

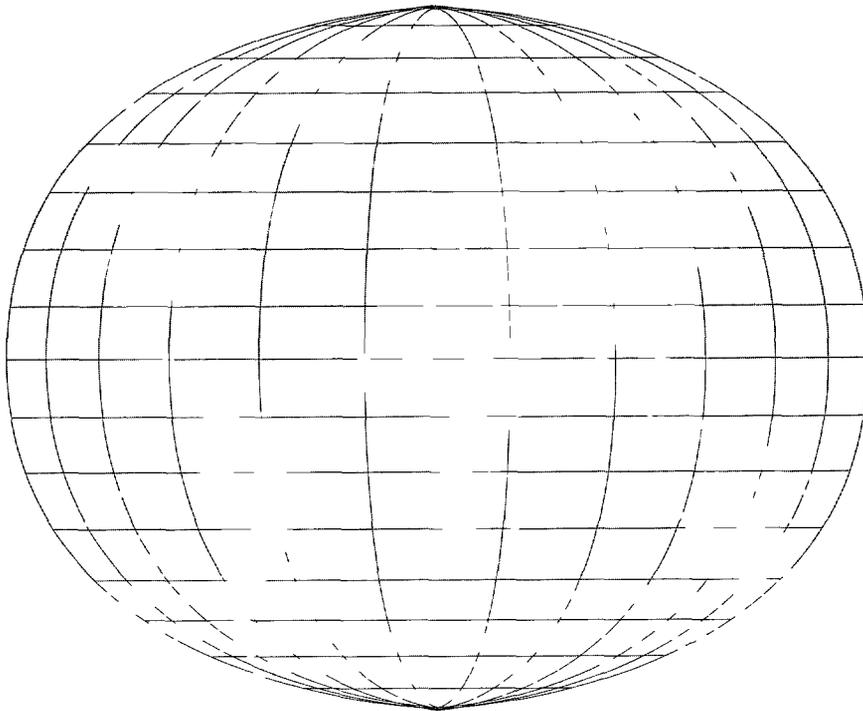
# Report of Audit

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## **Audit of Local Currency Expenditures incurred by MHS under the CS & FP Project (685-0286) for the period January 1, 1997 to December 31, 1997**

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**Report No. 7-685-99-001-N  
January 8, 1999**



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Financial information contained in this report  
may be privileged. The restrictions of 18 USC  
1905 should be considered before any information  
is released to the public.

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**Regional Inspector General  
Dakar**

**OFFICE OF INSPECTOR GENERAL  
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT**

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OFFICE OF THE REGIONAL INSPECTOR GENERAL FOR WEST AFRICA

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January 8, 1999

MEMORANDUM

To Donald Clark, Director, USAID/Senegal  
From *Mary Barrett*  
Henry L Barrett, RIG/Dakar  
Subject Agency-Contracted Audit of Local Currency Expenditures Incurred by Management Sciences for Health Under the Child Survival and Family Planning Project (685-0286) for the Period from January 1, 1997 through December 31, 1997 (Audit Report No 7-685-99-001-N)

The attached report, prepared by the non-Federal audit firm, BDO of Dakar, Senegal, presents the results of a financial audit of the local currency expenditures incurred by Management Sciences for Health (MSH) for the period from January 1, 1997 through December 31, 1997

On June 17, 1992, the United States Agency for International Development (USAID) signed a grant agreement with the Government of Senegal to implement the Senegal Child Survival and Family Planning Project. The initial grant amount of \$5.7 million was subsequently increased to \$18.8 million. The goal of the project was to decrease the total fertility rate in Senegal and its objective was to increase the use and knowledge of modern contraceptives.

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MSH is responsible for overall project implementation. As part of its project management responsibilities, MSH manages the planning and execution of a local currency amount of \$4.3 million. Activities funded through this local account include training, commodity procurement, renovation, project operating costs, research, and other project support. The termination date of USAID's assistance to the project's activities has been advanced from February 27, 1998 to September 30, 1998. The MSH contract will terminate on February 29, 1999 but no further activities were funded from the local account as of October 1, 1998.

BDO of Dakar, Senegal, performed a financial audit of the \$1,020,530 in local currency expenditures made by MSH in accordance with U.S. Government Auditing Standards. The audit was conducted to determine whether the Fund Accountability Statement for the period from January 1, 1997 through December 31, 1997 was fairly presented and whether MSH complied with applicable laws, regulations, binding policies and procedures and agreements that may have had a material effect on the Fund Accountability Statement. To plan this financial audit and to determine the nature, timing, and extent of tests to be performed, the non-Federal auditor obtained an understanding of MSH's internal accounting controls over the USAID funds.

BDO found that the Fund Accountability Statement was fairly presented. In obtaining an understanding of the internal control structure, the auditor found six non-material weaknesses. In testing for compliance with applicable laws, regulations, and agreements, the auditor stated that with respect to items tested, MSH complied in all material respects. The auditor found four immaterial instances of noncompliance.

In its comments to the report MSH and USAID/Senegal stated that they concur with all the recommendations in the report. Additionally, USAID/Senegal stated that it will address the weaknesses identified in the audit report in the future activities under its new health strategy.

Because the audit report identified neither questioned costs nor any material weaknesses with respect to MSH's internal control structure or its compliance with agreement terms, RIG/Dakar has included no recommendations in the Office of the Inspector General's audit recommendation tracking system.

