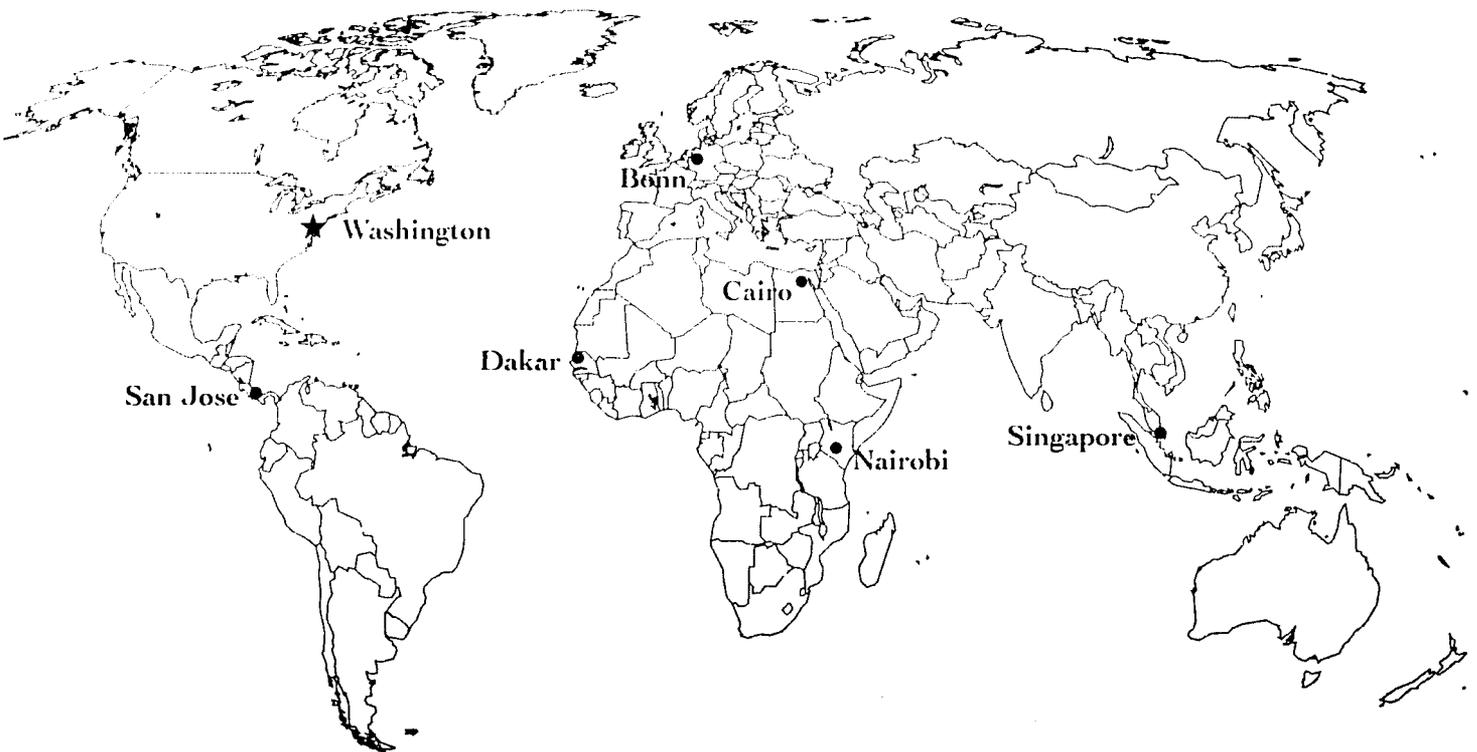


Regional Inspector General for Audit
Dakar

**Audit of USAID's Grant to CILSS under the
Sahel Regional Institutions Project (No. 625-0975)
from August 31, 1987 through April 30, 1993**

**Audit Report No. 7-625-95-017-N
August 4, 1995**



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

UNITED STATES ADDRESS
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AGENCY FOR INTERNATIONAL
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WEST AFRICA

August 4, 1995

MEMORANDUM

To: Jatinder Cheema, Acting Representative, USAID/Burkina Faso
From: *Walter E. Shepherd*
Walter E. Shepherd, Acting RIG/A/Dakar
Subject: Audit of USAID's Grant to CILSS under the Sahel Regional Institutions Project (No. 625-0975) from August 31, 1987 through April 30, 1993; (Audit Report No. 7-625-95-017-N)

The attached final report, prepared by the non-Federal audit firm, Deloitte and Touche of Abidjan, presents the results of the subject financial audit.

In order to assist countries in the Sahel region to strengthen their capacity for regional planning and coordination, the United States Agency for International Development (USAID) initiated, in 1987, the Sahel Regional Institutions Project (No. 625-0975). The purpose of this project is to improve sahelian and donor countries' understanding of the potential impact of social, economic and other development policies and implementation strategies. The Permanent Interstate Committee for Drought Control in the Sahel, known as CILSS was chosen to implement the project. On August 31, 1987, USAID signed a \$400,000 grant agreement with CILSS for special studies or seminars to be conducted by CILSS. This grant was subsequently increased to \$3.2 million of which \$2.3 million has been disbursed according to a June 1993 USAID/Burkina report.

Deloitte and Touche performed the financial audit in accordance with U.S. Government Auditing Standards of the expenditures made by CILSS from USAID funds to determine whether the Fund Accountability Statement for the period August 31, 1987 through April 30, 1993 was fairly presented and whether CILSS complied with applicable laws, regulations, and agreements that may have had a material effect on the Fund Accountability Statement. In carrying out this financial audit, the non-Federal auditor obtained an understanding of CILSS'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, except for the effects of the questioned costs of CFA 156,121,009 (\$573,974), the Fund Accountability Statement fairly presents the disbursements made by CILSS from the USAID grant. Regarding the questioned costs, the auditor questioned CFA 111,674,084 (\$410,566) as unsupported because of inadequate or missing supporting documents for several payments, and CFA 44,446,925 (\$163,408) as ineligible primarily because the expenses were incurred outside the time span of the Project Implementation Letters. In obtaining an understanding of the internal control structure, the auditors noted four internal control weaknesses of which one was considered material—insufficient documentation of certain expenditures. Finally, in testing for compliance with applicable laws, regulations, and agreements, the auditors stated that CILSS complied in all material respects. The auditors reported, however, that the project does not maintain records of the CILSS's member state contributions to the project. The agreement requires contributions from member states to total at least \$4.4 million to the project.

In its response to the draft audit report, USAID/Burkina Faso generally agreed with the auditor's findings and recommendations. However, regarding the \$410,566 in unsupported questioned costs, USAID/Burkina Faso determined that \$227,915 were indeed justified and provided acceptable justification to support its position. For the remaining \$182,651 the Mission stated that CILSS must further justify or reimburse this amount. Regarding the \$163,408 in ineligible expenditures, the Mission did not agree that \$131,996 should be questioned, but is yet to determine the sustainability of the remaining \$31,412. Concerning the reported instance of noncompliance relating to the lack of a computation of counterpart contributions, the Mission stated that it did closely monitor the status of member state contributions to CILSS and that, in this regard, the Mission and CILSS fully complied with the terms of the grant agreement.

