

# Regional Inspector General for Audit Singapore

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**CLOSE-OUT AUDIT OF USAID/BANGLADESH'S MATERNAL  
AND CHILD HEALTH -FAMILY PLANNING EXTENSION  
PROJECT AND URBAN VOLUNTEER PROJECT OF THE  
INTERNATIONAL CENTRE FOR DIARRHOEAL DISEASE  
RESEARCH IN BANGLADESH (ICDDR/B) FOR THE  
PERIOD SEPTEMBER 30, 1986 TO DECEMBER 31, 1991**

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**Audit Report No. 5-388-95-016-N  
June 2, 1995**



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**U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT**



U.S. AGENCY FOR  
INTERNATIONAL  
DEVELOPMENT

June 2, 1995

TO: Richard M. Brown, Mission Director, USAID/Bangladesh

FROM: Richard C. Thabet RIG/A/Singapore *Richard C. Thabet*

SUBJECT: Audit of USAID/Bangladesh's Maternal and Child Health-Family Planning Extension Project and Urban Volunteer Project of the International Centre for Diarrhoeal Disease Research in Bangladesh (ICDDR/B)  
Report No. 5-388-95-016-N

Enclosed are five copies of the subject audit report (prepared by the accounting firm, (Acnabin & Co.) for your action. The audit covered the International Centre for Diarrhoeal Disease Research in Bangladesh (ICDDR/B) receipts and use of the Maternal and Child Health-Family Planning Extension Project (MCH-FP) for the period from September 21, 1987 to December 31, 1991 and for the Urban Volunteer Project (UVP) for the period from September 30, 1986 to December 31, 1991. During these periods, ICDDR/B reported that it received a total of \$7,516,811 and spent \$7,425,538.

The audit objectives were to:

- Determine whether ICDDR/B's Fund Accountability Statement presents fairly the projects' revenues and costs in accordance with the terms of the Cooperative Agreements with USAID/Bangladesh;
- Determine whether ICDDR/B has complied in all material respects, with applicable laws, regulations, agreement terms, binding policies and procedures.
- Determine whether ICDDR/B has taken adequate corrective action on prior audit recommendations.

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The audit report concluded that:

- Except for \$231,093 in questioned costs, the Fund Accountability Statement presents fairly, in all material respects, the revenues and costs as it pertains to ICDDR/B for the period from September 30, 1986 to December 31, 1991 in conformity with the accrual basis of accounting;
- Except for the material instances of non-compliance with USAID's regulations, cooperative agreement, or binding policies and procedures which resulted in the questioned costs totalling \$231,093 ICDDR/B complied in all material respects with applicable laws, regulations, terms of the cooperative agreements and USAID's binding policies and procedures. With respect to items not tested, nothing came to the auditors attention that caused them to believe that ICDDR/B had not complied, in all material respects, with those provisions.

The audit report contained five non-compliance findings and recommendations with \$231,093 in questioned costs for the period audited. The audit report also noted that as of February 1, 1995, two audit recommendations for the years 1992 and 1993 arising from the previous audit remains to be resolved. USAID/Bangladesh needs to take the necessary action to resolve the prior audit recommendations.

We are recommending one audit recommendation to be included in the Inspector General's audit recommendation follow-up system:

**Recommendation No. 1: We recommend that USAID/Bangladesh resolve the questioned costs totalling \$231,093 (\$154,456 ineligible and \$76,637 unsupported) and recover any amounts determined to be unallowable.**

We appreciate the courtesies and cooperation USAID/Bangladesh and ICDDR/B extended to the auditors and our staff during the course of this audit. Please advise me within 30 days of any actions planned or taken to close the above recommendation.

Attachment: a/s

AUDIT OF THE  
MATERNAL AND CHILD HEALTH-FAMILY PLANNING EXTENSION PROJECT  
(USAID/BANGLADESH PROJECT # ANE-0071-A-00-7058)  
AND  
URBAN VOLUNTEER PROJECT  
(USAID/BANGLADESH PROJECT # ANE- 0073-A-00-6081)  
OF THE INTERNATIONAL CENTRE FOR DIARRHOEAL  
DISEASE RESEARCH IN BANGLADESH

AUDIT PERIOD  
MCH-FP : SEPTEMBER 21, 1987 TO DECEMBER 31, 1991  
UVP : SEPTEMBER 30, 1986 TO DECEMBER 31, 1991

***AUDITOR'S REPORT***

ACNABIN & Co.  
Chartered Accountants  
Dhaka, Bangladesh

AUDIT OF THE  
MATERNAL AND CHILD HEALTH-FAMILY PLANNING EXTENSION PROJECT  
(USAID/BANGLADESH PROJECT # ANE-0071-A-00-7058)  
AND  
URBAN VOLUNTEER PROJECT  
(USAID/BANGLADESH PROJECT # ANE 0073-A-00-6081)  
OF THE INTERNATIONAL CENTRE FOR DIARRHOEAL DISEASE  
RESEARCH IN BANGLADESH

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**TRANSMITTAL LETTER**



Regional Inspector General For Audit  
U.S.Agency For International Development  
Singapore

February 1, 1995

Dear Sir,

This report presents the results of our close out Audit of USAID/Bangladesh Project # ANE-0071-A-00-7058 and ANE-0073-A-00-6081 of the International Centre for Diarrhoeal Disease Research in Bangladesh (ICDDR,B) for the period September 21, 1987 to December 31, 1991 and September 30, 1986 to December 31, 1991 respectively.

### BACKGROUND

#### Bangladesh Scenario

Bangladesh, home to some 114 million people, is one of the poorest countries in the world as well as one of the most densely populated. All efforts at development will come to naught as all fruits of development are being rapidly eaten away by the ever increasing population. To come to grips with this most severe problem of sustaining development efforts effective family planning measures need to be undertaken with serious urgency. With an annual exponential growth rate of 11 percent (1990), she is beset with acute problems of urban growth for over two decades now. Factors such as land shortage, lack of employment opportunities, land erosion and disappearance, natural catastrophes etc., played a major role in rapid migration of people from rural to urban areas. An upward trend is reflected in the annual growth rate of urbanization ranging from 3.75 percent in the 50s to 6.62 percent in the 60s and 70s to almost 11 percent in the most recent decade. Urban population, during the period 1981-90 grew from 13.5 million to almost 23 million of whom 11.5 million were estimated to live below the poverty line. At the current pace of growth urban population of Bangladesh is predicted to be double of what is today in the year 2000.