USAID/SENEGAL  
Audit of Local Currency  
Expenditures incurred by MSH  
under the CS & FP Project  
(68-0286 00) for the period of  
January 1<sup>st</sup>, 1997 to December  
31, 1997

*Mr Henry L Barrett  
RIG inspector  
United States Agency for International Development  
Dakar, Senegal*

Dear Mr Barrett

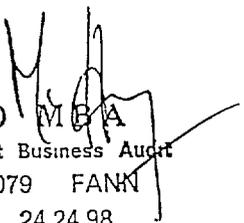
Further to your courier relating to MSH's comments to our draft report we are pleased to submit you our final audit report

This final report presents the results of our financial audit of the local currency expenditures incurred by Management Sciences for Health (MSH) under the Child Survival and Family Planning Project (68-0286-00) for the period January 1, 1997 through December 31, 1997

The audit covered disbursements totaling FCFA 586,911,079 (USD 998,213) and advances totaling F CFA 600,072,000 (USD 1,020,530 6) for the period January 1, 1997 through December 31, 1997

Assuring you of our very best attention at all times, we remain

Sincerely,

  
BDO MBA  
Management Business Audit  
B P 5079 FANN  
Tél 24 24 98

Marie BA  
Partner in charge  
December 7, 1998

AUDIT OF LOCAL CURRENCY  
EXPENDITURES INCURRED BY MSH UNDER THE CS & FP PROJECT (68-0286 00)  
FOR THE PERIOD FROM JANUARY 1, 1997 TO DECEMBER 31, 1997

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SUMMARY

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## EXECUTIVE SUMMARY

## SECTION I

### 1 1 BACKGROUND

On June 17 1992 the United States Agency for International Development (USAID) signed a grant agreement with the Government of Senegal (GOS) to implement the Senegal Child Survival and Family Planning Project. The initial grant amount of US \$ 5 65 million has since been increased to US \$ 18 835 million.

The project objectives consist of assistance to increase the use and knowledge of modern contraceptives in Senegal by

- increasing the demand for contraceptives and Maternal Child Health (MCH) services ,
- increasing access to MCH/Family Planning (FP) , and
- improving the quality of MCH/FP services

The goal of the Senegal Child Survival Family Planning Project is to decrease the total fertility rate in Senegal.

The Management Sciences for Health (MSH) which has a long history of project management and transfers of management and technical capacity to host government institutions, supports the Ministry of Health and Social Action (MOHSA), and is responsible for overall project implementation. As part of its project management responsibilities, MSH manages the planning and execution of a local currency account of roughly US \$ 4 3 million. Activities funded through this local account include training, commodity procurement, renovation, project operating costs, research, and other project support.

The termination date of USAID's assistance to the project's activities has been advanced to September 30, 1998 instead of February 27, 1998.

### 1 2 AUDIT OBJECTIVES AND SCOPE

The objectives of this financial audit are to

- 1 determine the reasonableness, propriety and allowability of expenditures made by MSH during the period January 1, 1997 to December 31, 1997 and then express an opinion on whether the fund accountability is fairly presented in all material respects in conformity with generally accepted accounting principles ,

AUDIT OF LOCAL CURRENCY  
EXPENDITURES INCURRED BY MSH UNDER THE CS & FP PROJECT (65 0256 00)  
FOR THE PERIOD FROM JANUARY 1 1997 TO DECEMBER 31 1997

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- ii obtain a sufficient understanding of MSH's internal control structure and then review and evaluate this structure to determine the nature timing and extent of tests to be performed in order to form an opinion on the fund accountability statement and then report on the internal control structure identifying (1) the scope of the auditor's work in obtaining an understanding of the internal control structure and in assessing the control risk (2) MSH's significant internal controls including the controls established to ensure compliance with laws and regulations that have a material impact on the fund accountability statement and (3) the reportable conditions, including the material weaknesses identified as a result of the auditor's work in understanding and assessing the control risk and
- iii perform tests of MSH's compliance with applicable laws, regulations, binding policies and procedures and the program agreement as part of obtaining reasonable assurance about whether the fund accountability statement is free of material misstatement and then report on the results of compliance testing

In testing compliance specific steps and procedures must be designed to provide reasonable assurance of detecting errors irregularities and illegal acts that could have a direct and material effect on the fund accountability statement

In order to achieve the above objectives, we carried out audit procedures which included but were not limited to the following

- Review of the project grant agreement, project implementation letters, and other project documents and identify those laws and regulations which, if not observed, could have a direct and material effect on the fund accountability statement
- Review of previous financial evaluations and reports ,
- Determination understanding, documentation and evaluation of MSH's organizational structure with respect to the separate accounts in order to determine the extent to which established procedures and controls are functioning as intended and documented
- Identification and assessment of the level and nature of control risk and design of substantive tests
- Determination documentation and evaluation of the procedures for the control of funds reconciliation of the movement in funds for the period under review including reconciliation of MSH recorded revenues and expenditures with bank records ,
- Compilation of the fund accountability statement and agreement to the underlying records of MSH for the period under review

- Determination as to whether MSH is in compliance with agreement terms, applicable laws and regulations by evaluating MSH internal control system and substantive testing of recorded revenues and expenditures for the period under review ,
- Planning of the audit so as to devise steps to identify instances or indications of fraud, abuse or illegal acts and reporting any such instances or indications to RIG/Dakar

The audit has been conducted in accordance with United States Government Auditing Standards as set forth by the Comptroller General of the United States (the 'Yellow Book') Standards for Internal Controls in the Federal Government as set forth by the Comptroller General of the United States (The « Green book »), Guide for Financial Audits Contracted by the Agency for International Development issued by the USAID Office of the Inspector General and Assessing compliance with Applicable Laws and Regulations issued by General Accounting Office/Office of Policy (the 'Grey Book'), except that we did not have an external quality control review by an unaffiliated audit organization as required by paragraph 3.33 of Government Auditing Standards since no such quality control review program is offered by professional auditing organizations in Senegal. We believe that the effect of this departure from the financial auditing requirement of Government Auditing Standards is not material because we participate in the BDO worldwide internal quality control review by partners and managers from other BDO offices.