The non-Federal audit report contains nine findings and recommendations which should be implemented by USAID/Burkina Faso and CILSS. Since the Mission is scheduled to close in September 1995, only the monetary recommendation has been included in the Inspector General's recommendation follow-up system.

Recommendation No. 1: We recommend that USAID/Burkina Faso resolve the questioned costs of \$573,974 (\$410,566 unsupported) and recover those costs determined to be unallowable or unsupported.

Recommendation No. 1 is considered unresolved since of the \$573,974 questioned, USAID/Burkina Faso resolved \$359,911 as not sustained, but is yet to make a determination on the remaining \$214,063. The recommendation will be resolved when USAID/Burkina Faso advises RIG/A/Dakar of its official determination of the sustainability of the entire \$573,974 ineligible and unsupported questioned costs. For any amounts which USAID/Burkina Faso determines to be not sustained, RIG/A/Dakar will

close that portion of the recommendation upon receipt of the Mission's determination and any evidence required to support the position taken. For those amounts which the Mission determines to be sustained, that portion of the recommendation will be closed when such questioned costs are recovered by USAID/Burkina Faso and the evidence thereof is provided to RIG/A/Dakar. Such evidence may include a copy of: a bill for collection, a document showing reimbursement, or a document showing that the amount questioned was offset against amounts due by USAID.

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



**Audit of USAID's Grant CILSS
under the Sahel Regional Institutions
Project (No. 625-0975)
from August 31, 1987 through April 30, 1993**

**Audit of USAID's Grant to CILSS under the Sahel Regional Institutions
Project (No. 625-0975)
from August 31, 1987 through April 30, 1993.**

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I. TRANSMITTAL LETTER AND SUMMARY

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

Dear Mr. Anklewich,

This report presents the results of our audit of USAID's Grant to CILSS under the Sahel Regional Institutions Project (No. 625-0975) from August 31, 1987 through April 30, 1993.

A. BACKGROUND

To assist countries in the Sahel region, donors and other regional organizations in strengthening their capacity for regional planning and coordination, USAID initiated, in 1987, the Sahel Regional Institutions Project (No. 625-0975). The purpose of this project is to improve the Sahelian and donor countries' understanding of the potential impact of social, economic and other development policies and implementation strategies. The Permanent Interstate Committee for Drought Control in the Sahel, known as CILSS was chosen to implement the project. CILSS is composed of nine Sahelian countries and is assisted by a donor-created entity called "Le Secretariat du Club du Sahel" (Club).

On August 31, 1987, USAID signed a \$400,000 grant agreement with CILSS for special studies or seminars to be conducted by CILSS. The agreement further called for CILSS to develop annual work programs focused on food self-reliance and the environment, which will include their studies, research and regional meetings to develop policies and strategies and to advocate their adoption by CILSS member countries.

This grant was subsequently increased to \$3.2 million of which \$2.3 million has been disbursed according to a June 1993 USAID/Purkina Faso report. The project agreement completion date is June 30, 1997.

The accounting records are kept at CILSS headquarters located in Ouagadougou (Burkina Faso).

B. AUDIT OBJECTIVES AND SCOPE

We performed a financial and compliance audit of USAID's Grant to CILSS under the Sahel Regional Institutions Project (No. 625-0975) from August 31, 1987 through April 30, 1993 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 Cote 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 Cote 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 CILSS from August 31, 1987 through April 30, 1993 and then express an opinion on whether the Fund Accountability Statement is fairly presented in all material respects in conformity with generally accepted accounting principles.
- 2) review and evaluate CILSS's internal control structure 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 CILSS'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 GOB,
- (b) studying and evaluating CILSS'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 CILSS 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 audit report.

1. Financial

We have qualified our opinion on the Fund Accountability Statement because of the relatively large amount of questioned costs. Our financial audit raised questioned costs amounting to FCFA 156,121,009 (US\$ 573,974), including FCFA 44,446,925 (\$ 163,408) of ineligible costs. These questioned costs are detailed as follows:

1. Missing plane ticket or travel authorization	61,798,768
2. Expenses improperly approved	23,345,057
3. Lack of documentation of fuel usage	12,626,573
4. Undue payment of Burkina Faso taxes	426,550
5. Expenses incurred outside the time span of the PILS	33,896,893
	<u>24,027,168</u>
6. Miscellaneous	<u>156,121,009</u>

2. Internal control

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

- (a) The lack of an internal control procedures manual has led to several weaknesses such as:
- Insufficient segregation of duties
 - Lack of competitive bidding
 - Inconsistent filing system
 - Insufficient controls over the payment of per diem
 - Insufficient documentation of expenditures

The insufficient documentation of expenditures is considered a material weakness.

- (b) Insufficient monitoring of the National Correspondents of CILSS (CONACILSS), located in the different member countries

3. Compliance

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

- CILSS has not maintained records documenting its contribution of resources to the Project.
- Ineligible taxes were unduly charged to CILSS for FCFA 426,550 (\$ 1,568).
- There is a tax and social risk stemming from the non payment of payroll taxes and social security in all member countries except The Gambia.
- Per diem payments of FCFA 2,006,000 (\$7,375) were made in excess of the USAID rate.

D. SYNOPSIS OF MANAGEMENT COMMENTS

USAID/Burkina Faso and CILSS generally agreed with the audit findings presented at the field work exit conference.

II. FINANCIAL SECTION

A. INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying Fund Accountability Statement of USAID's Grant to CILSS under the Sahel Regional Institutions Project (No. 625-0975) from August 31, 1987 through April 30, 1993. This Fund Accountability Statement is the responsibility of CILSS'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.

Our audit has raised questioned costs of FCFA 156,121,009 (\$ 573,974), representing 26.3 per cent of total disbursements of the period examined.

In our opinion, except for the effects of the questioned costs, the Fund Accountability Statement referred to above presents fairly, in all material respects, the financial position of USAID's Grant to CILSS under the Burkina Faso Agricultural and Training Support Project in conformity with the basis of accounting described in Note 1 to the Fund Accountability Statement.

Deloitte & Touche
Deloitte & Touche
April 7, 1994

B. FUND ACCOUNTABILITY STATEMENT OF CILSS FOR THE PERIOD

August 31, 1987 to April 30, 1993

	Receipts/Disburs.		Questioned costs		Notes
	<u>Budget</u> FCFA	<u>Actual</u> FCFA	<u>Ineligible</u> FCFA	<u>Unsupported</u> FCFA	
RECEIPTS					
Advances		<u>595,695,683</u>			
Total receipts		<u>595,695,683</u>			
EXPENDITURES					
PIL No. 1	90,204,176	88,800,232	1,651,912	19,274,421	
PIL No. 2	104,639,760	87,394,144	717,208	18,935,798	
PIL No. 4	178,223,648	93,362,755	0	16,583,167	
PIL No. 8	170,932,416	119,523,525	2,500,000	24,072,601	
PIL No. 11	136,461,946	62,851,740	3,512,033	16,414,374	
PIL No. 15	136,000,000	<u>109,895,156</u>	16,423,719	6,537,310	
		561,827,552			
OUTSTANDING BALANCE					
Cash in bank		1,561,604			
Advances		<u>32,306,527</u>	<u>19,642,053</u>	<u>9,856,413</u>	3
Total outstanding balances		<u>33,868,131</u>			
Total expenditures and outstanding balance		<u>595,695,683</u>	<u>44,446,925</u>	<u>111,674,084</u>	

C. NOTES TO FUND ACCOUNTABILITY STATEMENT

Note 1. Accounting Principles

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

In this report, for convenience purposes, we have used an exchange rate of US\$1 for FCFA 272.

