Project activities emphasized improving the delivery of three types of interventions which are considered appropriate in the Ivory Coast context (i.e. immunization against selected diseases, diarrhea disease control and malaria control) and promoting four types of support efforts (i.e. operations research, health education, training and health surveillance). The approach adopted by the CCCD project is to emphasize primary health care and those strategies which can be applied at the village level and do not necessarily require an extensive hospital and curative infrastructure.

The financial audit to be performed under this scope of work will cover expenditures made by MOHSP from funds provided by USAID under Project Implementation letter No.57 which committed funds in the amount of \$255,242 to cover project related activities from February 24, 1993 to September 30, 1993.

The Project completion date of CCCD and MCH was September 30, 1993 and September 30, 1994 respectively.

B. AUDIT OBJECTIVES AND SCOPE

We performed a financial and compliance audit of USAID's Grant to the Ivorian Ministry of Health and Social Protection under the Combatting Childhood Communicable Diseases Project in Côte d'Ivoire from February 24, 1993 to July 31, 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 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 audit objectives are threefold:

- 1) Determine the reasonableness, propriety and allowability of operating costs incurred by CCCD from February 24, 1993 to July 31, 1994 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.
- 2) Review and evaluate CCCD's internal control to determine the nature, timing and extent of tests to be performed in order to form an opinion on the fund accountability statement.
- 3) Perform tests of CCCD's compliance with applicable laws, regulations, binding policies and procedures, and the grant agreement 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 GOCI,
- (b) studying and evaluating MOHSP'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 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 found that the Fund Accountability Statement was presented fairly. However, our financial audit raised questioned costs amounting FCFA 164,211 (US\$299) for MCH component of which FCFA 64,000 (US\$117) were considered ineligible and, FCFA 803,150 (US\$2,868) unsupported costs for CCCD component. These questioned costs are detailed as follows:

<u>MCH component</u>	<u>FCFA</u>
Ineligible costs	
Tax on gas purchase	25,000
Taxes paid by the project	<u>39,600</u>
Total	<u>64,600</u>
Unsupported costs	
Insufficiently documented expenditures	
Note 2	45 000
Note 4	<u>54,611</u>
	<u>99,611</u>
	<u>FCFA</u>
<u>CCCD component</u>	
Unsupported costs	
Insufficiently documented expenditures	
Note 5	102,572
Note 6	205,128
Note 7	<u>495,450</u>
	<u>803,150</u>

2. Internal control

Our review and evaluation of the internal control structure disclosed the following immaterial weaknesses.

- ↳ Insufficient documentation of expenses
- ↳ For the MCH component, no bank reconciliations have been prepared and the reports were not submitted by the deadline specified by the PILS

3. Compliance

Our testing of transactions and records selected disclosed instances of non-compliance in the following areas:

- ↳ No computation of the GOCI contribution to the program
- ↳ Undue payment of taxes

D. SYNOPSIS OF MANAGEMENT COMMENTS

In their response to the draft report, REDSO/WCA provided the following comments:

Finding 1. Bank reconciliations and financial statements were not prepared timely

The auditors found an unexplained difference of FCFA 141,548 between the theoretical balance and the bank balance. The project subsequently reimbursed FCFA 89,937 (FCFA 54,611 has yet to be reimbursed). The finding is maintained until the total amount is fully reimbursed and proof sent to the Auditors or alternatively, to RIG Dakar.

