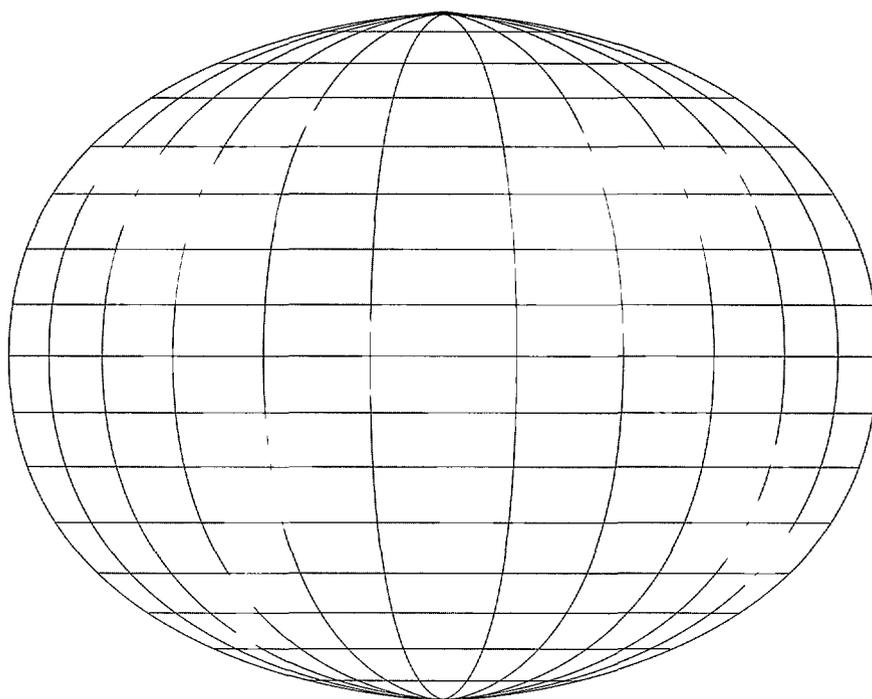


Report of Audit

**Audit of Women in Transition Initiatives (WIT),
Project No. 968-5004.96, for the Period
September 28, 1995 through January 31, 1999**

**Report No. 4-696-00-001-N
January 10, 2000**



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

PD-ABR-942

**Audit of Women in Transition Initiatives (WIT),
Project No. 968-5004.96, for the Period
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REGIONAL INSPECTOR GENERAL/PRETORIA

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Regional Inspector General
Pretoria

January 10, 2000

MEMORANDUM FOR MISSION DIRECTOR, USAID/RWANDA

FROM Regional Inspector General/Pretoria, Joseph Farinella

SUBJECT Agency-contracted Audit of Women in Transition Initiatives (WIT),
Project No 968-5004 96, for the Period September 28, 1995 through
January 31, 1999, Report No 4-696-00-001-N

Attached is a report on the subject audit, performed by Cabinet AUGECO SARL, Kigali, Rwanda

The purpose of WIT, an USAID-funded project, is to support women's initiatives in rebuilding the lives of their families and the local community by financing various activities. These activities include community mobilization, small and cooperative enterprise development, shelter construction, promoting literacy and empowering women at central and community levels. The project works closely with the Ministry of Gender, Family and Social Affairs of the Government of Rwanda.

The audit covered the period from September 28, 1995 to January 31, 1999. Expenditures reported during the above period totaled \$2,519,308 (Rwandan Francs 767,136,975).

The audit scope and objectives included

- performing an audit in accordance with generally accepted auditing standards and the standards of the U.S. Comptroller General's Government Auditing Standards, and expressing an opinion on WIT's Fund Accountability Statement,
- evaluating WIT's internal controls in order to assess control risk and identify significant internal control deficiencies, and
- testing WIT's compliance with applicable laws, regulations and agreements and report on any material instances of non-compliance.

The auditors issued a qualified opinion on the Fund Accountability Statement. The report identified questioned ineligible costs totaling \$37,519 (Rwandan Francs 11,415,500) and questioned unsupported costs of \$438 (Rwandan Francs 132,000).

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The ineligible costs, listed on pages 19 to 21 of the report, primarily comprised of stolen funds and payments to questionable organizations

The report on internal controls on pages 22 through 45 identified many significant weaknesses. These included (i) duplicate payments, (ii) lack of supporting documentation in sub-grant files, and (iii) payments to unauthorized individuals and organizations. Instances of various financial irregularities as a result of the internal control deficiencies are also described.