Note 2. *Questioned Costs*

Questioned costs represent:

	<u>FCFA</u>	<u>Findings</u>
<u>Unsupported costs</u>		
Missing plane ticket or travel authorization	61,798,768	1
Lack of documentation of fuel usage	12,626,573	1
Expenses improperly approved	21,339,057	1
Miscellaneous expenses	<u>15,909,686</u>	1
Total	111,674,084	
 <u>Ineligible costs</u>		
Undue payment of Burkina Faso taxes	426,550	10
Expenses incurred outside the time span of the PILS	33,896,893	9
Miscellaneous	7,980,425	
Non compliance with approved per diem rate	2,006,000	8
Unreasonable payment of office bag	92,500	2
Unexplained telephone calls	<u>44,557</u>	4
Total	<u>44,446,925</u>	
Grand total	<u>156,121,009</u>	

Note 3. *Advances*

From the above amounts, the advances could be summarized below:

<u>Unsupported advances</u>	
Amounts not yet justified	8,526,413
Lack of documentation of fi	30,000
Expenses improperly appro'	<u>1,300,000</u>
	<u>9,856,413</u>
 <u>Ineligible advances</u>	
Expenses incurred outside the time span of the PILS	<u>19,642,053</u>
	<u>19,642,053</u>

III. INTERNAL CONTROL STRUCTURE

A. INDEPENDENT AUDITOR'S REPORT

We have audited the Fund Accountability Statement of USAID's Grant to CILSS under the Sahel Regional Institutions Project (No. 625-0975) from August 31, 1987 through April 30, 1993 and have issued our report thereon dated April 7, 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 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 CILSS's Fund Accountability Statement under the Sahel Regional Institutions Project from August 31, 1987 through April 30, 1993, 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 CILSS is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of a Fund Accountability Statement in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

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

- Accounting procedures
- Travel and transport 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 the need to strengthen documentation procedures and overall financial management systems. We have reported these conditions in the findings section of this report.

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 except for the lack of documentation for FCFA 156,121,009 (\$573,974) representing 26.3 per cent of total disbursements of the period examined.

This report is intended for the information of the management of CILSS 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
April 7, 1994

B. FINDINGS

1. Insufficient documentation of certain expenses

Condition

We noted that the following expenses were not fully documented :

- international travel cost for FCFA 61,798,768 (US\$ 227,201) was not supported with air fare tickets and travel authorization
- expenses were incurred without the proper approval documentation for FCFA 21,339,057 (\$78,452)
- other miscellaneous expenses incurred without proper supporting documentation for FCFA 15,909,686 (\$ 58,491)
This includes advances made for FCFA 9,856,413 that were not documented.
- purchase of gasoline without any documentation as to its usage FCFA 12,626,573 (US\$ 46,422)

Criteria

GAO specific standards on internal control states that all transactions and other significant events are to be clearly documented, and the documentation is to be readily available for examination.

Cause

There appears to have been a lack of continuous supervision.

Risk/Effect

The total amount of insufficiently documented costs of FCFA 111,674,084 (US\$ 410,566) are questioned as unsupported costs.

Recommendation

Project expenditure must be properly documented with at least a purchase order, an invoice, and a delivery receipt. All expenditure must have proper authorization.

We recommend that CILSS obtains justifications or reimburses FCFA 111,674,084 (US\$ 410,566) to USAID.

2. Absence of an internal control procedures manual

Condition

CILSS does not maintain an internal control procedures manual which provides guidance to financial, accounting and administrative procedures. The steps to initiate, authorize, make a disbursement, record a transaction and classify the supporting documentation are different for each transaction. We also noted instances in where the internal control objectives were not reasonably complete:

- The competitive bidding process is not used for purchases of goods and supplies. Moreover, when purchasing in bulk, CILSS does not request a discount from the supplier, although there is evidence that in some cases, a discount could have been easily obtained.

In one instance in 1992, CILSS purchased 50 office bags for FCFA 1,000,000 (20,000 each). On April 7, 1994, the same supplier informed us that the bags cost FCFA 18,150 each. We have considered the FCFA 92,500 $[(20,000 - 18,150) \times 50]$ as ineligible.

It should also be noted that the list of external consultants has not been updated since the creation of CILSS.

- Payment orders are not sequentially filed by date of payment causing difficulty in tracing supporting documentation.
- There is an insufficient segregation of duties. Since 1991, two accounting employees sign checks, record transactions, perform bank reconciliations, deal with suppliers and prepare all financial reports for donors. For the last 3 years, CILSS operated without a financial controller and it was only in March 1994 that the position was filled.
- Controls over per diem payments for seminars and meetings appear inadequate. The per diem is generally disbursed at the outset of the event with no subsequent control.

Criteria

GAO Standards for Internal Controls in the Federal Government require that internal control systems are to provide reasonable assurance that the objectives of the systems will be accomplished.

Internal control objectives are to be identified or developed for each Project activity and are to be logical, applicable, and reasonably complete.

Key duties and responsibilities in authorizing, processing, recording and reviewing transactions should be separated among individuals. Documentation should be readily available for examination.

Cause

The management of CILSS is in the process of adopting a new internal controls manual. The former was never implemented for administrative reasons.

Risk/Effect

The inadequate classification of supporting documentation makes it difficult and time consuming to ensure proper examination.

Reasonable prices and discounts may not be obtained from suppliers.

Recommendation

We recommend that CILSS adopts a procedures manual where all the policy and procedures regarding Project management should be consigned and documented so that transactions are harmonized and all the basic aspects of internal control covered.

The manual should include such aspects of internal control as segregation of duties, procurement procedures, fuel management, disbursement procedures, cash management, general administrative documentation and flow of documents, fixed asset management, travel and transport procedures, etc.

The ineligible costs of FCFA 92 500 (\$340) should be reimbursed to USAID.

3. Inadequate monitoring of CONACILSS activities

Condition

We noted that expenditures incurred by the National Correspondents of CILSS (CONACILSS), located in the different member countries, were not closely monitored. Justification and reporting of expenditures are not provided to CILSS on a regular basis.

Criteria

Reporting procedures must ensure that expenditures are expeditiously justified and recorded in order to ensure a prompt and accurate financial information.

Cause

CILSS has not provided reporting instructions to the CONACILSS.

Risk/Effect

CILSS is not sufficiently able to monitor expenditures incurred by the CONACILSS as well as their outstanding bank balance.

USAID has suspended all advances made to CONACILSS due to the lack of financial reporting by the CONACILSS to CILSS.

Recommendation

We recommend that CILSS require the CONACILSS to report expenditures on a monthly basis if and when USAID resumes its financing. A copy of the bank statement and a bank reconciliation should be submitted together with the expense vouchers.

4. Insufficient control over telephone communications

Condition

CILSS maintains telephone books to record official calls.