Our audit was carried out on site at the MSH offices in Dakar. We also performed sites visits at Fatick and Kaolack. At the beginning and end of the field work, respectively, an entrance and exit conference were held to formally advise MSH and USAID of the audit objectives and scope and results. Prior to the exit conference, USAID and MSH personnel were provided discussion documents setting out the key findings of our audit.

### *1.3 SUMMARY OF AUDIT RESULTS*

#### *1.3.1 Summary of audit results - Financial*

We found that the Fund Accountability Statement showing the receipts and disbursements made by MSH under the Child Survival and Family Planning Project (No. 68-0286-00) for the period January 1, 1997 through December 31, 1997 was presented fairly.

#### *1.3.2 Summary of audit results - Internal control*

Our review and evaluation of the internal control structure disclosed two (02) new immaterial weaknesses relating to activity budget report prepared at the regional level and MSH's budget monitoring.

### 1 3 3 Summary of audit results – Compliance

Our testing and records selected disclosed one (01) immaterial instance of non compliance relating to submission of budgets and action plans

## 1 4 FOLLOW UP OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

### 1 4 1 Financial

Last year audit revealed over expenditures totaling F CFA 2,008,725 (USD 3,416 19) which consisted of F CFA 1,916,025 (USD 3,258 54) in over expenditures met for 1996 project's activities number 5 and 10 and F CFA 92,700 (USD 157 65) in travel costs paid to some participants to the training on logistic management held in Kaolack from 01 to 03 October 1995

The amount of F CFA 92,700 (USD 157,65) was the outstanding balance of an amount of F CFA 222 500 (USD 378 40) unduly paid to participants in a training seminar which is being reimbursed by the participants

*USAID decided, in agreement with the auditors, that the Agency would provide written authorization to MSH justifying these over expenditures. Until now, MSH did not receive that authorization*

*The total amount of F CFA 222,500 (USD 378 40) has been deducted from the 1997's total expenditures and transferred to the cash account*

### 1 4 2 Internal control

We followed up prior years audit findings and recommendations and noted that the following points relating to internal control were still not solved

- 1 Inadequate segregation of duties over bank reconciliation
- 2 Joint signatures for bank accounts
- 3 Phone calls and fax uses
- 4 Need to strengthen regional accounting capabilities

The point relating to segregation of duties over bank reconciliation have not been implemented because the laps of time between the two (02) audit was too short to allow MSH to take actions in order to correct this weakness

Regarding the three (03) other recommendations which we briefly described in paragraph 3 2 2 of section III no actions have been taken at all by the Project

### 1 4 3 Compliance

We followed up prior year findings and recommendations and noted that the following points relating to compliance were not implemented

- 1 Financial reports
- 2 Local purchase
- 3 Encumbrance journal

The above points will be briefly described in paragraph 4 2 2 of section IV  
The project did not take actions in order to comply with Procedures Manual

### 1 5 SYNOPSIS OF MANAGEMENT COMMENTS

USAID and MSH concurred with all the findings and recommendations in this report  
Management comments are shown verbatim in appendix to this report



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FINANCIAL

SECTION II

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

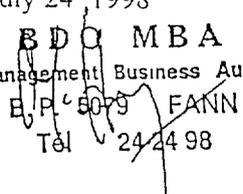
We have audited the Fund Accountability Statement showing local currency expenditures incurred by Management Sciences for Health (MSH) under the Child Survival and Family Planning Project (68-0286-00) for the period January 1, 1997 through December 31, 1997. The Fund Accountability Statement is the responsibility of MSH's management. Our responsibility is to express an opinion on that statement based on our audit.

We conducted our audit of the Fund Accountability Statement in accordance with generally accepted auditing standards and United States Government Auditing Standards issued by the Comptroller General of the United States, except that we did not have an external quality control review by an unaffiliated audit organization as required by section 3.33 of the aforementioned standards (See section 1.2 for further details). We believe that the effect of this departure from the financial auditing requirement of Government Auditing Standards is not material because we participate in the BDO worldwide internal quality control review by partners and managers from other BDO offices. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Fund Accountability 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 Fund Accountability Statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Fund Accountability Statement referred to above presents fairly, in all material respects, program revenues and costs incurred by MSH for the period in accordance with the terms of the agreement and in conformity with the basis of accounting described in note 1.

This report is intended for the information of Management Sciences for Health and USAID. However, upon release by USAID, this report is a matter of public record and its distribution is not limited.