In August 1999, USAID/Rwanda notified the Office of Inspector General of the various financial irregularities concerning WIT project funds and advised that the local police were investigating two of its former employees. Since the matter was being actively investigated by the cognizant authorities, OIG/Investigations advised USAID/Rwanda that they were not initiating further action.

The report on compliance also disclosed several material instances of non-compliance. For example, project funds were provided to questionable institutions that left the area after receiving the money. Pages 49 to 62 of the report describe these findings in detail and the action WIT is taking to address them.

Also, in a letter dated November 5, 1999, the USAID/Rwanda Controller stated that the Mission intends to do a follow-up review with WIT to ensure that controls are in place. WIT is also scheduled for another audit for the year ending January 31, 2000. The Mission expects that this audit will confirm that the internal control and compliance deficiencies described in the subject report have been corrected.

Based on our review, we are including the following recommendations in the OIG tracking system:

Recommendation No 1 We recommend that USAID/Rwanda determine the allowability of and collect as appropriate questioned ineligible costs of \$37,519 (Rwandan Francs 11,415,500) from the WIT Project.

Recommendation No 2 We recommend that USAID/Rwanda determine the allowability and collect as appropriate questioned unsupported costs of \$438 (Rwandan Francs 132,000) from the WIT Project.

Recommendation No 3 We recommend that USAID/Rwanda develop an action plan to review and correct the internal control and non-compliance deficiencies described in this report which includes referring any potential investigative matters to the Office of Inspector General.

Please respond within 30 days describing the actions taken or planned by USAID/Rwanda to address the above recommendations.

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**Women In Transition Initiatives - WIT
Ministry of Gender, Family and Social Affairs - MIGEFASO
And
United States Agency for International Development - USAID**

WIT PROJECT NO 968-5004.96

P.O. Box 28 KIGALI - RWANDA

**FINANCIAL AUDIT OF WIT PROJECT
Period: September 28, 1995 - January 31, 1999**

AUDIT REPORT

*Cabinet AUGECO SARL
B P 18 KIGALI-Tel (250) 72370
Fax (250) 73159*

Kigali

August 1999

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I INTRODUCTION

1.1 Background

On September 28, 1995, a limited scope grant agreement was signed between the United States Of America acting through the Agency for International Development (USAID) and the Republic of Rwanda. By this agreement, the USAID Mission to Rwanda approved the Office of Transition Initiatives (OTI) Assistance to the Women In Transition (WIT) Project N° 968-5004 96 which provides a total of \$3,482,000 in grant funds. This amount takes into account the sum of \$2,763,000 from the OTI funds and \$719,000 donated by the USAID/Rwanda Assistance to Displaced Persons - Project N° 696-0148 (ADP).

The purpose of the WIT Project is to support women's initiatives in rebuilding their lives, the lives of their families and the local community in a peaceful and productive manner by providing funds to a variety of activities that support women's endeavors and increase tolerance and respect among all Rwandans.

To achieve this purpose, the WIT resources have been used to fund simultaneous activities that promote community mobilization, small enterprise development, cooperative enterprises, shelter construction, peace education, literacy, women's empowerment and capacity building for structures that support women at the central and commune level. The WIT Project works in close cooperation with the Ministry of Gender, Family and Social Affairs (MIGEFASO).

These funds are managed by the WIT Project Staff in two separate operating bank accounts in the Bank of Commerce, Development and Industry - BCDI. The Ministry signs cheques to finance identified women's associations.

The project under audit has also an amount of \$1,552,245 to finance WIT administrative costs including the amount of \$1,277,245 from OTI funds and the sum of \$275,000 for ADP running costs. Another amount of \$173,750 has been set aside to finance the training and mobilization of women to identify, develop and manage projects and resources, to support the ability of the MIGEFASO staff to better organize and respond to community needs, and to develop a core of trained women association members who can identify and respond to training needs in their regions.

With regard to sub-grants, as of January 31, 1999, the sum of \$1,843,501.91 has been allocated from OTI funds from which \$1,813,190.23 has been disbursed under the WIT Project separate bank account N° 101-1031501-16. From ADP program, a total of \$719,000 has been obligated and \$707,117.44 has been disbursed through the separate bank account N° 101-1031502-17.

Cabinet AUGECO SARL was contracted under Purchasing Order N° 696-0-00-00125-00 to perform a financial audit of the USAID resources managed by the MIGEFASO under the WIT Project from September 28, 1995 to January 31, 1999.