We noted telephone calls made to Moscow and Cuba totalling FCFA 44,557 (\$ 164) for which CILSS was unable to provide explanation.

Criteria

All transactions should be properly authorized and project related

Cause

Lack of adequate monitoring of telephone costs.

Risk/Effect

The total amount of FCFA 44,557 (\$164) is questioned as ineligible.

Recommendation

CILSS management should scrutinize the telephone listing for unusual calls and take necessary actions.

The ineligible costs must be reimbursed to USAID.

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 CILSS under the Sahel Regional Institutions Project (No. 625-0975) from August 31, 1987 through April 30, 1993 and have issued our report thereon dated April 7, 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 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 CILSS's management. As part of obtaining reasonable assurance about whether the Fund Accountability Statement is free of material misstatement, we performed tests of CILSS'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 opinion.

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

This report is intended for the information of the management of CILSS 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
April 7, 1994

5. Contingent liability

Condition

We noted that only the CONACILSS in the Gambia pays social security and payroll taxes on indemnities paid to administrative support staff. The other eight CONACILSS do not perform a similar calculation which creates a contingent liability for the Project.

Criteria

Tax legislation in the member countries requires that income tax withheld from salaries and other remunerations paid to all staff be remitted to the tax authorities.

Cause

Applicable country legislations are unknown to CILSS officials.

Risk/Effect

The Project may face a contingent tax liability.

Recommendations

- 1. We recommend that CILSS review the status of its employees vis-à-vis local tax and social security authorities and take appropriate action. Any penalties for late payment and amounts not recovered from employees may not be charged to USAID.*
- 2. CILSS should implement internal controls to enforce compliance with country tax and social security legislations so as to ensure that payroll tax and social security are withheld and remitted to the tax authorities on a timely basis.*

6. Non computation of CILSS contribution

Condition

CILSS does not maintain record of its contribution to the Project.

Criteria

Under the terms of the Grant Agreement (Section 3.2), CILSS is required to provide resources for the Project of not less than FCFA 1,200,000,000 (\$ 4,411,765) over its ten year life.

Cause

CILSS does not maintain a cost accounting system that allows proper identification of the value of its contribution.

Risk/Effect

Noncompliance with the Grant Agreement. USAID may suspend disbursements until such information are provided.

Recommendation

We recommend that CILSS take steps to assess, document and report on its contribution to the Project. USAID Burkina Faso should obtain the necessary documentation from CILSS officials to support the information contained in the reports.

7. **Noncompliance with USAID instructions on per diem payments by the CONACILSS**

Condition

We noted that seminars and training are conducted by CONACILSS in different countries.

In one instance, for a seminar held in Bobo Dioulasso, participants received a total of FCFA 2,006,000 (\$ 7,375) in excess of the USAID approved rate.

Criteria

USAID/Burkina Faso has issued a project paper relating to per diem payments in the CONACILSS.

A letter from the USAID representative dated March 4, 1991 and October 21, 1993 to the general secretary of the Minister of Health and to the managing director of CNRST details the basis of payment of per diem.

Cause

Given the multi-donor aspect of its activities, CILSS did not believe that it was mandatory to use the USAID approved per diem rate.

Risk/Effect

CILSS may be required to reimburse FCFA 2,006,000 (\$7,375) paid in excess of approved rate.

Recommendation

Per diem rates should conform with those of USAID when the activities are financed by USAID.

CILSS should reimburse the questioned costs of FCFA 2,006,000 (\$7,375).

8. Non respect of the time spans of PILS

Condition

A total amount of FCFA 33,896,893 (\$ 124,621) was spent outside the time span of the PIL 15..

The amount invalued are respectively FCFA 1,589,935 (\$ 5,845) spent before the signature of the grant agreement and FCFA 32,306,958 (\$ 118,776) spent after the end of PIL 15 although PIL 15a, 17 and 18 stressed that the time period of PIL 15 was unchanged.

Criteria

The life span of Project is specified by the various implementation letter.

Cause

Certain transactions of a previous project (project No. 625-911) had not been submitted for reimbursement prior to its closing.

Invoices were paid as long as funds were available.

Risk/Effect

Risk of budget overrun and non reimbursement of expenditures by USAID.

Recommendation

We recommend that CILSS should strictly comply with the terms of the various PILS.

The total amount of FCFA 33,896,893 (\$ 124,621) questioned as ineligible should be reimbursed to USAID.

9. Taxes paid

Condition

We noticed that CILSS paid tax on certain expenditures contrary to the Grant Agreement which exempts the institution from such tax payment. A total of FCFA 418,824 of tax was paid on gasoline purchases and FCFA 7,726 on an air conditioner installment.

Criteria

The Grant Agreement provides that Project purchases are tax free.

Cause

CILSS administration was not aware of the extent of the tax exemption.

Risk/Effect

USAID fund was wasted as a result of not taking advantage of the project tax exemption status.

Recommendation

Ineligible cost of FCFA 426,550 relative to taxes on gasoline and an air conditioner installment must be reimbursed to USAID.

Regarding the enforcement of CILSS' tax exempt status, exemption papers should be obtained from the administrative authorities of Burkina Faso as soon as possible.

PIL No. 1 Summary of Questioned Costs

Payment Order No.	Amount of Payment Order in FCFA	Questioned costs		Description
		Ineligible	Unsupported	
582	818,102		377,180	Invoice missing
1273/1287	499,721	240,133		Expense incurred prior to beginning of PIL 1
128	613,623	29,802		Expense incurred prior to beginning of PIL 1
1172	978,120		458,524	Invoices missing
1310	1,334,770		1,334,770	Invoices missing
1479	484,043		75,000	Travel authorization missing for Albino travel
1656/1657	3,300,150		3,300,150	Airfare ticket missing
2	1,391,348		1,391,348	Airfare ticket missing
51	255,000		255,000	Travel authorization missing
912	393,521		153,137	Internat. telephone communications not detailed
1099	8,516,275		6,867,000	Authorization & seminar presence sheets missing
			663,100	Invoices missing
1222	204,900		204,900	Airfare ticket missing
1332	50,700		50,700	Airfare ticket missing
1436	1,601,870		1,601,870	Invoices missing
515	705,200	61,977		Tax unduly paid on gasoline purchases
515	705,200		300,000	Usage of gasoline not documented
573	874,566		874,566	Invoice missing
352	1,048,456		1,048,456	Invoices missing for various invoices
1291	915,625		82,800	Airfare ticket missing
559	1,088,045		235,920	Airfare ticket missing
217	1,320,000	1,320,000		Expense incurred prior to beginning of PIL 1
Total		<u>1,551,912</u>	<u>19,274,421</u>	