Finding 2. Insufficient documentation of expenditures

The auditors questioned some transactions for lack of adequate supporting documentation. REDSO/WCA addressed each point raised and in view of responses, and documents received subsequent to the draft report, the auditors decided the following:

MCH component

- Until a copy of the signature of the driver who received FCFA 45,000 as per diem is sent to Auditors or alternatively to RIG/Dakar, the finding will be maintained
- The auditors considered the trip to Odienné and Séguéla as justified and adjusted the fund accountability statement accordingly for FCFA 20,700. So are the following transactions:
 - purchase of air ticket (FCFA 53,000)
 - purchase of engine oil and miscellaneous (2,950 FCFA)
 - multiple taxi errands (16,450 FCFA)
 - telephone call (2,355 FCFA)
 - purchase of miscellaneous items (2,150 FCFA)
 - transportation cost paid in excess of the invoiced amount (2,000 FCFA)
 - payment made in excess of the invoiced amount (1,850 FCFA)
 - payment made, but no invoice was found (3,918 FCFA)
 - transfer of cash balance PIL 48 of FCFA 37,938. The amount was further deposited into the project bank account:

CCD Component

The auditors and REDSO/WCA agree that until further justification is provided, the following transactions should be sustained.

- Payment of a restaurant invoice for one week seminar without approval: FCFA 450,000 (\$1,160)
- Lack of travel tickets of seminar participants from the country side to Abidjan for FCFA 37,000 (\$132)
- Purchase of a weight scale for FCFA 205,128 (\$732)

- Per diem collected by one participant for another for FCFA 7,500 (\$27). The auditors believe that per diem is given to compensate for the time spent outside the normal work place of the participants. In this particular case, no daily list of participants was provided and although the auditors do not doubt that the person whose name appears on the per diem list is the one who finally collected the cash, they are questioning whether the participant really attended the seminar for the period charged to the project. Consequently, the auditors will maintain this item until further justification is either received by them or by RIG Dakar.
- Purchase of various items without approval for FCFA 102,572 (\$366)

Finding 3. Ineligible costs incurred at seminars and training

MCH component

The auditors questioned a gasoline purchase for FCFA 78,000 under the assumption that project gasoline is a direct cost of the mission and not that of the program. REDSO/WCA explained that it was in fact an informal arrangement and the purchase of gasoline is not an ineligible expense.

The auditors note however that when gasoline is purchased directly at the station, it includes VAT and various taxes estimated at 30% of the purchase cost. As 78,000 FCFA of gasoline was purchased, FCFA 25,000 is to be sustained.

Subsequent to a repayment made by the project officers, the purchase of alcoholic beverages at FCFA 1,100 (\$3) is not maintained and the fund accountability statement was changed accordingly.

Finding 5. Undue payment of GOCI taxes

The program paid VAT on automobile spare parts for FCFA 39,600 (\$72).

REDSO/WCA concurs with the finding and will take appropriate actions for the reimbursement of the VAT amount. This finding is to be sustained until copy of the proof of collection of the VAT amounting to FCFA 39,600 is sent to either RIG/Dakar or the auditors.

The amount is to be sustained.

II. FINANCIAL SECTION

A. INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying Fund Accountability Statement of USAID's Grant to the Ivorian Ministry of Health and Social Protection under the Combatting Childhood Communicable Diseases Project in Côte d'Ivoire from February 24, 1993 to July 31, 1994. This Fund Accountability Statement is the responsibility of MOHSP'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.

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, the Fund Accountability Statement referred to above presents fairly, in all material respects the financial position of GOCI for costs financed with USAID's Grant under the Combatting Childhood Communicable Diseases Project in Cote d'Ivoire in conformity with the basis of accounting described in Note 1 to the Fund Accountability Statement.

Deloitte x Touche
Deloitte & Touche
October 10, 1994

B. FUND ACCOUNTABILITY STATEMENT

The Fund Accountability Statement for the Project has been prepared and analyzed by the project's components.