1.2 Audit Objectives And Scope

From the terms of reference, the main audit objectives of the USAID resources managed by the MIGEFASO under the WIT Project were the following:

- to report on the use of USAID funds for bond fide activities as specified under the grant agreements as amended and related Project Implementation Letters (PILs)
- to report on the grantee's internal control structure with respect to project operations
- to report on the grantee's compliance with the grant provisions and applicable USAID financial management and accounting regulations

The financial audit was based on the "Fund Accountability Statement" that presents the recipient's revenues, cost incurred, cash balance of funds provided by USAID and commodities and technical assistance directly procured by USAID for the recipient's use.

The specific objectives of the audit are the following:

- To express an opinion on whether the fund accountability statement of the USAID funds managed by MIGEFASO under WIT Project, presents fairly, in all material respects, project revenues, cost incurred, and commodities/technical assistance directly procured by USAID for the period audited, in conformity with the terms of agreements and generally accepted accounting principles.

- To evaluate and obtain a sufficient understanding of WIT's internal control structure related to the USAID funded activities assess control risk and identify reportable conditions including material internal control weaknesses
- To perform tests in order to determine whether WIT Project complied in all material respects with agreement terms, applicable laws, and regulations related to USAID funded programs and projects
- To determine if the WIT Project management has taken adequate corrective actions on the prior financial assessment recommendations

To achieve the above objectives, the audit has been conducted in accordance with the US Government Auditing Standards and other relevant auditing standards. The work performed was as follows:

1. Examination of the Fund Accountability Statement. For the period covered by the audit, we examined the revenues received from USAID Mission to Rwanda, the costs incurred and reported by the WIT Project under Project Implementation Letters (PIL) N° 968-5004-02, PIL N° 968-5004-03, and PIL N° 696-0148-08 and the commodities/technical assistance directly procured by USAID for the WIT project's use.
2. Review and evaluation of Internal Control Structure. This step was performed to obtain a sufficient understanding of the design of relevant control policies and procedures and whether those policies and procedures have been placed in operation.
3. Determination of Compliance with Agreement Terms, Regulations and Applicable Laws. After identification of agreement terms and pertinent regulations, the audit has determined if payments have been made in accordance with these agreement terms, regulations and applicable laws.
4. Follow-up on Prior Financial Assessment Report Recommendations. We noted that the WIT Project was not audited before. But, some reviews were conducted by the USAID Finance Office. The present audit has reviewed the status of actions taken of findings and recommendations reported by the above prior assessments.

The audit covered sub-grants expenditures made by the WIT Project under the OTI and ADP Projects. For the management costs, we obtained a letter from the International Rescue Committee indicating that the accounts of this organization have been audited for the fiscal year 1998.

1.3 Summary of Financial Audit Results

As prepared by the audit mission in the collaboration with the WIT Finance Team, the Fund Accountability Statement of the USAID/WIT Project may be summarized as follows:

- WIT Project Funding: US\$ 5,247,995 allocated as follows: US\$4,253,995 for OTI and US\$994,000 for ADP program.
- Sub-grants provisions according to PILS: US\$2,763,000 for OTI sub-grants and US\$719,000 for ADP sub-grants. As at January 31, 1999, transfers received by the auditee were US\$1,843,501⁹¹ for OTI and US\$719,000 for ADP program.
- Other income: US\$7,881²³ equivalent to 2,410,631 RWF from reimbursements made by funded associations.
- Expenditures: US\$1,812,190²¹ under OTI activities and US\$707,117⁴⁴ for ADP program.
- Outstanding fund balance as at January 31, 1999: US\$51,075⁴⁷ equivalent to 15,596,149 RWF. But also, an amount of 1,949,900 RWF from the stolen checks was recovered by WIT Project on the 1st of February 1999.

1.4 Summary of Findings and Recommendations

Except a limited number of questioned costs, the audit noted that revenues received were correctly recorded and costs incurred were fully supported. From April 1996 to the end of January 1999, WIT funded a total of 1,286 Women's Project Associations. We audited 1,229 associations files, that is 96%.

a Questioned Costs

We noted 22 cases which are questionable, that represents 2% of the audited files. A total of US\$37,957⁴⁶ equivalent to 11,547,500 RWF are considered as questioned costs which represent 1.5% of the total expenditures made by WIT Project during the audited period.

From the total expenses presented as questioned costs, the sum of US\$37,518⁹⁸ (or 11,415,500 RWF) is considered as ineligible costs because tests and inquiries have shown that funds were given to questionable associations. And a total of US\$438⁴⁸ (or 132,000 RWF) is considered as unsupported costs because while checking their files, supporting documents were missing.

b Findings and Recommendations on Internal Control Structure

- The audit mission noted that some changes on financial procedures have been made by the Project Resource Unit. Still, some changes should be done and others may require more analysis. But, in all cases, changes to the Finance and Procedures manual must be approved by USAID before their final implementation.
- Due to the problem that WIT beneficiaries are not used to bank operations, the WIT Finance team decided to “fill out beneficiary’s identification on the back of checks” on behalf of the recipients. We noted that (1) association members sign under texts which are in French or English while they do not speak those languages, (2) some times WIT team endorse cheques to other persons and sign on behalf of the first payee, (3) the “filling out on the back of checks” is not limited to the Finance Staff. In our opinion, there is a high risk that cheques may be endorsed to the wrong beneficiaries.