Marie BA  
Partner in charge  
July 24, 1998

  
BDO MBA  
Management Business Audit  
E.P. 5079 FANN  
Tél 24 24 98

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BDO MBA

AUDIT OF LOCAL CURRENCY  
 EXPENDITURES INCURRED BY MSII UNDER THE CS & FP PROJECT (68 0286 00)  
 FOR THE PERIOD FROM JANUARY 1, 1997 TO DECEMBER 31, 1997

2 2 FUND ACCOUNTABILITY STATEMENT AS OF 12/31/97

	Actual USD	Actual F CFA	Questioned costs Ineligible	Questioned costs Unsupported	Notes
<b>RECEIPTS</b>					
Advances	1,020,530	600,072,000			
Interests	-	-			
<b>Total receipts</b>	<b>1,020,530</b>	<b>600,072,000</b>			
<b>DISBURSEMENTS</b>					
Theatre groups	6,258	3,679,960			
Consultants	6,218	3,656,200			
Contractors	74,329	43,705,471			
Operational travel	106,476	62,608,445			
Miscellaneous	17,435	10,252,320			
Equipment	7,841	4,610,510			
Exposition	127	75,000			
Training	454,158	267,045,378			
Supplies	24,249	14,258,840			
Bank charges	1,037	610,181			
Rentals	49,767	29,263,527			
Materials	102,473	60,254,646			
Conferences	3,437	2,021,375			
Publicity	97,895	57,562,594			
Repairs	1,195	702,889			
Reproduction	28,469	16,740,335			
Restoration	3,943	2,319,050			
Data capture	-	-			
Telephone	2,692	1,538,194			
Vehicles	10,214	6,006,164			
<b>Total disbursements</b>	<b>998,213</b>	<b>586,911,079</b>			
<b>Balance available as of 12/31/97</b>	<b>93,866</b>	<b>48,935,427</b>			

AUDIT OF LOCAL CURRENCY  
 EXPENDITURES INCURRED BY MSH UNDER THE CS & FP PROJECT (68-0286 00)  
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Outstanding balances consist of the following

Outstanding	USD	F CFA
Checking/saving	118,934	69 933 714
Account receivables	2,277	1 339 270
Other current assets	74	44 000
Other assets (sub projects)	28,735	16 896 324
Accounts payable	(48,195)	(28 338 794)
Retained earnings	(79 349)	(46 657 793)
Net income	<u>22,477</u>	<u>13 216 721</u>

The 1997 project's budget is presented by operational units

Operational units	Budget F CFA	Actual F CFA
CAF	57 179 097	30 430 133
Statistics	31 362 350	9 199 810
Logistics	61 575 712	18 732 069
Decentralization	44 566 570	36 081 520
DHS	35 180 875	27 761 575
Clinic	98 946 680	59 388 107
IEC	213 325 050	170 245 174
Municipalities	75 493 500	24 065 831
RAPID IV	17 100 655	2 001 450
Fatick	59 966 052	42 266 415
Kaolack	51 628 274	36 731 425
Louga	51 853 342	39 609 820
Ziguinchor	41 820 736	31 026 225
Unclassified	-	6 300
Total 1997		527 545 854
1995	-	- 222 500
1996	-	59 587 725
Total	<u>839 998 893</u>	<u>586 911 079</u>

1997 Total expenditures related to the 1997 budget

1996 Total expenditures related to the 1996 budget

1995 Total expenditures related to the 1995 budget

## 2.3 NOTES TO THE FUND ACCOUNTABILITY STATEMENT

### Note 1 Basis of accounting and environment

The statement of local expenditures has been prepared on the accrual basis of accounting which is a generally accepted accounting principle.

The Fund Accountability Statement presents the expenditures per nature. The project's budget is presented per operational units. As a result, the Fund Accountability Statement does not comply with the budget vs actual presentation recommended by the RIG in the Guidelines for financial audit.

Funds received by the project are recorded on a bank cash book and an encumbrance journal upon receipt of bank's notice of credit.

Most of the expenditures are done by the regional units in Kaolack, Fatick, Louga and Ziguinchor. However, all disbursements done by the regions require the prior approval of the National Family Planning Program's (NFPP) central unit and MSH's financial advisor. All expenditures are recorded on an encumbrance journal, maintained by MSH's financial advisor.

### Note 2 Exchange rates

Expenditures and advances shown on the Fund Accountability Statement are recorded in Francs CFA. The project receives in the bank account opened at the Citibank Dakar advances in US Dollars. These advances of funds received from MSH Boston are automatically converted by the Bank which uses the exchange rate of the day.

The exchange rate used for funds received from USAID is the Citibank Dakar daily exchange rate. For the report we have used the exchange rate of 1USD = F CFA'588.

### Note 3 Bank balances

The accounts' balances opened at the following banks were fully reconciled:

- Citibank (DAKAR),
- BICIS (LOUGA) and
- CBAO (KAOLACK, FATICK and ZIGUINCHOR)



## INTERNAL CONTROL REPORT

## SECTION III

### 3.1 INDEPENDENT AUDITOR'S REPORT

We have audited the Fund Accountability Statement of Local expenditures incurred by Management Sciences for Health (MSH) under the Child Survival and Family Planning Project (68-0286-00) for the period from January 1, 1997 to December 31, 1997 and have issued our report thereon dated July 24, 1998

We conducted our audit in accordance with United States Government Auditing Standards issued by the Comptroller General of the United States, except that we did not have an external quality control review by an unaffiliated audit organization as required by section 3.4.6 of the aforementioned standards (See section 1.2 for further details). We believe that the effect of this departure from the financial auditing requirement of Government Auditing Standards is not material because we participate in the BDO worldwide internal quality control review by partners and managers from other BDO offices. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Fund Accountability is free of material misstatement.