PIL No. 2 Summary of Questioned Costs

Payment Order No.	Amount of Payment Order in FCFA	Questioned costs		Description
		Ineligible	Unsupported	
663	1,647,575		1,645,575	Airfare tickets missing
796	3,186,752		1,195,000	Travel authorization missing
796	3,186,752		220,416	Basis of payment missing for interpreter
796	3,186,752		228,165	Basis of payment missing for translator
796	3,186,752		1,415,400	Insufficient doc. on particip. for Novotel Dakar invoice
1647	4,504,900		4,504,900	Airfare ticket missing
104	2,800,000		2,400,000	Travel authorization missing
1719	2,741,500		2,741,500	Airfare ticket missing
33	3,396,245	446,400		Duplicate reproduction of seminar documents
33	3,396,245	239,610		Unreasonable seminar stationery purchase
33	3,396,245		100,000	Usage of gasoline not documented
1371	411,800		107,200	Airfare tickets and invoice missing
890	5,015,602		300,000	Usage of 1,000 liters of gasoline not documented
890	5,015,602		330,000	Usage of 1,100 liters of gasoline not documented
890	5,015,602		277,620	Usage of 1,322 liters of gasoline not documented
890	5,015,602		252,420	Usage of 1,202 liters of gasoline not documented
890	5,015,602		150,000	Usage of 500 liters of gasoline not documented
890	5,015,602		300,000	Usage of 1,000 liters of gasoline not documented
588	338,400		338,400	Airfare ticket missing
744	1,200,000		1,200,000	Contract missing for consultant
752	216,700		216,700	Travel authorization and airfare ticket missing
870	375,000	25,000		Excessive payment of per diem (1 day)
575	105,000		20,000	Absence of recipient signature
916	218,700		218,700	Airfare ticket missing
792	30,000	5198		Tax on gasoline unduly paid
792	30,000		23,802	Usage of gasoline not documented
1134	750,000		750,000	Airfare tickets missing
Total		<u>717,208</u>	<u>18,935,798</u>	

PIL No 4 Summary of Questioned Costs

Payment Order No.	Amount of Payment Order in FCFA	Ineligible	Unsupported	Description
1315	555,550		555,550	Airfare ticket missing
961	4,130,325		4,130,325	Airfare ticket missing
595	162,600		162,600	Airfare ticket missing
477	338,000		338,000	Airfare ticket missing
1358	1,021,718		1,021,718	Invoice missing
1409	1,070,940		1,052,340	Invoices missing
924	280,500		280,500	Airfare ticket missing
408	664,379		194,940	Invoice missing
864	1,000,000		157,894	Gasoline usage not documented
759	1,010,900		368,300	Gasoline usage not documented
1373	1,000,000		450,000	Gasoline usage not documented
93	1,003,300		450,000	Gasoline usage not documented
412	1,000,334		450,000	Gasoline usage not documented
520/521/522	1,988,448		300,000	Gasoline usage not documented
1067	1,000,895		290,000	Gasoline usage not documented
1082	4,017,614		1,296,000	Gasoline usage not documented
1082	4,017,614		210,000	Gasoline usage not documented
74	5,470,000		270,000	Per diem payments above USAID rates
74	5,470,000		390,000	Per diem payments above USAID rates
153	5,245,000		315,000	Per diem payments above USAID rates
153	5,245,000		285,000	Per diem payments above USAID rates
153	5,245,000		45,000	Per diem payments above USAID rates
486	1,905,000		1,455,000	Per diem payments above USAID rates
154	2,115,000		2,115,000	Per diem payments above USAID rates
Total		0	16,583,167	

PIL No 8 Summary of Questioned Costs

Payment Order No.	Amount of Payment Order in FCFA	Ineligible	Unsupported	Description
163	623,800		623,800	Airfare ticket missing
162	1,013,100		1,013,100	Airfare ticket missing
175	107,300		107,300	Airfare ticket missing
91	2,500,000	2,500,000		Vehicle purchased without authorization
40	310,900		310,900	Airfare ticket missing
62	1,232,300		322,900	Airfare ticket missing
67	305,600		305,600	Airfare ticket missing
228/229	732,296		706,345	Usage of gasoline not documented
80	760,100		760,100	Airfare ticket missing
180	218,400		218,400	Airfare ticket missing
881	1,000,000		450,000	Usage of gasoline not documented
866	2,464,095		527,945	Usage of gasoline not documented
1561	1,062,000		482,100	Usage of gasoline not documented
704	4,901,106		4,795,210	Airfare ticket missing /gasoline usage not doc.
705	5,132,500		5,122,500	Travel order attributable to Dutch financing
1611	663,161		126,637	Usage of gasoline not documented
1176	1,053,528		547,228	Usage of gasoline and telephone not doc.
991	499,800		499,800	Airfare ticket missing/no travel order
862	1,441,050		1,441,050	Airfare ticket missing
861	135,400		135,400	Airfare ticket missing
991	316,950		45,200	Usage of gasoline not documented
589	1,025,000		150,000	Usage of gasoline not documented
1273	1,046,666		428,571	Usage of gasoline not documented
1353	1,002,228		122,540	Usage of gasoline not documented
23	1,000,000		1,000,000	Usage of telephone, telex, fax not documented
928	3,813,550		187,700	Usage of gasoline not documented
928	3,813,550		1,327,175	Airfare ticket missing
560	139,500		139,500	Airfare ticket missing
301	1,000,055		290,000	Usage of gasoline not documented
295	675,450		60,000	Salaries of six individuals not justified
1355	558,800		558,800	Airfare ticket missing
1107	1,001,110		216,100	Usage of gasoline not documented
1351	280,000		280,000	Airfare ticket missing
742	770,000		770,000	Per diem not justified by travel order
Total		<u>2,500,000</u>	<u>24,072,601</u>	

PIL No. 11 Summary of Questioned Costs

Payment Order No.	Amount of Payment Order in FCFA	Questioned costs		Description
		Ineligible	Unsupported	
352	3,180,000		3,180,000	Missing authorization for per diem payment
452	417,800		417,800	Airfare ticket missing
345	1,535,000	360,000		Per diem payment not signed off
345	1,535,000		1,175,000	Basis of indemnity payment not specified
313/314	900,000	185,931		Tax paid on gasoline purchase
313/314	900,000		714,069	Usage of gasoline not documented
281	408,400		408,400	Travel authorization and airfare ticket missing
263	2,199,200		2,199,200	Travel authorization and airfare ticket missing
261	3,022,775		3,022,775	Travel authorization and airfare ticket missing
188	3,185,900		1,575,900	Airfare tickets missing
351	1,035,880	308,000		Payment of exp. attributable to Togolese funding
456	145,072	48,402		Executive Secretary's water bill
462	302,000	62,390		Duties and tax on gasoline purchase
462	302,000		239,610	Usage of gasoline not documented
317	476,424	34,008		Telex to USSR and Cuba
401	224,640		224,640	Facsimilie cost not detailed
33	838,526	7,726		Tax on air conditioner installment
1770	944,073	7,846		Telex to USSR
1053/1054	4,421,605	56,545		Duties and tax on gasoline purchase
1053/1054	4,421,605		256,980	Usage of gasoline not documented
687	3,000,000		100,000	Usage of gasoline not documented
687	3,000,000		2,900,000	Report of consultants not available
318	1,206,783	1,206,783		Insurance for vehicle purchased without authorization
368	1,131,902	1,131,902		Insurance for vehicle purchased without authorization
336	1,000,000	92,500		Unreasonable payment for office bags
Total		<u>3,512,033</u>	<u>16,414,374</u>	