The audit recommends

- (1) To update the Finance and Procedures Manual taking into account some changes which have been made by the WIT Finance Team, all changes should be approved by the USAID Mission to Rwanda.

(2) To enhance control procedures on funding cycles in order to ensure that fake associations are not funded WIT should follow the procedure of funding associations in 2 or 3 installments according to the size of the amount to be paid,

(3) To ask to the WIT bank to do their job by “filling out beneficiary’s identification on the back of checks” for association members who do not know how to write

c Main Finding and Recommendations on Compliance

After checking supporting documents in individual sub-grantee files, we noticed problems on Cheque Receiving Sheet Forms Some checks were delivered to the persons who are not the first beneficiaries without letter of authority But also, the audit noted that for the “same people”, signatures do not match Field tests and inquiries indicated few cases of misappropriation of WIT funds

Thus the audit recommends

(1) To ensure that, for each funded association, three authorized representatives of association are identified and WIT Finance have copies of their signatures

(2) To enhance financial controls by performing follow-up of sub-grantees on field by Finance Team on a regular basis in order to ensure that beneficiaries are still working in association,

(3) To perform external audit on an annual basis

WIT PROJECT
REPORT OF FINANCIAL AUDIT

INDEPENDENT AUDITOR'S REPORT ON THE FUND ACCOUNTABILITY
STATEMENT OF THE WIT PROJECT FOR THE PERIOD FROM SEPTEMBER 28,
1995 TO JANUARY 31, 1999

Women In Transition Initiatives -
USAID/MIGEFASO WIT Project
P O Box 28 KIGALI
RWANDA

We have audited the fund accountability statement of the WIT Project N° 968-5004 96 for the period September 28, 1995 to January 31, 1999. The fund accountability statement is the responsibility of the WIT Project's management. Our responsibility is to express our opinion on the fund accountability statement based on our audit.

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

The results of our tests disclosed the following questioned costs as detailed in the fund accountability statement: US\$37,518⁹⁸ in costs that are explicitly questioned because they are prohibited by the terms of agreements and therefore not program related, and US\$438⁹⁹ in costs that are not supported with adequate documentation.

In our opinion, except for the effects of the questioned costs discussed in the preceding paragraph, the fund accountability statement referred to above presents fairly, in all material respects, program revenues, costs incurred, and commodities and technical assistance directly procured by the USAID for the period then ended in accordance with the terms of agreements and in conformity with the accounting policies as described in Note 1.

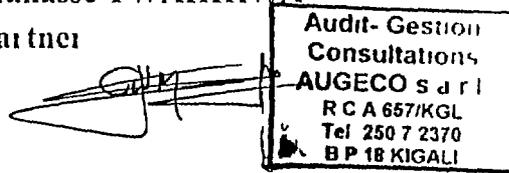
This report is intended for the information of the WIT Project and USAID. However, upon release by USAID, this report is a matter of public record and its distribution is not limited.

Kigali, August 30, 1999

AUGEKO SARL

Manasse TWAHIRWA

Partner



Women In Transition Initiative - WIT Project
 FUND ACCOUNTABILITY STATEMENT
 September 28, 1995 to January 31, 1999

	NOTES	BUDGET US\$	ACTUAL US\$	ACTUAL RWF	QUESTIONED COSTS			
					Ineligible Costs		Unsupported Costs	
					US \$	RWF	US\$	RWF
REVENUES	Note 2							
Office Of Transition Initiatives - OTI Program		4 253 995	1 843 502	563 875 359				
Assistance To Displaced Persons ADP - Program		994 000	719 000	216 447 134				
Others incomes	Note 3	-	7 881	2 410 631				
TOTAL OF REVENUES		5 247 995	2 570 383	782 733 124				
COSTS INCURRED								
<i>Sub-grants Expenditures</i>	Note 4							
OTI - Program		2 763 000	1 812 190	554 294 627	25 110	7 680 500	-	-
ADP - Program		719 000	707 117	212 842 348	12 409	3 735 000	438	132 000
<i>Total Sub-grants Expenditures</i>		<i>3 482 000</i>	<i>2 519 308</i>	<i>767 136 975</i>				
<i>Management Costs</i>	Note 5							
OTI - Program		1 277 245						
ADP - Program		275 000						
<i>Total Management costs</i>		<i>1 552 245</i>						
<i>Training</i>	Note 6	173 750						
<i>Audit</i>	Note 7	40 000						
TOTAL COSTS INCURRED		5 247 995	2 519 308	767 136 975				
OUTSTANDING FUND BALANCE	Note 8		51 075	15 596 149				
TOTAL COSTS QUESTIONED	Note 9				37 519	11 415 500	438	132 000