The statement is stated in FCFA and relate to the period from February 24, 1993 to July 31, 1994.

a) CCCD Component

	<u>Budget</u>	<u>Actual</u>	Questioned costs		<u>Note</u>
			<u>Ineligible</u>	<u>Unsupported</u>	
RECEIPTS					
Advances		<u>42,693,044</u>			
EXPENDITURES					
Personnel	66,000,000	1,857,993		102,572	5
Equipment & supplies	46,020,000	205,128		205,128	6
Program management	2,712,600	350,100			
Training	<u>81,360,000</u>	<u>34,153,653</u>		<u>495,450</u>	7
Total Expenditures		<u>36,566,874</u>		<u>803,150</u>	
Outstanding balance as at September 30, 1993					
Cash in banks		<u>6,126,170</u>			
Total outstanding balances		<u>6,126,170</u>			
Total Expenditure & outstanding balances		<u>42,693,044</u>		<u>803,150</u>	

b) MCH Component

	<u>Budget</u>	<u>Actual</u>	Questioned costs		<u>Note</u>
			<u>Ineligible</u>	<u>Unsupported</u>	
RECEIPTS					
Advances		85,500,000			
Transfer from CCCD		<u>6,087,132</u>			
Total receipts		<u>91,587,132</u>			
EXPENDITURES					
Local training	17,500,000	9,189,576		45,000	2
Logistics/supervision	10,500,000	437,400			
Central level support	36,400,000	3,726,100	39,600		3
Maternal health	19,300,000	51,774			
Supervisory training	38,500,000	1,740,750			
ORT corners	21,000,000	4,031,475			
Malaria supervision	7,000,000	4,153,320	25,000		4
Others	<u>5,400,000</u>	<u>3,320</u>			
Total Expenditures		<u>23,333,715</u>	<u>64,600</u>	<u>45,000</u>	
Outstanding balance as at 31 July 1994					
Cash in banks		68,198,806			
Unexplained difference		<u>54,611</u>		<u>54,611</u>	4
Total outstanding balances		<u>68,253,417</u>			
Total Expenditures and outstanding balances		<u>91,587,132</u>	<u>64,600</u>	<u>99,611</u>	

C. NOTES TO THE FUND ACCOUNTABILITY STATEMENT

Note 1. Accounting principles

The fund accountability statement is prepared on the basis of cash receipt and advances. In this report for convenience purposes, we have used an exchange rate of US\$ 1 for FCFA 280 for the CCCD component and US\$ 1 for FCFA 550 for the MCH component.

A. MCH COMPONENT

Note 2. Questioned costs for local training concern the following ineligible expenditure

	Amount <u>in</u> <u>FCFA</u>	<u>Finding</u>
Unsupported costs for local training are listed below:		
• Per diem paid to a driver	<u>45,000</u>	2

Note 3. Unsupported cost for the "central level support" is:

	Amount <u>in FCFA</u>	<u>Finding</u>
Ineligible cost consists of a VAT paid on automobile spare parts	39,600	5

Finding

Note 4. Unsupported cost under "unexplained difference" of FCFA
54,611 is the difference between the theoretical balance
and the bank balance

54,611

1

Ineligible cost under the "ORT corners" consists of

Taxes on gas purchased

25,000

3

B. CCCD COMPONENT

Amount
in FCFA

Finding

**Note 5. Unsupported costs under the MCH line
item consist of Purchase of various items
without approval**

102,572

2

**Note 6. Unsupported expense under the
equipment and supplies consists of a
purchase of a weight scale without
approval of the coordinator**

205,128

2

**Note 7. Unsupported costs under the training
program consist of the following:**

Per diem collected by a participant who signed for
another participant

7,500

2

No car travel ticket submitted for a trip

37,000

2

An unapproved restaurant invoice

450,950

2

495,450

III. INTERNAL CONTROL STRUCTURE

A. INDEPENDENT AUDITOR'S REPORT

We have audited the Fund Accountability Statement of USAID's Grant to the Ivorian Ministry of Health and Social Protection under the Combatting Childhood Communicable Diseases Project in Côte d'Ivoire from February 24, 1993 to July 31, 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 MOHSP's Fund Accountability Statement under the CCCD Project from February 24, 1993 through July 31, 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 MOHSP 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
- Seminars and training 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.