PIL No. 15 Summary of Questioned Costs

Payment Order No.	Amount of Payment Order in FCFA	Questioned costs		Description
		Ineligible	Unsupported	
597	750,000	750,000		Executive Secretary's lodging expenses
598	209,872	209,872		Expense incurred prior to PIL No. 15
892	507,596	2,703		Telex to USSR
19	750,000	750,000		Executive Secretary's lodging expenses
129	186,245	37,975		Executive secretary's water bill
341	135,621	52,213		Executive secretary's water bill
368	504,960		504,960	Telephone invoice and detail missing
367	1,100,000	623,333		Expense incurred after the closing of PIL No. 15
689	575,500		575,500	Travel authorization not documented by CILSS
1321	500,000		60,000	Secretarial work not detailed
1321	500,000		29,000	Photocopy costs not detailed
1321	500,000		240,000	Usage of 800 liters of gasoline not documented
792	418,800		418,800	Airfare ticket missing
450	3,802,500	3,802,500		Expense incurred after the closing of PIL No. 15
427	3,264,400	3,264,400		Expense incurred after the closing of PIL No. 15
441	330,000	330,000		Expense incurred after the closing of PIL No. 15
416	4,314,100	4,314,100		Expense incurred after the closing of PIL No. 15
448	120,700	120,700		Expense incurred after the closing of PIL No. 15
989	440,000		440,000	Travel authorization and airfare ticket missing
378	583,270		36,507	Usage of gasoline not documented
378	583,270	10,471		Duties on gasoline purchased in Ouagadougou
378	583,270		483,800	Airfare ticket missing
275	711,400		711,400	Travel authorization and airfare tickets missing
209	6,000,000		18,000	Per diem not documented by signatures of recipients
209	6,000,000	2,006,000		Per diem paid above USAID rates
198	1,701,500		800,000	Two consultant contracts missing
169	954,600		954,600	Travel authorization and airfare ticket missing
52	884,200		884,200	Travel authorization and airfare ticket missing
1206	1,734,492		283,330	Usage of gasoline not documented
1140	579,000	2,500		Per diem recipient signed off for another individual
1140	579,000	4,235		Tax on gasoline unduly paid
1140	579,000		16,265	Usage of 73,85 liters of gasoline not documented
1141	691,495	21,077		Tax on gasoline purchase
1141	691,495	121,640		Unauthorized purchase of alcohol (dolo)
1141	691,495		80,948	Usage of gasoline not documented
Total		<u>16,423,719</u>	<u>6,537,310</u>	

APPENDIX 7

Details of questioned outstanding advances

Payment order No.	Amount of payment order in FCFA	Questioned costs		Description
		Ineligible	Unsup-ported	
545	8,860,400	8,860,400		Expense incurred after PIL 15
634	977,395	977,395		Expense incurred after PIL 15
551	3,484,058	3,484,058		Expense incurred after PIL 15
556	210,000	210,000		Expense incurred after PIL 15
757	662,100	662,100		Expense incurred after PIL 15
571	223,061		30,000	Expense incurred after PIL 15
544	500,000	500,000		Expense incurred after PIL 15
649	1,500,000	200,000		Payment to a translator for services incurred after PIL 15
			1,300,000	Fees paid: The work contract is missing
646	2,700,000	2,700,000		Expense incurred after PIL 15
648	959,500	959,500		Expense incurred after PIL 15
507	392,900	392,900		Expense incurred after PIL 15
816	5,000	5,000		Expense incurred after PIL 15
766	190,000	190,000		Expense incurred after PIL 15
619	500,700	500,700		Expense incurred after PIL 15
			<u>8,526,413</u>	Amount not justified to USAID
Total		<u>19,642,053</u>	<u>9,856,413</u>	

memorandum

DATE: February 14, 1995

REPLY TO
ATTN OF: Jatinder K. Cheema, AID/AREP, Burkina Faso

J. Cheema
2/15/95

SUBJECT: Non-Federal Audit (NFA) Draft Report of USAID's grant to CILSS,
under the Sahel Regional Institutions, Project No: 625-0975.

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

Reference: Draft report of subject NFA

Below are the mission comments to subject Draft Report.

— Thank you for the opportunity to review the subject Draft Audit Report which reviews CILSS' management of USAID project funds from 1987 to 1993. The audit report accurately identifies a number of serious deficiencies that characterized CILSS' management of donor contributions during that period. We are determined that the USAID audit serve as a reference in improving procedures in the restructured CILSS, where a donor-financed accounting unit will take over the management of project funds from CILSS' old administrative and financial service in 1995.

— In contrast to the period of the audit itself (which occurred immediately prior to CILSS' crucial April 1994 statutory meeting in Praia), CILSS staff has devoted considerable time and energy to reviewing the draft audit report and its implications for current and future operations. As detailed in Section 1 of this memo, CILSS has recovered a substantial number of original receipts and supporting documents which the auditors did not recover during the audit. CILSS failed to retrieve these documents from USAID/Burkina's Office of Financial Management prior to the arrival of the auditors last April, believing that the auditors would do so themselves. This documentation, which USAID/Burkina has reviewed, concerns expenses of cfa 39.240.014.

— There is a second category of questioned costs for which CILSS (and in some cases USAID/Burkina) have furnished additional information and explanations which we believe respond satisfactorily to the auditors' questions. The explanations concern findings No. 1 (cfa 7.777.782), No. 7 (2.006.000), and No. 8 (33.896.893), for a total of cfa 43.680.675.

There is a third category of questioned costs (cfa 14.975.015) for which CILSS has assembled alternative, supporting documents. A large percentage of these costs concern regional conferences or workshops for which CILSS was not able to recuperate participants' airline ticket stubs. We believe that problems like this one stem in part from the fact that CILSS concurrently manages the contributions of a variety of donors whose requirements and procedures have not always been as rigorous as USAID's, (for example, collection of airline ticket stubs). Consequently, CILSS did not establish systems which met USAID requirements. The recently completed restructuring of CILSS has corrected these deficiencies by establishing a set of common procedures to be applied by all donors (see Procedures Manual, fascicle 3, section III.2, rubric III.2.1, p. 12).

In the absence of standard receipts (such as ticket stubs cited above) which are by now irrecoverable, we encourage RIG/Dakar to evaluate whether the alternative supporting documents provided by CILSS (which include official records of meetings) can be accepted as reasonable evidence, rather than rejecting these expenditures outright.

A fourth and final category of questioned costs totalling cfa 58.225.305 concerns those for which CILSS has been unable, to date, to provide either original receipts or reasonable alternative supporting documents or arguments. These costs must be justified by CILSS or reimbursed.

Given the important sums represented by categories 3 and 4 (above), and CILSS' determination to furnish USAID with appropriate justification for any outstanding questioned costs, USAID/Burkina and CILSS believe it would be beneficial for one of the auditors to return to Ouagadougou for several days to review and evaluate the alternative documentation assembled by CILSS. The cost of the proposed follow-up visit would be covered by the project.

In principle, we concur with the majority of the audit's findings and recommendations. This memo provides additional information for your consideration on several findings/recommendations (No. 5, 6, 7, and 8) which we believe will improve the accuracy of your report.

The information which follows relates to findings 1 through 9 in sections III and IV of the subject draft report.