#### USAID's Involvement

The United States Agency for International Development, Bangladesh (USAID/B) has recognized the importance of improving the coverage, impact and quality of family planning and child health care services as a principal means of sustaining development in Bangladesh. To assist in this development USAID/B has financed the following projects :

i. **Maternal and Child Health and Family Planning Extension Project (MCH-FP)**

On September 21, 1987, USAID/B approved the Cooperative Agreement Number ANE-0071-A-00-7058 and obligated US\$ 4.991 million to support MCF-FP for the period September 21, 1987 to March 31, 1993.

The MCH-FP Extension Project is a research project with broad goals of :

- a. testing the capacity of the Government of Bangladesh's existing health service infrastructure and programs to absorb innovations that have been successfully developed in special family planning projects;
- b. researching the operational problems and difficulties of transferring such innovations to the Government sector; and
- c. providing documented guidelines on the design and implementation of strategies aimed at upgrading health and family planning services.

ii. **Urban Volunteer Project (UVP)**

On September 30, 1986 the USAID/B approved the Cooperative Agreement Number ANE-0073-A-00-6081 and obligated US\$ 4 million to support the UVP for the period September 30, 1986 to March 31, 1992.

The goal of UVP is to reduce morbidity and mortality in approximately 1 million infants and children living in the slum areas of the capital city, Dhaka through a program of child survival interventions by urban volunteers which include the following :

- a. to evaluate the effectiveness of community based volunteers in providing preventive maternal and child health and family planning (MCH-FP) services to urban slum children under 5 years of age and their mothers; and to identify from their experience implications for replication of the Urban Volunteer model within other urban health care programs;
- b. to develop a sustainable urban slum field infrastructure to conduct ongoing operations, demographic and epidemiological research for the purpose of determining urban health and family priorities and field testing urban community based MCH-FP interventions; and

- c. to serve as a technical resource to agencies active in urban health and family planning, including NGOs, multilateral and Government agencies.

UVP is also to be used to increase ICDDR,B's information and statistics on the problems on which the urban volunteers are involved.

#### ICDDR,B-The Recipient

ICDDR,B to which USAID/B has provided funds to operate the MCH-FP Extension Project was established on December 6, 1978 by an Ordinance passed by the Government of People's Republic of Bangladesh. ICDDR,B is an autonomous international, philanthropic and non-profit centre of research with the aims and objectives of:

- a. undertaking and promoting study, research and the dissemination of knowledge in diarrhoeal diseases and directly related subjects of nutrition and fertility; and
- b. providing facilities for the training of Bangladesh and other nationals in areas of ICDDR,B's competence in collaboration with national and international institutions.

#### Financial Review by USAID/B

USAID/B Controller Office performed a number of financial reviews of ICDDR,B in respect of transactions relating to the projects under audit. These reviews and the routine voucher reviews made by the Controller Office observed significant accounting and control deficiencies e.g.

- a. the audit trail to establish whether expenses charged against funds obligated to the project is difficult to follow and time consuming;
- b. lack of evidence of regular reconciliations performed between the general ledger and the cost ledger in total and by individual cost line;
- c. the internal control system in general was not adequate.

The deficiencies led USAID/D to :

- a. hold FY 1988 obligation for the MCH-FP Extension Project in abeyance pending improvement of administrative and accounting system of ICDDR,B.
- b. request RIG/A/S to schedule a non-federal audit of ICDDR,B activities in regard to the MCH-FP Extension Project and the UVP.

- c. impose stringent accounting requirements on UVP as governed by the special provisions incorporated in the Cooperative Agreement.

Project Accounts-Prior Audits

- a. MCH-FP: CA # 0071

ICDDR,B has represented to us that no non-federal audit was performed of the project's accounts for the period from inception of this Co-operative Agreement upto December 31, 1991. However Recipient contracted audits for the years 1992 and 1993 were performed by Deloitte Haskins & Sells, Calcutta, India.

It is also ascertained that audit on computation of indirect cost rate was done upto 1988 by Price Waterhouse and again for 1992 and 1993 by Deloitte Haskins & Sells. It is represented to us that no audit was done for 1989, 1990 and 1991.

- b. UVP: CA # 0073

As an offshoot of the above USAID financial review, a non-federal audit of the project's accounts and the organisation systems was performed by Coopers & Lybrand in December 1988 and January 1989 and covered the period October 14, 1986 to June 30, 1988. The audit resulted in a number of findings relating to accounting and control deficiencies. With the subsequent development and installation of an improved accounting and control system at ICDDR,B a significant improvement has been noticed from 1989 onward.

Recipient Contracted Audit (RCA) for the year 1992 was performed by Deloitte Haskins & Sells in April 1993. It is also ascertained that audit on computation of indirect cost rates was performed up to 1988 by Price Waterhouse and for 1992 by Deloitte Haskins & Sells. It is represented to us that no audit was done for 1989, 1990 and 1991.

AUDIT OBJECTIVES AND SCOPE OF WORK

We conducted a close out audit of Fund Accountability Statements of USAID/Bangladesh CA nos. ANE-0071-A-00-7058 and ANE-0073-A-00-6081 for the period September 21, 1987 to December 31, 1991 and September 30, 1986 to December 31, 1991 respectively during the period August-October 1994. The results of our work are reflected in the accompanying Auditors' Reports on the following .

- a. Fund Account Liability Statement, and
- b. Compliance with Agreement Terms and Applicable Laws and Regulations.

As this is a close out audit, substantive testing was primarily conducted to meet the audit objectives, and no separate report on internal controls has been prepared. In addition, indirect cost rates were not audited and computed for finalisation of the same, since a separate audit is to be done in this respect.

The objectives of our work were to determine whether :

- a. The fund accountability statements of the ICDDR,B-USAID/Bangladesh CA # ANE-0071-A-00-7058 and ANE-0073-A-00-6081 present fairly, in all material respects, the Project's revenues and costs incurred in accordance with the terms of the Co-operative Agreement with the Agency for International Development (AID) and in conformity with generally accepted accounting principles identifying any costs which were not fully supported with adequate records or which were not allocable, reasonable or allowable under the terms of the Agreement.
- b. ICDDR,B has complied, in all material respects, with the applicable laws, regulations and agreement terms, OMB Circulars and AID's mandatory standard provisions for non US Grantees/Donors;
- c. ICCR,B has taken adequate corrective action on prior audit report recommendations; and

The audit was conducted in accordance with U.S. Government Auditing Standards stated in the U.S. Government Accounting Office's "Yellow Book" entitled "Standards for Audit of Government Organizations, Programs, Activities and Functions" (1988 Revision) and accordingly included such tests to determine if funds were being properly accounted for and used as directed by the Agreements or other applicable program documents or the laws of Bangladesh.