These reportable conditions include an insufficient documentation of certain expenditures, a lack of bank reconciliation on the MCH component, and an insufficient monitoring of seminars and training costs.

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. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended for the information of the management of 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. Bank reconciliations and financial statements were not prepared timely

Condition

We noted that since the inception of the USAID funded MCH project, no bank reconciliations were prepared and no financial reports were submitted to USAID.

An unreconciled item of FCFA 141,548 (\$ 257) was questioned as unsupported. This item is the difference between the theoretical and the actual bank balance as at July 31, 1994. The USAID mission subsequently confirmed that 86,937 FCFA (\$158) was reimbursed. The balance of FCFA 54,611 (\$99) still remains outstanding.

Criteria

Sound internal control procedures require that bank reconciliations be prepared on a monthly basis.

PIL MCH 94-01 requires that the coordinator of MCH should submit progress reports by March 31, June 30 and September 30, 1994, which would include:

1. A description of activities to date,
2. Achievements since the previous report,
3. Problems encountered during the reporting period and,
4. A summary of the status of the MCH bank account for USAID funded activities.

Cause

MCH accountants said that they had difficulties in obtaining the supporting documentation of expenditures incurred by the project, because activities take place all over Côte d'Ivoire.

Risk/Effect

Non compliance with a PIL requirement.

Certain items may remain long outstanding and hide fraudulent transactions.

Recommendation

Bank reconciliation should be prepared on a monthly basis. Requirement stated by PILs should be followed closely. The difference of FCFA 54,611 (\$99) should be investigated and if no justification is provided, the amount should be remitted to the project bank account.

2. Insufficient documentation of expenditures**Condition**

We noted that certain seminar costs were not sufficiently documented.

MCH component

- Per diem was paid to a driver for FCFA 45,000 (\$ 81) without obtaining receipt.

CCCD component

- Payment of a restaurant bill of FCFA 450,950 (\$ 1,610) without the coordinator's approval.
- Lack of travel ticket of seminar participants from the countryside to Abidjan for FCFA 37,000 (US\$132).
- In one instance, a seminar participant signed on behalf of another one and collected per diem of 7,500 (\$ 26.79).
- Miscellaneous expenses were made without approval of the coordinator for FCFA 102,572 (\$ 366) for office supplies (FCFA 21,572) and for repairs (FCFA 81,000).

A weight scale was purchased without approval of the coordinator for FCFA 205,128 (\$ 732)

Criteria

Specific General Accounting Office standards require 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.

Section B.5b of the grant agreement states that “the grantee will maintain or cause to be maintained in accordance with generally accepted accounting principles and practices consistently applied, books and records relating to the project adequate to show without limitation the receipt and use of goods and services acquired under the grant”.

Cause

The above criteria were not emphasized to the project management.

Risk/Effect

The total amount of FCFA 848,150 (\$2,948) is questioned as unsupported as a result of non compliance with section B.5b of the grant agreement..

Recommendation

We recommend that CCCD management should frequently review the accounting records in order to ensure that they are complete and that each transaction is properly supported.

3. Ineligible costs incurred at seminars and training

Condition

The following costs incurred at seminars were classified as ineligible expenses.

MCH component

- Purchase cost of gasoline including FCFA 25,000 (\$45) of taxes.

Criteria

Fuel coupons directly purchased by USAID and made available to the project are not direct expenditure of the project.

Cause

CCCD failed to give a close estimate of their gas needs

The seminar participants were unaware that consumption of alcohol cannot be financed with USAID funds.

Risk/Effect

USAID fund was unduly used to pay value added taxes on fuel purchases. The grant agreement exempts the project of such tax payments.

Total cost of FCFA 25,000 (\$45) is questioned as ineligible expenditure.

Recommendation

We recommend that CCCD should develop a comprehensive estimate of its gasoline needs before conducting activities in order to avoid situations of gasoline shortages and spot cash payment.