2.3 Findings and Notes to the Fund Accountability Statement

Note 1 Accounting Policies

a Accounting system

The WIT Project accounting records were prepared on “a cash basis” which is a comprehensive basis of accounting in the Project circumstances. Expenses are recognized and recorded in the period of transactions.

b Financial mechanisms

Based on a “cash basis accounting system”, the WIT Project follows financial mechanisms provided by PILs N° 1 and 2.

c Foreign Currencies

Even though the budget is in US Dollars, WIT transfers are received in Rwandese Francs (RWF).

For the purpose of this report, expenditures have been converted from RWF into US\$ using average exchange rates computed as follows:

ADP Program

Total of ADP transfers: US\$719,000 equivalent to 216,447,134 RWF
Average Exchange Rate: 301⁰¹

OTI Program

Total of OTI bank transfers: US\$1,843,501⁹¹ equivalent to 563,875,359 RWF
Average exchange rate for OTI expenditures: 305⁸⁷

Note 2 WIT Project's Revenues

Figures summarizing the two WIT Project's funded programs - OTI and ADP- are presented below and on the following page. The total WIT Project funding is US\$5,247,995 divided into the following element categories

a Overall WIT Funding

OTI Program US\$4,253,995

	<u>US\$</u>
(1) OTI Management Costs	1,277,245
(2) Project Sub-grants	2,763,000
(3) Training	173,750
(4) Audit	40,000

ADP Program US\$994,000

	<u>US\$</u>
(1) ADP Management costs	275,000
(2) ADP Sub-grants	719,000

b Sub-grants provisions

According to different PILs and amendments to the Limited Scope Agreement signed on September 28, 1995, the sub-grant provisions were as follows

OTI Program

Code	Description - OTI Program	Provision - US\$
910 00	Community Groups & Associations	2,288,000
920 00	Rwandan NGO's & Cooperatives	295,000
930 00	Rwandan Organizations	180,000
Total Sub-grant provision - OTI Program		2,673,000

Woment In Transition Initiatives - WIT Project
OTI FUNDING

NOTE 2

ELEMENT	Agreement 1	Amendment	Amendment	Amendment	Amendment	Cumulative Obligation
	Amendment 1	N° 2	N° 3	N° 4	N° 5	
	US\$	US\$	US\$	US\$	US\$	US\$
Project Management Costs	700 000	179 250	200 000	76 000	121 995	1 277 245
Project Sub-grants						
(1) Community Groups & Assoc	230 000	1 174 000		884 000		2 288 000
(2) Rwandan NGO's & Coop	170 000	125 000		-		295 000
(3) Rwandan Organizations	100 000	40 000		40 000		180 000
Training	95 000	78 750				173 750
Audit	40 000					40 000
TOTAL	1 335 000	1 597 000	200 000	1 000 000	121 995	4 253 995

Woment In Transition Initiatives - WIT Project
ADP FUNDING

ELEMENT	PIL N° 8	Additional Letter	Cumulative Obligation
	US\$	US\$	
1 Project Management Costs	50 000	225 000	275 000
2 Project Sub-grants Expenditures			
(1) Rwandan Families	419 000		419 000
(2) Shelter Program	300 000		300 000
TOTAL	769 000	225 000	994 000

ADP Program Funding Provisions

Code	Description - ADP Element Categories	Provision - US\$
810 00	Rwandan Families	419,000
820 00	Shelter Program	300,000
Total Sub-grant provisions - ADP		719,000

c Revenues Received from sub-grants provisions

Bank transfers received by the WIT Project US\$2,564,501.91 or 780,322,493 RWF as follows

Program	US\$	RWF
OTI Program	1,843,501 ⁹¹	563,875,359
ADP Program	<u>719,000⁰⁰</u>	<u>216,447,134</u>
Total Transfers	<u>2,562,501⁹¹</u>	<u>780,322,493</u>

OTI transfers were received through the BCDI bank account N° 103-1031501-16 and ADP funds were received through the BCDI bank account N° 103-1031502-17

Note 3 Other Incomes

During the period covered by this audit, the WIT Project recorded other incomes resulting of some reimbursements from funded associations. A total of 2,408,961 RWF was received through bank accounts while the sum of 16,670 RWF was returned in cash. After recommendation of a USAID review, an amount of 2,385,000 RWF was put into an interest account for 12 months starting from July 10, 1998. Up to January 31, 1999, bank charges incurred by WIT were 15,000 RWF.