The management of MSH is responsible for establishing and maintaining internal control system and accounting procedures. In fulfilling this responsibility, estimates and judgments by MSH's 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 the assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and in accordance with the terms of the agreements and recorded properly to permit the preparation of the Fund Accountability Statement in conformity 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 evaluating 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.

In planning and performing our audit of the Fund Accountability Statement of Management Sciences of Health for the year ended December 31, 1997, we obtained an understanding of the internal control structure. With respect to the internal control structure, 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the Fund Accountability Statement of local expenditures and not to provide an opinion on the internal control structure.

Accordingly, we do not express such an opinion.

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 (AICPA). 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 recipient's ability to record, process, summarize and report financial data consistent with the assertions of management in the Fund Accountability Statement.

Some of these matters have already been stated in our prior audit report. But until now the Project did not implement our recommendations.

These matters are:

- a) inadequate controls over checks signatories
- b) lack of a system to monitor phone calls and fax usage
- c) need to strengthen regional accounting capabilities

For 1997, our audit revealed two (02) new reportable conditions:

- We've noted that the regional accountants do not maintain systemically an activity budget report.
- Budget monitoring by MSH was not reliable. Actual data used for budget monitoring cannot be satisfactory compared with the actual expenditures shown on the Fund Accountability Statement.

A material weakness is a reportable condition in which the design or operation of one or more of the 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 may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our review of the internal control structure would not necessarily disclose all matters in the internal 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 that none of the reportable conditions described above is a material weakness.

This report is intended for the information of Management Sciences for Health and the National Family Planning Program, and the United States Agency for International Development (USAID). However, upon release by USAID, this report is a matter of public record and its distribution is not limited.

Marie BA  
Partner in charge  
July 24 1998

**BDO MBA**  
Management Business Audit  
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## 3.2 FINDINGS

### 3.2.1 Current year findings and recommendations

#### A) Activity budget report

##### Condition

The regional accountants do not maintain systematically activity budget report

##### Criteria

The required journals to be kept by Regional accountants are bank check register, bank reconciliations purchase order register and activity budget report

##### Cause

The instructions contained in the Manual are not in accord with the procedures applied at the regional level. The Manual have been implemented before the setting up of the regional units. As a result, the activity budget reports described in the Manual are not maintained by the regional accountants.

The only document available at the regional level is a list of activities realized. The information relating to budget activities is most of the time provided by MSH.

##### Effect

The monitoring of budget activities at the regional level is not satisfactory.

##### Recommendation

*The regions must comply with section 8.4 of the Procedures Manual and prepare on a monthly basis activity budget reports, otherwise the Procedures Manual must be modified in order to reflect applicable procedures in the regions.*

##### Management comments

Management agrees with the audit finding.

#### B) Budget monitoring

##### Condition

Budget monitoring by MSH is not reliable. Actual data used for budget monitoring cannot be satisfactory compared with actual expenditures shown by the Fund Accountability Statement.

*AUDIT OF LOCAL CURRENCY  
EXPENDITURES INCURRED BY MSH UNDER THE CS & FP PROJECT (68 0286 00)  
FOR THE PERIOD FROM JANUARY 1, 1997 TO DECEMBER 31, 1997*

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We noted the following differences between the Fund Accountability Statement and the report used by MSH's financial advisor to monitor budget

	Amount F CFA
Fund accountability statement	586 911 079
Budget report	526 378 150
	<hr/>
Difference	60 532 929

Contrary to the Fund Accountability Statement, the 1997's budget report did not take into account the following amounts

- 1995's ineligible costs to be recovered by the Project and amounting to F CFA 222 500 (see questioned costs prior audit report)
- 1996's activities which have been disbursed only in 1997, amounting to F CFA 59 587 725
- Two amounts relating to Ziguinchor funding request n° 1849, amounting to F CFA 117 704 and CAF funding request n°0292 amounting to F CFA 1,050,000

1995's ineligible costs to be recovered	- 222,500
1996's activities funded in 1997	59,587,725
Ziguinchor funding request n°1849	117,704
CAF funding request n°0292	1,050,000
	<hr/>
Total	60,532,929

Criteria

Disbursements showed on the budget report and expenditures recorded in the Fund Accountability Statement for one period must be the same

The Fund Accountability Statement and the budget report are generated by the same software, "Quick book", at the same period

Moreover, the RIG Guidelines for financial audits recommends that the Fund Accountability Statement be presented budget vs actual

Cause

Contrary to the Fund Accountability Statement which shows the expenditures per nature, the budget report is presented only per operational units. As a result, comparison between two financial documents is not easy and discrepancies relating to the actual figures may occur

Effect

The budget monitoring may be wrong due to under or over evaluation of the actual expenditures per operational units

*Recommendation*

*Although the budget is presented per operational unit, a version by nature of expenditures should also be available to allow the comparison between the Fund Accountability Statement. In addition, MSH's financial advisor must keep up to date the budget report in order to monitor satisfactorily activities budgeted and avoid by the way cost overrun*

Management comments

Management agrees with the audit findings

3.2.2 Prior year audit findings and recommendations

A) *Joint signatures for bank accounts*

In 1997 we noted that checks were not jointly signed by two persons, one from PNPf and the other from MSH. Instead, all checks were solely signed by MSH's financial advisor.