Ineligible expenditures of FCFA 25,000 should be reimbursed.

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 the Ivorian Ministry of Health and Social Protection under the Combatting Childhood Communicable Diseases Project in Côte d'Ivoire from February 24, 1993 to July 31, 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 agreement terms and laws and regulations is the responsibility of CCCD's management. As part of obtaining reasonable assurance about whether the Fund Accountability Statement is free of material misstatement, we performed tests of CCCD'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 an opinion.

Our testing of transactions and records selected disclosed no material instances of noncompliance with those laws and regulations. All instances of noncompliance that we found are identified in the accompanying findings. The results of our tests indicate that with respect to the items tested, CCCD 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 CCCD had not complied, in all material respects, with those provisions.

This report is intended for the information of the management of CCCD 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

4. No computation of the GOCI's contribution

Condition

We noted that the project was unable to determine the GOCI's contribution estimated at FCFA 2,005,400,000 over the life of the project.

Criteria

Annex 2 to the Grant Agreement states that the GOCI's contribution to the implementation of CCCD project is estimated at FCFA 2,005,400,000 over the life of the project. Consequently, it is necessary to determine its contribution as the project goes on.

Cause

The mission did not stress that the host country contribution to the project should be documented and readily available for verification.

Risk/Effect

Non compliance with the grant agreement.

Recommendation

We recommend that CCCD take steps to assess, document and report on the GOCI's contribution to the project.

CCCD should obtain the necessary documentation from MOHSP officials to support the information contained in the reports.

5. Undue payment of GOCI taxes

Condition

We noted that the project paid Value Added Taxes amounting to FCFA 39,600 (US\$ 72) on a purchase of car spare parts in spite of its tax exempt status.

Criteria

The grant agreement stipulates that the project will be free of any taxation or fees imposed under laws in effect in the territory of the grantee.

Cause

The tax exemption process is long and tedious. When a good is urgently needed and if the amount involved is not significant, the project often prefers to pay directly rather than going through the tax exemption process.

Risk/Effect

The total amount of FCFA 39,600 (\$72) is questioned as ineligible under the terms of the agreement.

Recommendation

Ineligible cost of FCFA 39,600 (\$72) should be reimbursed to USAID.

MEMORANDUM

DATE: January 12, 1995

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

SUBJECT: Audit of USAID's Grant to the Ministry of Health and Social Protection under the Combatting Childhood Communicable Diseases Project (No. 698-0421.81), from February 24, 1993 to July 31, 1994.

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

We have reviewed the draft subject audit report of USAID's Grant to the Ministry of Health and Social Protection under the Combatting Childhood Communicable Diseases Project. Our comments provided below are intended to address the findings and recommendations as you requested in your memorandum dated December 8, 1994.

A. RIG's recommendation: *We recommend that REDSO/WCA resolve the total questioned costs of \$3,762 (\$3,544 unsupported) and recover those costs determined to be unallowable or unsupported.*

REDSO/WCA has made the following determinations on the cited total questioned costs of \$3,762:

1. Ineligible expenditure:

a. Purchase of gas (78,000 CFA)

The purchase of gas is an eligible expenditure. The availability of gasoline coupons at the USAID office to support the MCH program was an informal arrangement and did not mean that the purchase of gas was determined to be an absolute ineligible expense. As stated in the report, the project coordinator did not always manage to plan and coordinate with the USAID office and provide a close estimate of the project gas needs. As necessary, in certain rare occasions, the project manager made the management decision to purchase gas in order to not delay the implementation of the project activities.

Conclusion: This amount is not to be sustained.

b. VAT paid on automobile spare parts (39,600 CFA)

REDSO/WCA concurs with the finding and will take appropriate actions for the reimbursement of the VAT amount from the Direction Generale des Impots.

Conclusion: This amount is to be sustained.

2. Unsupported cost under MCH component

a. For local training

- Per diem to the driver (45,000 CFA). Comment: The driver has been located and will sign the appropriate documentation. REDSO/WCA will continue to monitor this issue.