Thus, the statement of these other incomes at the end of January 1999 was as follows

	<u>RWF</u>
Reimbursements through bank accounts	2,408,961
Plus Cash returned by associations	<u>16,670</u>
Overall other incomes	2,425,631
Less Bank charges paid by WIT	<u>- 15,000</u>
<i>Balance of other incomes as at 01/31/1999</i>	<u>2,410,631</u>
Deposit into interest bank account	2,385,000
Balance of WIT Credit (current account)	8,961
Cash on hand in the safe	<u>16,670</u>
<i>Total Cash Accounts - Other Income</i>	<u>2,410,631</u>

Note 4 Sub-grants Expenditures

a ADP Expenditures

Element Categories	October 96 to September 97	October 97 to September 98	October 98 to January 99	Total - ADP Expenditures
810 00 Rwandan Families	48,939,132	75,955,641	0	124,894,773
820 00 Shelter Program	65,453,475	22,315,100	179,000	87,947,575
<i>Total ADP Expenditures - RWF</i>	<i>114,392,607</i>	<i>98,270,741</i>	<i>179,000</i>	<u>212,842,348</u>
Exchange Rate				301,04
<i>Total ADP Expenditures - US\$</i>	<i>379,991 39</i>	<i>326,437 49</i>	<i>594,60</i>	<i>707,023 48</i>

The ADP expenditures were made under provision of PIL N° 696-0148 01-08. Although, the first ADP bank transfer was received during December 1996, expenditures made under this program began in February 1997.

b OTI Expenditures

Element Categories	September 95 to September 96	October 96 to September 97	October 97 to September 98	October 98 to January 99	Total - OTI Expenditures
910 Community Groups & Associations	17,752,265	93,786,740	294,728,457	100,240,825	506,508,287
920 Rwandan NGO's & Cooperatives	8,480,300	10,985,600	1,500,000	0	20,965,900
930 Rwandan Organizations	4,076,220	5,965,000	11,671,220	5,108,000	26,820,440
<i>Total OTI Expenditures - RWF</i>	<i>30,308,785</i>	<i>110,737,340</i>	<i>307,899,677</i>	<i>105,348,825</i>	<u><i>554,294,627</i></u>
Exchange rate					305 87
<i>Total OTI Expenditures - US\$</i>	<i>99,090 41</i>	<i>362,040 54</i>	<i>1,006,635 75</i>	<i>344,423 53</i>	<i>1,812,190 23</i>

These expenditures were made according to provisions of PILs N° 1, 2 &3

Note 5 Management Costs

A cooperative Agreement has been signed with the International Rescue Committee (IRC) WIT Project administrative costs are managed by IRC. These costs are not under the present audit. However, we received letters from IRC stating that International Rescue Committee has been audited by KPMG for the Fiscal Year 1998 in New-York. We could not get a copy of their audit report.

Note 6 Training Costs

The budget of US\$173,750 for training was as follows:

Activities to be made by IRC	\$95,000
Training by WIT Project Resource Unit (PRU)	\$78,750

As described by the Note 5, the present audit did not cover expenditures made by IRC. For the budget of US\$78,750 which should be managed by the WIT PRU, no expenditure was made during the period covered by this audit mission.

Note 7 Audit Costs

The budget of US\$40,000 for audit was managed by the USAID Mission to Rwanda. It is not covered by this audit mission.

Note 8 Outstanding Fund Balance

As at January 31, 1999, the WIT outstanding fund balance is detailed as follows:

a Balance per books

	RWF
(1) OTI - bank account N° 101-1031501-16	9,580,732
(2) ADP - bank account N° 101-1031502-17	3,604,786
(3) Credit - Accounts (see details on Note 3)	<u>2,410,631</u>
Total outstanding Fund Balance per Ledgers	<u>15,596,149</u>

b OTI bank account reconciliation

	<u>RWF</u>
(1) Total OTI transfers as at January 31, 1999	563,875,359
(2) Total OTI Expenditures as at January 31, 1999	<u>(554,294,627)</u>
Balance per books	9,580,732
(3) Plus Canceled Checks	17,674,072
(4) Less Replacing checks	<u>(5,669,772)</u>
Adjusted balance per books	<u>21,585,032</u>
(5) Balance per bank statement	25,336,632
(6) Less outstanding checks	<u>(3,751,600)</u>
Adjusted balance per bank statement	<u>21,585,032</u>

c ADP bank reconciliation

	<u>RWF</u>
(1) Total ADP transfers as at January 31, 1999	216,447,134
(2) Total ADP expenditures as at January 31, 1999	<u>(212,842,348)</u>
Balance per books as at January 31, 1999	3,604,786
(3) Plus Canceled checks not replaced	<u>742,600</u>
Adjusted balance per books	<u>4,347,386</u>
(4) Balance per bank statement as at January 31, 1999	<u>4,347,386</u>