In addition to the general audit procedures, we were continually alert to situations / transactions which could be indicative of fraud, abuse, waste and illegal acts. However as we were not required to search specifically for fraud, abuse, waste and illegal acts, unless we became aware of evidence of such acts, our audit procedures cannot be relied upon to disclose all such matters.

#### Audit Time Frame

The audit fieldwork commenced on August 31, 1994 and was completed on October 20, 1994.

RESULTS OF AUDIT

Opinion on Fund Accountability Statement

In our opinion, except for the effects of the questioned costs (US\$ 47,207.90 for MCH-FP and US\$ 1,83,885.45 for UVP) as discussed in the accompanying audit report and subject to any adjustments which might arise as a result of a separate audit, negotiation and finalisation of the indirect cost rates for 1989 through 1991, the fund accountability statements present fairly, in all material respects, the revenues and costs of ICDDR,B, as they pertain to the MCH-FP and UVP funded by USAID under the CA # ANE-0071-A-00-7058 and ANE-0073-A-00-6081 for the period September 21, 1987 to December 31, 1991 and September 30, 1986 to December 31, 1991 respectively, in conformity with the basis of accounting described in Note-3 to the fund accountability statements.

Compliance With Agreement Terms and Applicable Laws and Regulations

Our tests for compliance with agreement terms and applicable laws and regulations of selected transactions and records of ICDDR,B indicate that for the items tested and except for the following items of non-compliance, ICDDR,B complied with those provisions of agreement terms and applicable laws and regulations in which non-compliance could have a material effect on the fund accountability statements of the USAID/Bangladesh CA # ANE-0071-A-00-7058 and ANE-0073-A-00-6081 :

- a. USAID concurrence not obtained for international travel and certification of unavailability of U.S. flag air carrier not furnished in respect of international travel by employees and consultants.
- b. Non-compliance with the provisions of Agreement between USAID and ICDDR,B in respect of procurement of supplies and equipment.
- c. USAID concurrence not obtained in the case of appointment/reappointment of consultants.
- d. Reimbursement received from USAID in respect of expenses not supported by adequate documentation.
- e. Reimbursement received from USAID in respect of depreciation as Direct Cost.

Status of Actions Taken on Post-Period Audit Findings and Recommendations

A. Prior Period Audit-UVP

The findings and recommendations as per the prior audit report of Coopers & Lybrand have been properly addressed by ICDDR,B. A finding reported by Coopers & Lybrand in 1989, i.e. "There appears to be poor control procedures over unsatisfied and long outstanding purchase orders" was also reported by Deloitte Haskins & Sells in their audit report for 1992. ATP Bangkok, appointed as consultant for information Technology Strategy to address the issue, submitted their report in April, 1994. A selection of local firm is also in process for developing a suitable computer program in this respect.

B. Post Period Audit-MCH-FP and UVP

Our audit relates to the period prior to the period of audit covered by Deloitte Haskins & Sells; and similar conditions had also persisted during our audit period in respect of the following findings and recommendations as per reports of the audits performed earlier for 1992 and 1993 in respect of MCH-FP and for 1992 in respect of UVP.

System of Internal Controls

- o Delay in execution of employment agreement/extension of contracts of personnel and consultants.
- o Prior financial clearance was not always obtained in respect of project expenses.

Compliance with Agreement Terms and Applicable Laws and Regulations

- o USAID concurrence not obtained for international travel and certification of unavailability of U.S. flag carrier not furnished in respect of international travel by employees and consultants.
- o There is considerable non compliance with the agreement between USAID and ICDDR,B in respect of procurement of supplies and capital equipment.
- o USAID concurrence not obtained in the case of appointment / reappointment of consultants.
- o Reimbursement received from USAID in respect of expenses not supported by documentation.

The latest status of actions taken on 1992 and 1993 audit findings are as under :

<u>Findings</u>	<u>Action Taken</u>
<u>System of internal controls</u>	
There appears to be poor control procedures over unsatisfied and long outstanding purchase order (1992 & 93).	AIT Bangkok has been appointed as consultant for Information Technology Strategy to address the issue. Report submitted in April '94. A selection of local firm is also in process for developing a suitable programme.
Segregation of responsibilities between the payroll division and personnel division in respect of the payroll master file does not appear to be adequate (1992 & 93).	Selection of local firm to be engaged, to develop an integrated payroll/personnel software package, is in process.
Delay in execution of employment agreement/extension of contract of personnel and consultants (1992).	Has been addressed.
Unidentified differences between the fixed assets register and the fixed assets control account in the general ledger (1992 & 93).	Journal voucher passed on July 20, 1994.
Prior financial clearance was not always obtained in respect of project expenses (1992&93).	Has been addressed.
<u>Compliance with Agreements Terms, etc.</u>	
USAID concurrence not obtained on international travel by Non U.S. flag carrier and certification of unavailability of U.S. Flag carrier not furnished in respect of International Travel by employees and consultants (1992 and 93).	Management had written to the Grant Officer USAID, Bangladesh requesting for a blanket waiver for travel by Non-U.S. flag carrier, but have not yet received a reply.

There is considerable non-compliance with the agreement between USAID and ICDDR,B in respect of procurement of supplies and equipment (1992 & 93).

US carriers do not serve Bangladesh, and accordingly a request for blanket waiver has been made by ICDDR,B, but reply has not yet been received. Presently the suppliers are asked to obtain waiver through a clause in the purchase order.

Reimbursement received from USAID in respect of expenses not supported by documentation (1992 & 93).

Bill for collection issued by USAID,B for 1992. 1993 is yet to be resolved.

USAID funds not deposited in a separate bank account (1993).

Since funds are normally received after expenditure incurred such bank account will have overdraft balance. As such this has not been complied with.

Apportionment of international travel and other expenses related to training USAID and Non-USAID donees (1992).

Resolved and concluded.

Sale proceeds of fixed assets funded by USAID not refunded to USAID or credited to the Expense Account (1992:MCH-FP).

Resolved and concluded.