*We recommended PNPf's representatives to comply with the requirements for joint signatures set forth in the project's manual. We also recommended that the list of all authorized signatories be provided to the Bank.*

*Until now, the PNPf's party do not want to get involved in signing checks relating to the project's operations (in their view, MSH is fully accountable to USAID for any unallowable expenditures).*

Management agrees with audit findings

B) *Phone calls and fax uses*

In 1997 the PNPf manager did not establish a system to monitor local phone calls and fax uses.

*We recommended that the project maintain a register to record all phone calls in order to prevent excessive or non allowable use of phone and fax facilities.*

*The PNPf manager replied that he was not in a position to maintain such a document.*

Management agrees with audit findings

C) *Regional accounting capability*

- Office premises

During last year audit, while visiting Kaolack, we have noticed a lack of functional office premises

*We recommended that the project's regional units must be allocated appropriate premises in order to allow the regional accountants to maintain a proper filing system for the accounting records*

*Until now, no actions have been taken to solve this issue*

Management agrees with audit findings

- Office equipment

We have noted a lack of office supplies and equipment such as typing machines, calculators and photocopy machines

*We recommended that the project should provide the regional units with all office supplies and equipment necessary for their operations (as stipulated in appendix 1 of the grant agreement)*

*Even though we noticed that a great effort has been done to equip the regional units, some equipment are still not available at the regional level*

Management agrees with audit findings

COMPLIANCE WITH AGREEMENT TERMS AND  
APPLICABLE LAWS AND REGULATIONS

## SECTION IV

*4.1 INDEPENDENT AUDITOR'S REPORT*

We have audited the Fund Accountability Statement managed by Management Sciences for Health (MSH) under Child Survival Family Planning Project (68-0286-00) for the period January 1 1997 through December 31, 1997 and have issued our report thereon dated 24 July 1998

Except that we did not have an external quality control review by an unaffiliated audit organization as required by section 3.33 of the aforementioned standards (See section 1.2 for further details), we conducted our audit in accordance with United States Government Auditing Standards issued by the Comptroller General of the United States. We believe that the effect of this departure from the financial auditing requirement of Government Auditing Standards is not material because we participate in the BDO worldwide internal quality control review by partners and managers from other BDO offices. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Fund Accountability is free of material misstatement.

Compliance with agreement terms, laws and regulations to MSH is the responsibility of MSH's management. As part of obtaining reasonable assurance about whether the Fund Accountability Statement is free from material misstatement, we performed tests of MSH's compliance with certain provisions of 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.

The results of our tests disclosed no instances of non compliance that are required to be reported herein under US Government auditing standards. However, we noted certain immaterial instances of non compliance that we describe in the following findings section.

This report is intended for the information of Management Sciences for Health and the National Family Planning Program, and the United States Agency for International Development (USAID). The restriction is not intended to limit the distribution of this report which is a matter of public record once approved by the USAID Office of the Inspector General.

Marie BA  
Partner in charge  
July 24 1998

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Management Business Audit  
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## 4.2 FINDINGS

### 4.2.1 Current audit findings and recommendations

#### Submission of action plans and budgets

##### Condition

1997's regional action plans have been submitted during January 1997  
At the central level action plans have been submitted on January 30, 1997

##### Criteria

Completed action plans and budgets must be presented to the Ministry of Public Health and Social Action (MOPHSA) the project Coordinator and MSH's Chief of party for review by December 1<sup>st</sup> of each year for the following year's implementation

##### Cause

At the central level (SMI/PF, Decentralization, DHS and statistics) responsibility are not clearly designated. And PNPf (Programme National de Plannification Familiale) as an organization outside the Ministry Of Public Health and Social Actions is not in a position to exert its authority so that action plans and budgets be submitted in time. Consequently the central level does not submit the above documents for review by the 1<sup>st</sup> of December

##### Effect

The fact that action plans and budgets are not submitted timely could impact negatively on the achievement of goals and objectives  
Significant delay may occur in the start up of project's activities for that period

##### *Recommendation*

*The Senegalese Ministry of public health and social actions must designate at the central level a responsible who would manage all aspects relating to the Child Survival/Family Planning Project  
And MSH's management and PNPf must make all persons involved in the preparation of action plans and budget more aware of the deadline*

##### Management comments

Management agrees with the audit finding

4 2 2 Prior years audit findings and recommendations

A) *Financial reports*

In 1997 we noted that the financial reports were not prepared on a monthly basis. Instead, the administrative and financial officer prepares them at the completion of each activity.

*We recommended that the responsible for administration and finance prepare monthly financial reports on project activities.*

*No actions have been taken by PNPf in order to comply with interim funding plan.*

Management agrees with audit findings.

B) *Local purchase*

For local purchase of amounts less than F CFA 50,000, requests for bids by phone to select the best offeror was not routinely made by the project.

*We recommended that for all purchases up to F CFA 50,000 the project should request bids*

*by phone as required by the procedures manual. This selection of the best offer should be evidenced on the purchase request.*

*This procedure is still not applied.*

Management agrees with audit findings.

C) *Encumbrance journal*

An encumbrance journal was not maintained by PNPf management unit. However, such journal was prepared by the MSH financial advisor.

*We recommended that, even though the MSH's financial advisor maintains an encumbrance journal, the PNPf management unit should establish the same document which will permit the administrative and financial officer to determine the current amount committed for each activity and the balance remaining available, thereby avoiding budget overruns.*

*This document is still not maintained at the PNPf level.*

Management agrees with audit findings.