Note 9 Questioned Costs

The audit mission found some expenses which are considered as "questioned costs" The amount of these questioned costs is US\$37,957⁴⁶ equivalent to 11,547,500 RWF

a Ineligible costs US\$37,518⁴⁸ or 11,415,500 RWF detailed as follows

OTI Program

(1) Stolen checks for a total of	4,656,000 RWF (See also finding B 2)
(2) Questionable associations	<u>3,024,500 RWF</u> (See also finding F 1)
Total ineligible costs OTI	<u>7,680,500 RWF</u>

The OTI stolen checks are the following

	<u>RWF</u>
Check N° 252179 of February 10, 1998	1,800,000
Check N° 463857 of September 23, 1998	<u>2,856,000</u>
Total of OTI stolen checks	<u>4,656,000</u>

OTI funds to questionable associations are summarized as follows

Sub-grant/Associations	RWF
910 360 TURWA	428,500
910 231 DUIIAGURUKE	609,000
910 352 ABARWANASHIYAKA	400,000
910 225 JIJUKA	210,500
910 448 ABADACOGORA	341,500
910 623 TUJYINAMA	380,000
910 373 DUKORE	455,000
910 960 DUTERIMBERE	200,000
Total	3,024,500

ADP Program

(1) Stolen checks for a total of	183,500 RWF (See also finding B 2)
(2) Questionable associations	<u>3,551,500 RWF (See also finding F 1)</u>
Total ineligible costs - ADP	<u>3,735,000 RWF</u>

The ADP stolen checks were the following

	<u>RWF</u>
Check N° 333864 of January 17, 1998	1,130,000*
Check N° 333870 of January 30, 1998	819,900*
Check N° 380588 of May 18, 1998	<u>183,500</u>
Total ADP stolen checks	<u>2,133,400</u>

* The two amounts totaling to 1,949,900 RWF were paid back on the 1st of February 1999 and are not included in the Fund Accountability Statement

ADP funds to questionable associations

Date	Sub-grant/Association	Amount RWF
May 8, 1997	810 016 TWIKORERE	1,635,000
October 24, 1997	810 160 JIJUKA	134,000
February 10, 1998	810 294 URUNANA	609,000
March 19, 1998	810 354 ABATANGANA	713,000
March 22, 1998	810 339 URUMURI	460,500
Total ADP Funds to Questionable Associations		3,551,500

b Unsupported costs 132,000 RWF

Sub-grant N° 810 008 - TWITEZIMBERE/Karangazi 132,000 RWF Only the Check Receiving Sheet and Check Authorization are available in the file No other documentation was available At the minimum, the Sub-grantee file should contain

- 1 Sub-grant Letter which is approved by WIT Coordinator, Ministry Representative and Association Representatives
- 2 Check Authorization approved by the WIT Coordinator
- 3 Copy of the check which is signed by two Ministry Representatives
- 4 Check Receiving Sheet signed by two members of the funded Association

WIT PROJECT

AUDIT REPORT ON INTERNAL CONTROL STRUCTURE

**WIT PROJECT
AUDIT REPORT ON THE INTERNAL CONTROL STRUCTURE**

**Women In Transition Initiatives -
USAID/MIGEFASO WIT Project
P O Box 28 KIGALI
RWANDA**

We have audited the fund accountability statement of the USAID/MIGEFASO WIT Project for the period September 28, 1995 to January 31, 1999. Our report thereon is presented above. We also reviewed and evaluated the internal controls of the auditee.

We conducted our audit in accordance with US Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statement is free of material misstatement.

The management of WIT Project 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 of 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, transactions are executed in accordance with management's authorization and in accordance with terms of agreements, and transactions are recorded properly to permit the preparation of the fund accountability statement in conformity with the basis of accounting described in Note 1 to the fund accountability statement. 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.

In planning and performing our audit of the fund accountability statement of the USAID/MIGEFASO WIT Project for the period covered by the present audit work, 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 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. 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 assertion of management in the fund accountability statement.