#### SUMMARY OF MANAGEMENT COMMENTS ON OUR FINDINGS AND RECOMMENDATIONS

Management comments on our findings on compliance with agreement terms and applicable laws and regulations are summarized below :

**Finding-1** USAID CONCURRENCE NOT OBTAINED FOR INTERNATIONAL TRAVEL AND CERTIFICATION OF UNAVAILABILITY OF US FLAG AIR CARRIER NOT FURNISHED IN RESPECT OF INTERNATIONAL TRAVEL BY EMPLOYEES AND CONSULTANTS

\* Management will be requesting that post facto approval be given.

**Finding-2** NON-COMPLIANCE WITH THE PROVISIONS OF AGREEMENT BETWEEN USAID AND ICDDR,B IN RESPECT OF PROCUREMENT OF SUPPLIES AND EQUIPMENT

\* Management will be requesting that post facto approval be given.

**Finding-3** USAID CONCURRENCE NOT OBTAINED IN THE CASE OF APPOINTMENT / REAPPOINTMENT OF CONSULTANTS

- \* Management will be requesting post facto approval of the costs incurred.

**Finding-4** REIMBURSEMENT RECEIVED FROM USAID IN RESPECT OF EXPENSES NOT SUPPORTED BY ADEQUATE DOCUMENTATION

- \* Despite an intensive search the management was unable to locate the missing vouchers. However, the questioned expenditure of US\$76,636.99 in this missing voucher period was consistent in nature with the period before and after.

**Finding-5** REIMBURSEMENT RECEIVED FROM USAID IN RESPECT OF DEPRECIATION AS DIRECT COST

- \* The depreciation charged on Centre financed fixed assets being used by the project should be charged to the project.

Yours Truly,



ACNABIN & Co.  
Chartered Accountants

Dhaka, February 1, 1995

**INDEPENDENT AUDITOR'S REPORT  
ON  
FUND ACCOUNTABILITY STATEMENT**



Regional Inspector General For Audit  
U.S. Agency For International Development  
Singapore

**USAID/BANGLADESH PROJECT # ANE-0071-A-00-7058 & ANE-0073-A-00-6081  
OF THE INTERNATIONAL CENTRE FOR DIARRHOEAL  
DISEASE RESEARCH IN BANGLADESH**

**INDEPENDENT AUDITOR'S REPORT ON FUND ACCOUNTABILITY STATEMENT**

We have audited the fund accountability statements set out in pages 17 to 22 of the USAID/Bangladesh Project ANE # 0071-A-00-7058 and ANE-0073-A-00-6081 of the International Centre for Diarrhoeal Disease Research, Bangladesh (ICDDR,B) for the period September 21, 1987 to December 31, 1991 and September 30, 1986 to December 31, 1991 respectively. The Fund Accountability Statement is the responsibility of the management of the International Centre for Diarrhoeal Disease Research, Bangladesh. Our responsibility is to express an opinion on the Fund Accountability Statement based on our audit.

Except as discussed in the following paragraphs, we conducted our audit of the fund accountability statement in accordance with U.S. Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statement is free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the Fund Accountability Statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We do not have a continuing education program that fully satisfies the requirement set forth in Chapter 3, par. 6 of U.S. Government Auditing Standards. However, we regularly participate in the technical courses, workshops, seminars and conferences organised by The Institute of Chartered Accountants of Bangladesh and the South Asian Federation of Accountants (SAFA). In addition, we also sometimes participate in training courses organised by Arthur Andersen & Co., whom we represent in Bangladesh, in different parts of the world. All this provides for approximately 500 hours of continuing education and training every two years, taken all our partners and qualified managers together.

We do not have an external quality control review by an unaffiliated audit organisation as required by Chapter 3, par. 46 of U.S. Government Auditing Standards, since no such program is offered by professional organisations in Bangladesh. We believe that the effects of this departure from U.S. Government Auditing Standards is not material because as local representative of Arthur Andersen & Co., an U.S. based Accounting Firm, we adhere to their auditing procedures.

The results of our tests disclosed the following material questioned costs as detailed in the fund accountability statements:

(1) US\$ 47,207.90 and US\$ 107,248.46 of Project # ANE-0071-A-00-7058 and # ANE-0073-A-00-6081 respectively in costs that are explicitly ineligible because they are not program related, unreasonable, or prohibited by the terms of the agreements; and (2) US\$ 76,636.99 of Project # ANE-0073 in costs that are not supported with adequate documentation or did not have required prior approvals or authorisation.

In our opinion, except for the effects of the questioned costs as discussed in the preceding paragraph and subject to any adjustment which may arise as a result of a separate audit, negotiation and finalisation of the indirect cost rates for the period, the fund accountability statements referred to above present fairly, in all material respects, the revenues and costs incurred of the USAID/Bangladesh Project # ANE-0071-A-00-7058 and ANE-0073-A-00-6081 in accordance with the terms of the Co-operative Agreement for the period from September 21, 1987 to December 31, 1991 and September 30, 1986 to December 31, 1991 respectively and in conformity with the basis of accounting described in Note-3.

This report is intended for the information of the management of ICDDR,B and the U.S. Agency for International Development (A.I.D.). However, upon acceptance by the A.I.D. office of the Inspector General, this report is a matter of public record and its distribution is not limited.



ACNABIN & Co.  
Chartered Accountants

Dhaka, February 1, 1995

ICDDR,B, MATERNAL CHILD HEALTH - FAMILY PLANNING EXTENSION PROJECT  
USAID/BANGLADESH CA # ANE-0071-A-00-7058

FUND ACCOUNTABILITY STATEMENT  
SEPTEMBER 21, 1987 TO DECEMBER 31, 1991

(Figures are in US dollar)

	BUDGET	ACTUAL	QUESTIONED COSTS		REFERENCE (FINDINGS AND NOTES)
			INELIGIBLE	UNSUPPORTED	
	-----	-----	-----	-----	
<u>REVENUE</u>					
Contribution Received from USAID	4,991,000.00	3,944,915.00			Note-4
	-----	-----			
Total Revenue	4,991,000.00	3,944,915.00			
	-----	-----			
<u>COSTS INCURRED</u>					
Personnel	2,623,110.00	2,003,054.96	9,079.96		Finding-1 & 3
Travel and Transportation	270,198.00	154,538.01	5,277.07		Finding-1
Supplies	187,310.00	136,681.11	6,254.69		Finding-2
Equipment	63,296.00	49,686.15	26,596.18		Finding-2
Computer Services	110,000.00	86,276.13			
Other Direct Costs	287,980.00	239,532.47			
Indirect Costs	1,078,366.00	785,196.77			
Retroactive Overhead Costs	370,740.00	370,740.00			Note-5
	-----	-----			
TOTAL COSTS INCURRED	4,991,000.00	3,825,705.60			Note-6
	-----	-----			
OUTSTANDING FUND BALANCE		119,209.40			Note-7
		=====			
			-----		
Total Questioned Costs			47,207.90		
			=====		

The attached notes 1 to 7 constitute an integral part of this statement.