APPENDIX  
MANAGEMENT COMMENTS



MEMORANDUM

OCT 17 1998

DATE October 16, 1998  
FROM Anne M. Williams, Director, USAID/Senegal  
SUBJECT Audit of Local Currency Expenditures Incurred by MSH  
under the Child Survival and Family Planning Project  
for the Period of January 1, 1997 to December 31, 1997  
TO Henry Barrett, RIG/Dakar  
REF Memorandum dated August 21, 1998

We appreciate the opportunity to work with the RIG and the Non Federal Audit team on the Local Currency Expenditures Incurred by MSH audit

We have reviewed the subject draft audit report received from your office and have the following comments

We would like to bring to your attention that effective September 30, 1998 the MSH local currency account has been closed. The MSH Contract itself will terminate on February 29, 1999, but no further activities are being funded by this local account, as of October 1, 1998. This is an action resulting from the redesign and the establishment of the new USAID/Senegal strategy which began on October 1, 1998 and will be in effect until the year 2006. USAID/Senegal concurs with all the audit findings and the proposed recommendations.

USAID/Senegal will take into consideration all the weaknesses (all the weaknesses described in the report were described as immaterial) identified in the draft report to ensure that future activities as defined in the new health strategy address the conditions described in the audit report.

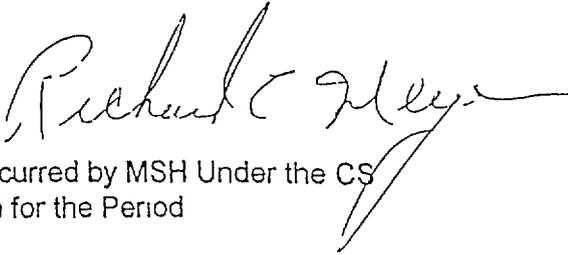
Attachment: Comments from Management Sciences for health (MSH)

AS



MEMORANDUM

TO Igor Nesterczuk, Dir /FM, USAID/Dakar

FROM Richard C Meyer, Chief of Party, M S H 

SUBJECT Audit of Local Currency Expenditures Incurred by MSH Under the CS  
& FP Program (685-0286-C-004116-00) for the Period  
Jan 1 - Dec 31, 1997 (Draft)

DATE Oct 1, 1998

Memo USAID095 98

\*\*\*\*\*

Attached you will find our comments on the subject draft audit report. Please do not hesitate to call on us if we can be of additional assistance.

CC Christian Barratt, COTR  
Ancet Dansou, SOT # 1



MSH Response To

USAID/Senegal Audit of Local Currency Expenditures Incurred by MSH under the CS & FP Program (685-0286-C-004116-00) for the Period of Jan 1 - Dec 31, 1997 (Draft)

III INTERNAL CONTROL REPORT

3.2 FINDINGS

3.2.1 CURRENT AUDIT FINDINGS & RECOMMENDATIONS

A) Activity budget report at the regional level

Condition

The regional accountants do not systematically maintain activity budget reports

Comment

Budget reports were provided for in the procedures manual in order to encourage the regional medical offices to monitor their own budgets. The interest in maintaining budget reports lies primarily with the regional medical offices and their need for feedback on implementation rates. Budget monitoring as a control function never devolved below the central level. The regions' ability to accomplish budget reporting depended on the level of sophistication of the accountants ultimately assigned to the regions and their capacity to employ computers. In the absence of highly qualified accountants the project provided training in budget monitoring and computer spreadsheets. Of four regions, two, Fatick and Louga, seized the opportunity and were providing budget monitoring by the end of the project.

Two factors contributed to a diminished importance given to the budget reporting requirement as the project evolved. Without accurate knowledge of what the regional budgets would look like when the manual was prepared it was assumed that the budgets would be complicated, that communications would be difficult, and that the situation would therefore require monitoring on a frequent basis at the local level. In fact, however, the budgets that were developed were activity budgets for which the primary control function occurred upon approval of the DAP for the activity and subsequent allocation of funding. In addition, the situation relative to budget availability did not evolve rapidly and budget overruns were unlikely if other procedures were respected. Therefore, as the need for control was less than originally thought and with ongoing budget monitoring available a phone call away at MSH, serious budget monitoring did not need to occur at the regional level. In most instances this did not cause a problem.

The project chose nevertheless to maintain the reporting requirement in order maintain ultimate responsibility for monitoring at the regional level as this was the most logical Senegalese government entity to assume responsibility. It was felt that changing the procedures to reflect practice might dilute the desirability of budget monitoring and discourage efforts to improve in this regard. Full budget reporting and monitoring functions were nevertheless provided by MSH as backup to the regional reporting process.

## B) Budget Monitoring

### Condition

Budget monitoring by MSH is not reliable. Actual data used for budget monitoring cannot be satisfactorily compared with actual expenditures shown by the Fund Accountability Statement.

### Comment

The Fund Accountability Statement presents expenditures for the calendar year 1997. The auditors were warned that expenditures under the 1997 budget do not correspond to calendar year expenditures. It was not until the very end of the audit however that they chose to consider all expenditures, including those that fell under the 1996 budget but which were expensed in 1997 (USAID expressly approved the extension of the period concerned by the 1996 budget). For the 1997 budget MSH, USAID and the Government of Senegal went to great efforts to establish a budget corresponding to the calendar year reporting cycle. If this had been accomplished reported expenditures for the year would have corresponded to expenditures reported for the year's budget. Each year the budgets have started closer to January 1. Nevertheless, despite improvement, each year the period concerned by the budget has not corresponded exactly to the calendar year. Previous year budgets were therefore extended to assure the continued availability of funding. This measure was taken with the complete authorization and encouragement of USAID. Therefore, expenditures reported for the calendar year 1997 include expenditures budgeted under the "1996 Budget" as well as other expenditures budgeted under the "1997 Budget". Complete information was provided to the auditors concerning expenditures for the period with reference to USAID approved budgets for all expenditures. As indicated in the audit, activities funded in 1997 under 1996 budget appropriations amounted to 59,587,725 cfa.