Conclusion: This amount is not to be sustained.

- Lack of ticket for a trip to Odienne (18,500 CFA). Comment: Supporting documentation has now been found and provided to REDSO/WCA.

Conclusion: This amount is not to be sustained.

- Lack of an original airline ticket stub (53,000 CFA). Comment: Supporting documentation has now been found and provided to REDSO/WCA.

Conclusion: This amount is not to be sustained.

3. Unsupported cost under CCCD component

a. under MCH line item

- Purchase of various items without approval (102,572 CFA). Comment: The USAID project coordinator approved verbally the purchase of these items. REDSO/WCA will request that the project coordinator provides a written statement. REDSO/WCA will continue to monitor this issue.

Conclusion: This amount is to be sustained.

b. under equipment and supplies

- Purchase of weight scales without approval of the coordinator (205,128 CFA). Comment: The USAID project coordinator approved verbally the purchase of these items. REDSO/WCA will request that the project coordinator provides a written statement. REDSO/WCA will continue to monitor this issue.

Conclusion: This amount is to be sustained.

c. under the training program

- Per diem collected by a participant who signed for another participant (7,500 CFA). Comment: The supporting documentation has now been provided to REDSO/WCA.

Conclusion: This amount is not to be sustained.

- Car ticket (37,000 CFA). Comment: The Ministry of Health (MOH) project coordinator has requested additional time to collect the supporting documentation. REDSO/WCA will continue to monitor this issue.

Conclusion: This amount is to be sustained.

- Restaurant invoice for one week seminar without approval (450,000 CFA). Comment: The USAID project coordinator approved verbally the invoice. REDSO/WCA will request that the project coordinator provides a written statement. REDSO/WCA will continue to monitor this issue.

Conclusion: This amount is to be sustained.

3. Unsupportable costs being reimbursed

Please be advised that the MOH project coordinator has deposited 125,875 CFA for the reimbursement of the following:

- Purchase of alcoholic beverage (1,100 CFA)
- Outstanding amounts: Transfer of cash for PIL 48 (37,938 CFA).

The remaining amount of this reimbursement (86,937 CFA) will be applied toward the "unexplained difference" of CFA 141,548 which is the difference between the theoretical balance and the bank balance. The remainder of this "unexplained difference" becomes CFA 54,611.

The MOH project coordinator is actively collecting amounts due from concerned personnel for the reimbursement of the remaining CFA 54,611. According to the MOH project coordinator's records, she will be able to reimburse the total amount. REDSO/WCA will continue to closely monitor this issue.

Conclusion: The amount CFA 54,611 out of CFA 141,548 is to be sustained.

4. Amounts less than \$25

Please be advised that REDSO/WCA/WAAC, during the examination of the vouchers related to these amounts and prior to payment, determined that these costs listed below were reasonable. In our view, these costs should not be questioned by REDSO/WCA or RIG and we request that they not be sustained. These costs include such minute amounts as:

- Purchase of engine oil and miscellaneous (2,950 CFA).
- Transportation from Man to Seguela (2,200 CFA).
- Multiple taxi errands (16,450 CFA).
- Telephone call (2,355 CFA).
- Purchase of miscellaneous items (2,150 CFA).
- Transportation cost paid in excess of the invoiced amount (2,000 CFA).
- Payment made in excess of the invoiced amount (1,850 CFA).
- Payment made, but no invoice was found (3,918 CFA).

B. Findings and recommendations of Deloitte & Touche

1. Please see above comments on findings 1, 2, 3 and 5.
2. With the termination of the bilateral program in Cote d'Ivoire, the recommendations related to findings 1, 2, 3, 4 and 5 become irrelevant. However, REDSO/WCA plans to disseminate the recommendations and lessons learned from this audit within REDSO/WCA and among our counterparts in the region through appropriate channels.