MATERNAL AND CHILD HEALTH-FAMILY PLANNING EXTENSION PROJECT  
OF THE INTERNATIONAL CENTRE FOR DIARRHOEAL DISEASE RESEARCH  
IN BANGLADESH

NOTES TO THE FUND ACCOUNTABILITY STATEMENT  
SEPTEMBER 21, 1987 TO DECEMBER 31, 1991

1. Accounting Convention

The fund accountability statement is prepared in accordance with the historical cost convention.

2. Component Unit of ICDDR,B

The fund accountability statement presents only the transactions and balances of the fund as funded by USAID and is not intended to represent the income and expenditure and financial position of ICDDR,B as a whole.

3. Conformity with US Generally Accepted Accounting Principles

The Fund accountability statement is prepared in conformity with accounting principles which are generally accepted in the United States of America as applicable to accounting for a component unit of a non-Governmental organisation. In particular :

- a. revenue and costs are accounted for on an accrual basis; and
  - b. transactions not denominated in US Dollars are translated into US Dollars at the rates of exchange prevailing at the beginning of the month in which the transactions took place.
4. Contribution received from USAID includes an advance of US\$ 122,776.22.
5. It represents the balance amount of overhead costs paid on finalisation of overhead rates for the period 1982 to 1988.
6. Costs incurred include US\$ 3,566.82 pending reimbursement by USAID.

7. The outstanding fund balance US\$ 119,209.40 represents the net advance received from USAID. This amount is reconciled as follows :

Balance in bank as per bank statement	US\$ 144,135.85
Add : Cheque received from USAID and deposited December 31, 1991, cleared and credited subsequently	US\$ 50,141.13 -----
Balance in bank as per Cash Book	US\$ 194,276.98
Less : Amount payable to ICDDR,B	US\$ 75,067.58 -----
Outstanding Fund Balance as on December 31, 1991	US\$ 119,209.40 =====

ICDDR,B, URBAN VOLUNTEER PROJECT  
USAID/BANGLADESH CA # ANE-0073-A-00-6081

FUND ACCOUNTABILITY STATEMENT

SEPTEMBER 30, 1986 TO DECEMBER 31, 1991

	ACTUAL	(Figures are in US dollar)		REFERENCE (FINDINGS AND NOTES)
		QUESTIONED COSTS		
		INELIGIBLE	UNSUPPORTED	
<u>REVENUE</u>				
Contribution Received from USAID	3,571,896.30			Note 4
TOTAL REVENUE	3,571,896.30			
<u>COSTS INCURRED</u>				
Salaries - Local	1,427,850.31			
Salaries - International	26,792.41			
Consultants' Salaries	217,580.54	4,251.00		Finding-1
Travel - Local	89,095.52			
Travel - International	22,261.39			
Supplies & Materials	355,508.16	1,512.52		Finding-2
Other Direct Costs	325,269.72	2,743.55	76,636.99	Finding-1&4,5
Inter Departmental Costs	233,008.94			
Capital Expenditure	132,308.45	98,741.39		Finding-2
Overhead	770,156.91			
TOTAL COSTS INCURRED	3,599,832.35			Note 5
DEFICIT FUND BALANCE	27,936.05			Note 6
Total Questioned Costs		107,248.46	76,636.99	183,885.45

The attached notes 1 to 6 constitute an integral part of this statement.

URBAN VOLUNTEER PROJECT  
USAID/BANGLADESH CA # ANE-0073-A-00-6081

NOTES TO THE FUND ACCOUNTABILITY STATEMENT  
SEPTEMBER 30, 1986 TO DECEMBER 31, 1991

1. Accounting Convention

The fund accountability statement is prepared in accordance with historical cost convention.

2. Component unit of ICDDR,B

The fund accountability statement presents only the transactions and balances of the fund as funded by USAID and is not intended to represent the income and expenditure and financial position of ICDDR,B as a whole.

3. Conformity with US Generally Accepted Accounting Principles

The fund accountability statement is prepared in conformity with accounting principles which are generally accepted in the United States of America as applicable to accounting for a component unit of a Non-Governmental organisation. In particular :

- a. revenue and costs are accounted for on an accrual basis; and
- b. transactions not denominated in US Dollars are translated into US Dollars at the rates of exchange prevailing at the beginning of the month in which the transaction took place.

4. Contributions received from USAID include an advance of US\$ 62,500.00.

5. Costs incurred include US\$ 90,436.05 pending reimbursement by USAID.

6. The deficit fund balance US\$ 27,936.05 represents the net amount receivable from USAID. This amount is reconciled as follows :

	<u>US\$</u>
Balance in bank as per bank statement	62,839.02
Add : Cheques received from USAID and deposited on December 31, 1991, cleared and credited on subsequently	157,365.73
	-----
Balance in bank as per Cash Book	220,204.75
Less : Amount payable to ICDDR,B	248,140.80
	-----
Deficit Fund Balance as on December 31, 1991	27,936.05
	=====

**INDEPENDENT AUDITOR'S REPORT  
ON  
COMPLIANCE WITH AGREEMENT TERMS  
AND APPLICABLE LAWS AND REGULATIONS**



Regional Inspector General for Audit  
U.S. Agency For International Development  
Singapore

**USAID/BANGLADESH PROJECT # ANE-0071-A-00-7058 & ANE-0073-A-00-6081  
OF THE INTERNATIONAL CENTRE FOR DIARRHOEAL  
DISEASE RESEARCH IN BANGLADESH**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
AGREEMENT TERMS AND APPLICABLE LAWS AND REGULATIONS**

We have audited the fund accountability statement of the USAID/Bangladesh Project # ANE-0071-A-00-7058 and ANE-0073-A-00-6081 of the International Centre for Diarrhoeal Disease Research, Bangladesh (ICDDR,B) respectively for the period September 21, 1987 to December 31, 1991 and September 30, 1986 to December 30, 1991 and have issued our report thereon dated February 1, 1995.