INTERNAL CONTROL STRUCTURE (Sec. III of audit report)

FINDINGS

1. Insufficient documentation of certain expenses

Conditions:

1.1- International Travel Costs:

1.1.1 - (Missing receipts recovered): USAID/Burkina concurs with CILSS's justification of international travel costs in the amount of cfa 22.417.390 for which supporting documentation (airfare ticket stubs) was located subsequent to the audit. Photocopies have been attached to the payment orders (OP's) in question: PIL 1: OP's 1479, 2, 51, 1222, 1332, 559. PIL 2: OP's 663, 104, 1719, 1371, 588, 916, 1134. PIL 4: OP's 1315, 595, 477. PIL 8: OP's 163, 67, 704, 991, 862, 928, 560. PIL 11: OP's 452, 263, 261, 188. PIL 15: OP's 792, 989, 378, 275, 169, 52.

USAID believes these expenses are justified:
cfa 22.417.390.

1.1.2 - (Alternative supporting documents produced): In numerous instances, the draft audit report rejects CILSS' expenditures for the organization of regional meetings because CILSS did not recuperate participants' ticket stubs. In those cases for which CILSS is able to furnish reasonable proof that travelers actually participated in meetings for which airline tickets were purchased, USAID/Burkina encourages the auditors to consider accepting these expenses as legitimate. By reasonable proof, we mean signed participant lists, official meeting reports, records of meetings published in CILSS' official journal, stamped travel authorizations, etc. Ref.: PIL 1, OP's 1656/57. PIL 2: OP's 663, 1647, 1719. PIL 4: OP's 595, 477, 924. PIL 8: OP's 162, 175, 40, 62, 67, 80, 180, 704. PIL 15: OP's 792, 275.

USAID/Burkina recommends that the auditors consider admitting these expenses as legitimate in light of the alternative justification documents assembled by CILSS: cfa 14.975.015

1.2 - Approval Documentation Missing:

1.2.1 (Missing documents recovered): Of the 21.339.057 cfa in questioned expenses, to date CILSS

has located appropriate approval documentation for a portion of that amount totalling cfa 8.576.114. Ref.: PIL 1: OP's 582, 1172, 1310, 1699, 1699, 1436, 573, 352. PIL 4: OP's 1358, 1409, 408.

Efforts continue to locate approval documentation for other expenses.

USAID believes these expenses are justified:
cfa 8.576.114

1.2.2 - (Additional approval documentation furnished by USAID/Burkina): The draft audit report rejects as ineligible a CILSS expenditure of cfa 2.500.000 under PIL 8 (OP 91) for the purchase of a vehicle. The reason cited is lack of authorization. The audit report rejects two insurance payments later made on the car (PIL 11: OP's 318, 368) for the same reason: "vehicle purchased without authorization."

Notwithstanding the failure of CILSS to provide the audit team with any written document from USAID authorizing the vehicle purchase, USAID/Burkina confirms that it received, reviewed, and approved a request from the CILSS Executive Secretary to purchase the vehicle in question. In a 1991 meeting with CILSS prior to the selection of the vendor, the USAID/Burkina Representative instructed CILSS to obtain price quotes from three local automobile vendors. The current USAID project advisor to CILSS was present at the above-mentioned meeting and confirms that USAID authorized CILSS to proceed with the purchase based on competitive bids. Three bids were obtained and reviewed, and the purchase was made with joint financing from USAID and France.

The vehicle was purchased for the official use of CILSS' Executive Secretary. It replaced a thoroughly worn-out vehicle that had become difficult and expensive to maintain. The car was purchased to enable the executive secretary to more effectively carry out his management and representational responsibilities. In addition to routine work-related travel in Ouagadougou, these responsibilities included periodic missions to CILSS' specialized institutions in Niamey (AGRHYMET), and Bamako (Sahel Institute), for which safe and dependable transport is a necessity. The frequent visits to Ouagadougou of official delegations from the CILSS member states and the international donor community also require

the CILSS Executive Secretary to provide adequate and reliable means of transportation. For these reasons, USAID/Burkina believes that the vehicle purchase and related insurance expenditures should be accepted as valid project costs.

USAID believes these expenses are justified:
cfa 4.838.685.

1.3 - Supporting Documents Missing:

1.3.1 - (Missing documents recovered): Of the 15.909.686 cfa in questioned expenses, CILSS has located supporting documents for a portion of that amount (cfa 8.246.510). Ref.: PIL 2: OP's 33, 33, 744, 870, 575. PIL 8: OP's 295, 742. PIL 11: OP's 352, 345. PIL 15: OP's 198, 209, 1140, 649.

Efforts continue to locate supporting documents for other expenses.

USAID believes these expenses are justified:
cfa 8.246.510

1.3.2 - (Additional justifications furnished by CILSS): On review of the supplemental explanations and documents furnished by CILSS relative to the following expenses questioned by the audit, (PIL 11: OP 345, and PIL 15: OP's 1321, 378), USAID/Burkina finds them to be valid project costs.

USAID requested and obtained the following additional information regarding OP 345 (PIL 11): During the organization of CILSS statutory meetings (Conference of Ministers, Meeting of Heads of State) in Ouagadougou in April 1992, CILSS was required to assemble a team to receive and transport dignitaries of the different member states, type and photocopy meeting minutes and reports, and manage logistical support. This personnel (which included regular CILSS employees and members of a national organizing committee) worked long weekend and evening hours during the preparation and holding of the 1992 statutory meeting. Rather than paying overtime hours which would have been too expensive given local salary rates, CILSS made an arrangement to provide a lump sum to each employee as compensation for extra work performed and obtained signed receipts. We believe that this work was essential to the smooth functioning of the meeting, and to the long term goals of our assistance to CILSS. In addition it was

more cost effective to give the employees a lump sum rate rather than overtime pay, in this instance.

USAID believes these expenses are justified:
cfa 1.300.507

1.3.3 - (Additional justifications furnished - USAID/Burkina): Among the expenses listed in Section 1.3.2 above are a series of expenditures (PIL 11: OP 456. PIL 15: OP's 597, 19, 129, 341) totalling cfa 1.638.590 made by CILSS to cover rent and water bills on the residence of the CILSS Executive Secretary. CILSS Executive Secretaries are international civil servants named by the CILSS heads of state for three-year terms. By convention, this post is not awarded to citizens of Burkina Faso. Given the regular rotation of executive secretaries, and the fact that they are not Burkina nationals, CILSS has identified and reserved a residence in Ouagadougou for its top executive. Rent and utilities on this residence have traditionally been incorporated in CILSS' annual operating budget. In PIL 15, USAID provided support for general operating expenses which assumed the costs related to the residence of the CILSS Executive Secretary. Given the fact that the aforementioned costs were legitimately inscribed in CILSS' annual operating budget, and that PIL 15 provided global support for that budget without any specific exclusions, USAID/Burkina feels that the expenses are justified. It should be noted that under the terms of CILSS' restructuring, residential costs of the executive secretary are now to be paid uniquely out of the contributions of CILSS' nine member states.

USAID believes these expenses are justified:
cfa 1.638.590

1.4 - Gasoline: USAID/Burkina concurs with the audit's finding that the documentation furnished by CILSS for gasoline purchases is not adequate to justify the usage of that fuel (Total: cfa 12.626.573). Most of the expenses questioned by the audit concerns gasoline that was purchased by the national CILSS correspondents (CONACILSS) either as part of their own operating expenses, or in the framework of studies carried out by national consultants. In the absence of detailed vehicle logs, it appears difficult for CILSS to meet the auditors' requirements for justification. We believe that CILSS and the CONACILSS should make an effort to document the questioned gasoline

expenses, however, based on time periods covered, approximate distances travelled, vehicle consumption rates, etc. This is the kind of problem for which CILSS and USAID/Burkina believe the return of an auditor may be helpful.