Mindful of the need to make the budgeting process more efficient MSH proposed automating the budget preparation process using computer software. Senegalese counterparts chose Microsoft Project software for this task. The project subsequently trained all project personnel in use of the software. This effort significantly contributed to a streamlining of the budget process and helped to move the project toward a budgeting cycle that corresponded to the calendar year.

### Amounts not taken into consideration

#### Comment

Ineligible costs amounting to 220 000 cfa

These amounts were recorded as outstanding advances as of the closure of the previous audit and actual expenditures for the activity concerned were reduced. (A final statement of total justified and audited expenditures will be reconciled with dollar draw downs of the local currency fund and presented to USAID at the end of the project.) As of this writing all of the 220,000 cfa have

been recovered. While these amounts could have been declared uncollectible after three months outstanding we believe the situation prevailing in the region of Ziguinchor merited a longer term approach to recovery which consisted of monitoring planned payments to Ziguinchor participants and programming reimbursements to coincide with payments for subsequent activities in Ziguinchor. The effort was carried out from Dakar since expatriate personnel were not allowed to visit Ziguinchor during most of the period concerned.

Two funding requests carried over into the following calendar year. Justification for an IEC activity in December 1997 had not arrived from Ziguinchor at the time of the audit. Justification from Ziguinchor can take long periods of time to arrive at the central level due to constraints imposed by the security situation in Ziguinchor and its districts. The activity, 3 days of Family Planning IEC was held in each of Ziguinchor's three districts. The amount was recorded as an outstanding advance until justification arrived.

Also, a payment to *SISMAR* for work on the water pump was delayed for almost three months. Work was performed on an emergency basis but payment required awaiting the availability of water and electricity at the same time in order to evaluate the work before payment, as well as preparation of the necessary paperwork. Since final approval for payment and payment were made in the 1998 budget cycle, the expenditure was rolled into the 1998 budget.

MSH's accounting software advisor keeps budget reports up to date on a real time basis as data becomes available including funding requests, purchase orders, bills, advances and bank statements. The data is linked to budget categories to allow for monitoring of the budget not only for actual expenditures but also funding request commitments, purchase order commitments, advances susceptible to becoming expenditures, payments and reimbursements, as well as any combination therein.

Concerning presentation of the fund accountability statement, data was provided showing expenditures by operating units, by budget line items and by expenditure line item. Project budgets are developed on an activity basis as this was believed, and has proven to be the most appropriate element for budget reporting. All amounts were reconciled across each of the variables for the auditors. Because the data is multi-variable in nature it is difficult to present it in one two-dimensional matrix on paper. However, the fund accountability statement can easily be presented in whatever format is requested.

### 3.2.2 PRIOR YEARS' AUDIT FINDINGS AND RECOMMENDATIONS

#### A) Joint signatures for bank accounts

MSH has communicated its desire for PNPf to have a signature on the local currency account.

#### B) Phone calls and fax uses

The project director has determined that it is not possible to maintain a register of all phone calls. Instead he has chosen to establish limited access to outside phone lines.

C) Regional accounting capability

Some effort has been made to provide equipment to the regional accounting offices however additional efforts have been hampered by competing higher priority purchases and the lack of office space in Kaolack

The CAF operating unit at PNPf is supplied with a budget for purchasing supplies and is delegated the responsibility of determining whether, what, when and how to provide supplies for the accountants MSH has encouraged use of the local currency fund for these items

IV COMPLIANCE WITH AGREEMENT TERMS AND APPLICABLE LAWS AND REGULATIONS

4 2 1 *CURRENT AUDIT FINDINGS AND RECOMMENDATIONS*

Submission of Action Plans and Budgets

Condition

1997's regional action plans have been submitted during Jan 1997  
At the central level, action plans have been submitted on Jan 30, 1997

Comment

MSH and PNPf prepare the process for developing action plans well in advance of the end of the year A recurring difficulty has been assigning responsibility for assuring the development of the central level plans The way the project is structured PNPf has no direct authority over development of the central level plans MSH believes that this fundamental error in project design has resulted in the plans being consistently late It has also resulted in an inordinate dependence on MSH technical assistance for assuring the development of the plans Nevertheless a move toward computerization of the planning process has enabled the timing of the process to improve despite the organizational bottlenecks

4 2 2 *PRIOR YEARS AUDIT FINDINGS AND RECOMMENDATIONS*

A) Financial Reports

MSH agrees that no action has been taken by PNPf to comply with the requirements of the interim financing plan

B) Local purchase

MSH agrees that the procedure for phone requests for bids on purchases up to 50,00 cfa is not applied PNPf is confronted by numerous organizational and communicational constraints that limit opportunities to meaningfully upgrade procedures

C) Encumbrance journal

Institutionalization of improved financial management at PNPF has been eliminated as a priority for the project therefore MSH no longer requests PNPF to maintain an encumbrance journal