Except for not having a fully satisfactory continuing education program and not conducting an external quality control review by an unaffiliated audit organisation (as described in our report on the fund accountability statement), we conducted our audit in accordance with U.S. Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statement is free of material misstatements.

Compliance with agreement terms and laws and regulations applicable to the USAID/Bangladesh Project # ANE-0071-A-00-7058 and ANE-0073-A-00-6081 is the responsibility of the management of the International Centre for Diarrhoeal Disease Research, Bangladesh. As part of obtaining reasonable assurance about whether the fund accountability statement is free of material misstatements, we performed tests of ICDDR,B's compliance with certain provisions of agreement terms and laws and regulations. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

Material instances of non-compliance are failures to follow requirements or violations of agreement terms and laws and regulations that cause us to conclude that the aggregation of misstatements resulting from those failures or violations is material to the fund accountability statement. The results of our tests of compliance disclosed certain material instances of non-

compliance (described in findings 1 to 5, accompanying this report on page 26 to 37), the effects of which are shown as questioned costs in the fund accountability statements amounting to US\$ 47,207.90 and US\$ 183,885.45 of the USAID/Bangladesh Project # ANE-0071-A-00-7058 and ANE-0073-A-00-6081 respectively of the International Centre for Diarrhoeal Disease Research, Bangladesh for the period from September 21, 1987 to December 31, 1991 and September 30, 1986 to December 31, 1991.

We considered these material instances of non-compliance in forming our opinion on whether the fund accountability statements of the USAID/Bangladesh Project # ANE-0071-A-00-7058 and ANE-0073-A-00-6081 of the International Centre for Diarrhoeal Disease Research, Bangladesh for the period September 21, 1987 to December 31, 1991 and September 30, 1986 to December 31, 1991 are presented fairly in all material respects, in accordance with the terms of the agreement and in conformity with the basis of accounting described in Note-3 to the fund accountability statement and this report does not affect our report on the fund accountability statement dated February 1, 1995.

We noted certain immaterial instances of non-compliance that we have reported to the management of ICDDR,B in a separate letter.

Except as described above, the results of our tests of compliance indicate that with respect to the items tested, International Centre for Diarrhoeal Disease Research, Bangladesh complied, in all material respects, with the provisions referred to in the third paragraph of this report, and with respect to items not tested, nothing came to our attention that caused us to believe that International Centre for Diarrhoeal Disease Research, Bangladesh had not complied, in all material respects, with those provisions.

This report is intended for the information of the management of ICDDR,B and the U.S. Agency for International Development (A.I.D.). However, upon acceptance by the A.I.D. Office of the Inspector General, this report is a matter of public record and its distribution is not limited.



ACNABIN & Co.  
Chartered Accountants

Dhaka, February 1, 1995

FINDING-1

USAID CONCURRENCE NOT OBTAINED FOR INTERNATIONAL TRAVEL AND CERTIFICATION OF UNAVAILABILITY OF U.S.FLAG AIR CARRIER NOT FURNISHED IN RESPECT OF INTERNATIONAL TRAVEL BY EMPLOYEES AND CONSULTANTS

Condition

As required by the Co-operative Agreement, ICDDR,B did not obtain USAID concurrence for international travel and did not furnish to USAID certification of unavailability of U.S. flag carriers alongwith vouchers in respect of international travel by employees and consultants. The aggregate amount of such non-compliances as identified during our audit, is as under :

MCH-PP: CA # 0071

Ineligible Cost  
US\$

A. Personnel-Consultants	3,468.16	USAID concurrence not obtained and certification not furnished.
B. Travel	5,277.07	
	-----	
	8,745.23	
	=====	

UVP: CA # 0073

A. Other Direct Cost	2,306.40	Certification not furnished.
B. Consultants' Salaries	4,251.00	
	-----	
	6,557.40	
	=====	

Details are available in the working papers of the Auditors.

Criteria

- a. Article VIII.D(c) of Co-operative Agreement # ANE-0071-A-00-7058, authorises international travel of employees / consultants subject to the technical concurrence of the USAID Project Officer.
- b. Clause 3.0 (k) of the standard provisions require that 'Certification of unavailability of U.S.Flag air carrier' be included by ICDDR'B on the vouchers in cases where USAID funds are used for international travel expenses.

Cause

No satisfactory explanations were furnished to us.

Effect

USAID/B may be reimbursing a non-allowable cost for the International travelling expenses detailed above.

Recommendation

USAID/B should :

- a. determine the allowability of the international travelling expenses detailed above; and
- b. issue a bill of collection to ICDDR,B for any disallowed costs.

Management Response

As no US flag air carriers fly to Dhaka we have requested "blanket approval" from USAID Dhaka to dispense with the need to individually request approval where no US flag carrier flies to the destination and the first leg is to either Europe or Asia. We have recently been advised that a blanket approval cannot be given and that the Centre can certify as to non availability of a US flag carrier on the copy of the invoice forwarded to USAID.

CA 0071

Of the total of \$8,745.23, \$6,292.23 was incurred where no US carrier was available and we will be requesting that post facto approval be given.

The balance of \$2,453.00 related to a round trip Dallas / London / Dhaka where it would only have been possible to use a US carrier on the Dallas / London / Dallas leg. The carrier was British Airways and they were used on the grounds that the flight was cheaper than using split carriers thereby reducing project costs. We will be requesting that post facto approval be given for the London / Dhaka / London leg on the grounds that no US carrier was available and will ask that the Dallas / London / Dallas leg be approved as it was cheaper than using split carriers thereby containing project costs.

CA 0073

The total of \$6,557.40 was incurred where no US carrier was available and we will be requesting that post facto approval be given.

FINDING-2

NON-COMPLIANCE WITH THE PROVISIONS OF AGREEMENT BETWEEN USAID AND ICDDR,B IN RESPECT OF PROCUREMENT OF SUPPLIES AND EQUIPMENT

Condition

ICDDR,B did not always meet the CA requirements on source / origin nationality / carrier in the case of procurement of supplies and equipment/ capital expenditures. The aggregate amount of such non-compliances as identified during our audit, is as under :

MCH-FP: CA # 0071

	<u>Ineligible Cost</u> US\$
A. Supplies	6,254.69
B. Equipment	<u>26,596.18</u>
	32,850.87
	=====

UVP: CA # 0073

A. Supplies and Materials	1,512.52
B. Capital Expenditure	<u>98,741.39</u>
	100,253.91
	=====

Details are available in the working papers of the Auditors.