RECOMMENDATION:

- CILSS and USAID concur with this recommendation. In the framework of CILSS restructuring program, procedures are being refined which respond directly to the audit's recommendation, and which will be integrated into CILSS' Procedure Manual.

- USAID/Burkina believes that CILSS has satisfactorily justified:

- cfa 39.240.014 based on recovered receipts and approval documentation (see sections 1.1.1, 1.2.1, and 1.3.1), and;

- cfa 7.777.782 based on additional information and explanations furnished by both CILSS and USAID/Burkina (see sections 1.2.2, 1.3.2, and 1.3.3).

- USAID/Burkina furthermore encourages the auditors to consider accepting expenses of cfa 14.975.015 (see section 1.1.2), for which CILSS has produced reasonable evidence that the expenses were valid. CILSS must further justify or reimburse the remaining expenses (cfa 49.681.273).

2. Absence of an internal control procedures manual

Conditions:

In general USAID/Burkina concurs with the findings of the audit concerning the incompleteness of internal control objectives. Some of the examples cited in the draft report may not be wholly accurate, or do not take account of management improvements developed in recent years. Based on our own experience we know for example that the process of competitive bidding for the purchases of goods and supplies is a general practice at CILSS. In this same vein, we know that CILSS often disburses per diem to workshop or conference participants in two tranches rather than disbursing all at the outset.

RECOMMENDATION:

CILSS and USAID concur fully with this recommendation. The results of the present audit will be used to check the completeness of procedures outlined in CILSS new Procedures Manual.

3. Inadequate monitoring of CONACILSS activities

Cause:

USAID/Burkina can affirm that, contrary to what is stated in the draft audit report, CILSS made repeated efforts to instruct the CONACILSS on proper reporting of expenditures during the period covered by the audit. In 1988, CILSS convoked the CONACILSS to a regional meeting devoted largely to this issue. As sovereign entities, the CONACILSS proved too often insensitive to CILSS and donor requests to improve their financial management and reporting procedures. It was on this basis that USAID decided in 1992 to suspend all support to the CONACILSS for their operating costs.

RECOMMENDATION:

CILSS and USAID concur fully with this recommendation.

4. Insufficient control over telephone communications

RECOMMENDATION:

CILSS and USAID concur fully with this recommendation.

COMPLIANCE WITH AGREEMENT AND APPLICABLE LAWS (Sec. IV of audit report)

5. Contingent liability

Condition:

While the CONACILSS received CILSS (donor) contributions to cover their operating costs, including indemnities for some administrative support staff, legally this staff cannot be considered CILSS personnel. In most cases the administrative personnel which supported the CONACILSS were Ministry employees who performed work for the CONACILSS on an occasional, or part-time basis. USAID/Burkina considers the risk of a tax liability claim to be extremely remote.

RECOMMENDATION:

- USAID/Burkina concurs with this recommendation which concerns CILSS employees, but reiterates that it is not relevant to the situation of CILSS national correspondents who are fonctionnaires of their own host governments and are not under contract to CILSS.

- USAID/Burkina concurs fully with this recommendation and notes that this problem was highlighted by several donors and CILSS member states in the course of CILSS' restructuring. New employment conditions recently defined for donor-funded project personnel, and the creation of a donor-financed accounting and management unit, should eliminate any repetition of this problem.

6. Non computation of CILSS contribution

Condition:

USAID/Washington and USAID/Burkina monitor closely the status of CILSS member state contributions to their regional organization. Regular payment of member state dues is a key donor condition for support of CILSS' restructuring program. Since 1987 (first year of the project), the CILSS member states have contributed approximately 1.9 billion cfa in the form of annual dues, not counting in-kind contributions of the Burkina government (property, CILSS headquarters building). Under the terms of the Grant Agreement, CILSS is required to provide resources for the project of 1.2 billion cfa over its ten-year life. CILSS updates USAID regularly regarding the situation of member state contributions.

RECOMMENDATION:

USAID/Burkina and CILSS have complied fully with this recommendation throughout the course of the Project and will continue to do so. The information furnished by CILSS on this question (bank statements of CILSS member state account) demonstrates that this condition of the project grant agreement has been satisfied.

7. Noncompliance with USAID instructions on per diem payment by the CONACILSS

Condition:

USAID/Burkina has generally accepted the per diem rates in force at CILSS because 1) these rates are in most cases lower than those applied by USAID, and 2) participation in a regional organization requires donors to accept a reasonable level of harmonization of administrative procedures. Many CILSS activities are co-financed by several donors. From an administrative management standpoint it would clearly be impractical for each donor to insist on applying a different per diem scale for its contributions to CILSS.

It is USAID/Burkina's policy to respect the per diem rates established by its different beneficiaries (host country ministries, private organizations, regional organizations), provided those rates do not exceed USAID per diem rates. USAID/Burkina complied with this policy in its assistance to CILSS. The two letters referred to in the draft audit report concern rates adopted by the Burkina Ministry of Health, and as such have no bearing on USAID's policies toward the CILSS.

Risk/Effect:

For the reasons cited above, USAID/Burkina does not believe that CILSS made excess per diem payments of cfa 2.006.000. No reimbursement should be required.

RECOMMENDATION:

USAID/Burkina concurs with the recommendation that the per diem rates paid by CILSS with U.S. funding should conform with (not exceed) the per diem rates of USAID. In its joint donor negotiations with CILSS, USAID will continue to insist on the adoption of per diem rates which do not exceed those of USAID. To eliminate any future confusion regarding the per diem rates to be applied in the Project, USAID/Burkina will establish a per diem policy regarding CILSS. We will forward this to RIG/Dakar once approved by me and CILSS secretariat.

8. Non respect of the time spans of PILS

Condition:

On Apr. 15, 1993 CILSS received an advance of 51.800.000 for activities scheduled under PIL 15. PIL 15 expired two days later, on Apr. 17, 1993. USAID/Burkina authorized CILSS to proceed with the execution of activities scheduled under PIL 15 that had been postponed due to the delayed arrival of USAID's advance. Through an administrative oversight, however, USAID/Burkina failed to extend the expiration date of PIL 15. Out of the cfa 51.800.000 received, cfa 32.306.958 was used to complete activities originally programmed under PIL 15. On June 9, 1993 the unexpended funds from PIL's 11 and 15 were reprogrammed under a new PIL, no. 19, covering the period Apr. 18 to Dec. 31, 1993.

RECOMMENDATION:

1. USAID/Burkina concurs with the recommendation that CILSS should comply with the terms of the various PILs.

2. For the reasons cited above, USAID/Burkina does not concur with the recommendation that the expenses in question be considered ineligible, and therefore reimbursable to USAID. The funds were used for the activities initially programmed in PIL 15, and which had been postponed due to the delayed arrival of advances.

9. Taxes paid

USAID/Burkina concurs fully with the audit recommendation.