Criteria

- a. OMB Circular A-122 [Attachment B, Para 13.b.(1&2), read with Attachment B, Para 13.a.(1)] entitled "Cost Principles for Non-Profit Organisations" requires that ICDDR,B shall obtain prior approval of USAID in cases wherein the cost of each unit of general purpose capital expenditure exceeds \$500.00 and the cost of each unit of special purpose capital expenditure exceeds \$1,000.00.
  - i. MCH-FP : CA # 0071
- b. Clause 3.0 (k) of the standard provisions require that 'Certification of unavailability of U.S. flag carrier' be included by ICDDR,B on the vouchers in cases where USAID funds are used for shipment of supplies and capital equipment.
- c. Article XII D (1) of Co-operative Agreement # ANE-0071-A-00-7058 requires that goods and services procured by ICDDR,B must have their source, origin and nationality in the countries in AID Geographic Code 941 or Bangladesh.

- d. Article XII D (2) of Co-operative Agreement # ANE-0071-A-00-7058 requires that ocean shipping financed by AID under the project shall, except as AID may otherwise agree in writing, be financed only on flag vessels of the United States of America or Bangladesh.
- e. Clause 4 (d) of AID Handbook 13, Standard provisions requires that vouchers submitted for reimbursement of USAID shall contain a certification that a copy of the Ocean Bill of Lading has been submitted to the U.S. Department of Transportation, Maritime Administration, Division of National Cargo, 400 7th Street, S.W. Washington, D.C. 20590.
- ii. UVP : CA # 0073
- f. Article VIII.F.1 of the Co-operative Agreement # ANE-0073-A-00-6081 requires that goods and services procured by ICDDR,B must have their source, origin and nationality in the U.S. or the countries in AID Geographic Code 94 or Bangladesh.
- g. Article VIII.F.2 of the Co-operative Agreement # ANE-0073-A-00-6081 requires that ocean shipping financed by AID under the project shall, except as AID may otherwise agree in writing, be financed only on flag vessels of the United States.
- h. Amendment # 2 of the Co-operative Agreement # ANE-0073-A-00-6081 requires that vouchers submitted for reimbursement to USAID shall contain a certification that a copy of the ocean bill of lading / air consignment note has been submitted to the U.S. Department of Transportation, Maritime Administration, Division of National Cargo, 400 7th street, S.W., Washington, D.C.20590 and to the Office of Procurement, Transportation Division, Room 1400J, Sa-14, Agency for International Development, Washington, D.C. 20523-1419.

#### Cause

The ICDDR,B personnel concerned were not adequately aware of the relevant CA provisions and USAID regulations in respect of procurement of supplies and equipment. As a result no effective internal control system as regards compliance of the CA provisions and USAID regulations was in existence.

#### Effect

USAID,B may be reimbursing a non-allowable cost for procurement of supplies and capital equipment as detailed above.

Recommendation

USAID/B should :

- a. determine the allowability of the cost of procurement and suppliers and capital equipment as detailed above; and
- b. issue a bill of collection to ICDDR,B for any disallowed costs.

Management Response

The findings cover the use of a non US flag carrier and source / origin.

As no US flag carriers serve Dhaka we have requested "blanket approval" from the Contracts Officer at USAID, Washington to dispense with the need to individually request approval. We have recently been advised that a blanket approval cannot be given and that the Centre can certify as to non availability of a US flag carrier on the copy of the invoice forwarded to USAID. In all cases there was no US flag carrier on these routes and we will be requesting that post facto approval be given.

We believe that Origin of the goods is the most important guiding criteria. Many of the goods, though sourced from Asia, had their origin or technology from the USA. Non US equipment brands are tend to be cheaper, available close range and after sales service guaranteed by Dhaka based agents. Some US made equipment is not tropicalised giving it a shorter life and higher maintenance costs. US electrical equipment normally runs at 110v / 60hz compared to Dhaka's 220v / 50hz.

CA 0071

A. Supplies US\$6,254.69

Of the \$6,254.69, \$6,047.36 relates to spare parts for vehicles and a photocopier that were originally purchased from Japan with USAID approval and it was only natural for us to seek spares from the original source where they are cheaper and readily available. The balance of \$207.33 relates to electrical equipment purchased from the United Kingdom to operate on the Bangladesh electrical system of 220 volts and 50 cycles compared to the US standard of 110 volts and 60 cycles. In all cases no US flag carrier was available.

B. Equipment US\$26,596.18

Of the \$26,596.18, \$22,946.18 was from a non US source but the origin of the technology was US based. The balance of \$3,650.00 fell in neither category but were purchased on the grounds of cost competitiveness, etc. In all cases no US flag carrier was available.

CA 0073

A. Supplies and Materials US\$1,518.52

Of the \$1,518.52, \$758.06 was from a non US source but the origin of the technology was US based and the balance was for toner for a printer originally purchased with USAID approval. In all cases no US flag carrier was available.

B. Capital Expenditure US\$98,741.39

Of the \$98,741.39, \$47,278.44 was from a non US source but the origin of the technology was US based. The balance of \$51,462.95 fell in neither category but were purchased on the grounds of cost competitiveness, etc. In all cases no US flag carrier was available.

We will be requesting that post facto approval be given on the purchase of the above.

FINDING-3

USAID CONCURRENCE NOT OBTAINED IN THE CASE OF APPOINTMENT  
REAPPOINTMENT OF CONSULTANTS

MCH-FP: CA # 0071

Condition

Personnel : Consultants

In the following cases, ICDDR,B did not obtain USAID concurrence on  
appointment/reappointment of consultants :

<u>Date</u>	<u>Vr. No.</u>	<u>Name of Consultant</u>	<u>Amount</u> <u>US \$</u>	<u>Remarks</u>
Mar.9'89	D00697	Dr. Maxine Whittaker	2,640.00	Appointment period : From Feb.5'88 to June 4,89. No concurrence obtained from USAID.
Aug.6'89	D02886	Mr. William Specht	251.50	Appointment period : From Mar.13'89 to Oct.12'89. No concurrence obtained for USAID.
Nov.9'89	D04107	Ms. Marsha J. Day	720.00	He was appointed for the period October 11, 1989 to December 10, 1990 and USAID concurrence obtained on May 13, 1990. But he had submitted his resignation on May 09, 1990. He was again appointed for the period from July 09,1990 to June 8, 1991. No USAID concurrence was obtained for this reappointment.
Oct.22'90	D03152	Dr. Ann Reley	2,000.00	Appointment period : September 1,1990 to December 31, 1990. No concurrence obtained from USAID.
			----- 5,611.80 -----	<b>INELIGIBLE COST</b>

Criteria

Article XII E of the Co-operative Agreement authorised the use of consultants subject to the technical concurrence of the USAID project officer.

Cause

No satisfactory explanations were furnished to us.

Effect

USAID/B may be reimbursing a non-allowable cost for compensation of consultants.

Recommendation

USAID/B should :

- a. determine the allowability of the compensation paid to consultants; and
- b. issue a bill of collection to ICDDR,B for any disallowed costs.

Management Response

Our usual practice is to obtain prior approval. We have no satisfactory explanation for these oversights on the expenditure of \$5,611.80 and will be requesting post facto approval of the costs incurred on CA 0071.

FINDING-4

REIMBURSEMENT RECEIVED FROM USAID IN RESPECT OF EXPENSES NOT SUPPORTED BY ADEQUATE DOCUMENTATION

Condition

UVP : CA # 0073

ICDDR,B could not produce to us the files containing vouchers and supporting documents for the period September 30, 1986 to December 31, 1987. The total amount reimbursed from USAID relating to this period amounts to US\$438,825.44. The files containing expenditure reports to USAID/B for this period were however available. In accordance with the Cooperative Agreement (Article VIII.D.), "Reimbursement vouchers will be supported by copies or extracts of the local payroll, documentary evidence and itemization of payment of international and consultants salaries, copies of travel and transportation vouchers for local and international travel and documentary support of interdepartmental training and all other costs for all expenses in excess of \$200 dollars". As per the above provision, ICDDR,B is not required to submit supporting documents to USAID/B in respect the inter-departmental costs, other direct costs and procurement of supplies and materials amounting to US\$200 or less.

The expenditure report files available contained photocopies of supportings submitted to USAID/B for this period. However, for the above costs of US\$200 or less, even photocopies of supportings were not available in the cases listed in Annex-3.

The aggregate amount of such non-compliances as identified during our audit, is as under :

	<u>Unsupported Costs</u>
	US\$
Other Direct Costs	
- Training Expenses	11,713.02
- Others	<u>64,923.97</u>
	76,636.99
	=====

Details are available in the working papers of the Auditors.

Criteria

Clause 2 of Mandatory Standard Provision for Non-U.S. Non Government grantees requires that (a) accounting records be supported by documentation to show all costs incurred under the grant, and (b) records be retained for a period of three years from the date of expiration of the grant.

Cause

We were told that since the documents date back to 1986 and 1987, the same may have been misplaced. No satisfactory explanations were furnished to us for the unsupported transactions beyond this period.

Effect

USAID/B may be reimbursing a non-allowable cost for the expenses detailed above.

Recommendation

USAID/B should -

- a. determine the allowability of the expenses not supported by documentation.
- b. issue a bill of collection to ICDDR,B for any disallowed costs.

Management Response

Storage of old documents is a constant problem for us and we store as and where we can find adequate space which can involve relocating stored files several times before they are audited. Despite an intensive search we have been unable to locate the missing old 1986/87 vouchers. As you have pointed out, photocopies of all expenditures in excess of \$200 were attached to our copy of the submitted reports and it is the items under \$200, totalling \$76,636.99, where evidence is not available. Both your and our examination of the expenditure supports that the expenditure in this missing voucher period was consistent in nature with the period before and after.

FINDING-5

REIMBURSEMENT RECEIVED FROM USAID IN RESPECT OF DEPRECIATION AS DIRECT COST

UVP : CA # 0073

Condition

Depreciation on furniture and equipment amounting US\$437.15, as listed below, has been claimed and reimbursed as other direct cost during the period from June'89 to Nov'90.

Expenditure Report to USAID <u>Reference</u> <u>Other Direct Costs</u>	Cost details	Amount	Remarks
		US\$	
June 1989	Depreciation on Furniture	22.00	No supporting documentation was available in all these cases.
	Depreciation on Equipment	44.00	
July 1989	Depreciation on Furniture	28.70	
	Depreciation on Equipment	58.66	
August 1989	Depreciation on Furniture	7.20	
	Depreciation on Equipment	14.67	
September 1989	Depreciation on Furniture	7.15	
	Depreciation on Equipment	14.66	
October 1989	Depreciation on Furniture	7.20	
	Depreciation on Equipment	14.67	
November 1989	Depreciation on Furniture	7.15	
	Depreciation on Equipment	14.66	
December 1989	Depreciation on Furniture	7.20	
	Depreciation on Equipment	14.67	
January 1990	Depreciation on Furniture	7.15	
	Depreciation on Equipment	14.66	
February 1990	Depreciation on Furniture	7.20	
	Depreciation on Equipment	14.67	
March 1990	Depreciation on Furniture	7.15	
	Depreciation on Equipment	14.66	
April 1990	Depreciation on Furniture	7.20	
	Depreciation on Equipment	14.67	
May 1990	Depreciation on Furniture	7.15	
	Depreciation on Equipment	14.67	
June 1990	Depreciation on Furniture	7.20	
	Depreciation on Equipment	14.67	
July 1990	Depreciation on Furniture	7.15	
	Depreciation on Equipment	13.66	
August 1990	Depreciation on Furniture	7.20	
September 1990	Depreciation on Furniture	7.15	
October 1990	Depreciation on Furniture	7.20	
November 1990	Depreciation on Furniture	1.15	
		<u>437.15</u>	INELIGIBLE COSTS

Criteria

According to the OMB A-122 [Attachment A, Para C.2.] depreciation or use allowances on buildings and equipment may be treated as an indirect cost.

Cause

No satisfactory explanations were furnished to us.

Effect

USAID/B may be reimbursing non-allowable cost for the depreciation charges, as detailed above, under other direct costs' line item.

Recommendation

USAID/B should -

- a. determine the allowability of depreciation which is an indirect cost and also not supported by documentation.
- b. issue a bill of collection to ICDDR,B for any disallowed costs.

Management Response

This cost of \$437.15 relates to the depreciation on the central pool of Centre financed fixed assets being used by the project and accordingly it should be charged to the project.

Auditor's Comments

We maintain that depreciation on Centre financed fixed assets being used by the project should be treated as an indirect costs, and hence should not be allowed as a direct expense chargeable to the project.