We noted, among others, the following weaknesses in the internal control policies:

- double payments for the same sub-grant files
- endorsement of the checks by the WIT employees on behalf of the sub-grantees,
- checks were issued to people who are not the first association representatives without identification of the new recipient and without letter of authority of the first representatives,
- missing supporting documents in sub-grant files

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 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 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 to be material weaknesses as defined above. However, we noted the following matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above:

- 5 stolen checks amounting to 6,789,400 RWF
- 18 Checks Receiving Sheet were "signed on behalf of the first beneficiary without letter of authority"
- 48 cases with problems of signature (the signature of the check receiving sheet is different from the signature on the sub-grant letter/agreement and other documents available in the files)
- identification of the beneficiaries on the back of checks was filled out by WIT employees on behalf of the sub-grantees, texts are in French or in English, while it is supposed that the recipients do not know how to write

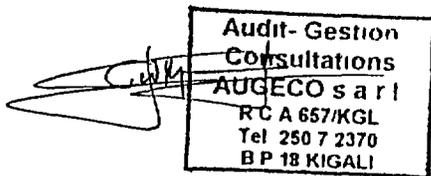
These conditions were considered in determining the nature, timing, and extent of the procedures to be performed in our audit of the fund accountability statement of the WIT Project for the period starting on September 28, 1995 up to January 31, 1999

This report is intended for the information of the USAID/MIGEFASO WIT Project and the US Agency for International Development. However, upon by USAID, this report is a matter of public record and its distribution is not limited.

Kigali, August 30, 1999

AUGEKO SARL

Manasse TWAHIRWA
Partner



FINDINGS AND RECOMMENDATIONS ON INTERNAL CONTROL STRUCTURE

The examination of the internal control structure is based on the Women In Transition Initiatives Resource Manager's Procedure Manual, the WIT Finance & Procedures Manual and the financial mechanisms defined in the Project Implementation Letter - PIL N° 2

Our audit is based on the above documents and we noted findings and recommendations divided into the following sections

A Funding Cycle Process

B Accounting System

C Fixed Assets

D Staff Policies

E Control Procedures

F Compliance With Agreement Terms, Regulations And Applicable Laws

Findings and recommendations related to the compliance with agreement terms, regulations and applicable laws are presented after the report on compliance

A FUNDING CYCLE PROCESS

A 1 FILING OF SUB-GRANT DOCUMENTS

A 1 1 Finding

We observed that Resource Managers go on the field with the sub-grantees files
As result, some supporting documents were missing

A 1 2 Facts

Hereafter are presented some cases for which supporting documents were missing

Grant Number	Name of the Sub-grantee	N° Of Check	Amount of Check - RWF
910 902	ABARWANYANZARA	497590*	183,250
910 904	ABADASIGANA - RUTARE	497597*	121,540
910 925	ABATIGANDA - BUYOGA	497593*	123,500
810 008	TWITEZIMBERE - KARANGAZI	188830	132,000

* These checks were opposed and canceled, they are not included in the Fund Accountability statement

A 1 3 Risks Arising

- Sub-grantees associations may not be funded on time
- The control and follow-up of the file is very difficult, so there is a high risk of fraud

A 1 4 Recommendation N° 1

- While preparing file for signature, WIT should reserve at least 3 copies
 - (1) To the file
 - (2) To the accountant
 - (3) To the sub-grantee
- Accounting documents should not move from Project Resource Unit (PRU) office These are Sub-grant Letter/Agreement, Check Authorization Form, and Check Receiving Sheet

A 1 5 Management Comments

WIT agrees and implemented the following

- 1 Sub-grant documents filed in Finance Assistant's office are
 - a Original sub-grant agreement*
 - b Original project proposal form*
 - c Photocopy of check authorization form*
 - d Photocopy of check receiving sheet*
 - e Photocopy of issued check*
 - f Photocopies of association officers' ID cards who receive checks**
- 2 Documents are to be filed in the Administration office, with photocopies in the Finance Assistant's office
 - a Photocopy of check authorization form (original to BCDI Bank)*
 - b Original check receiving sheet*
 - c Photocopy of issued check*
 - d Photocopies of association officers' ID cards who sign check receiving sheets**
- 3 Photocopies of the check receiving sheet and sub-grant agreement (in Kinyarwanda) are given to sub-grantees*
- 4 WIT proposes that after files are completed, one Finance Assistant will maintain and control all association files. We agree that project file documents are not to be removed from the WIT office after receiving all required communal signatures. If a staff member needs to take an original sub-grant document to a commune or out of the office for a justifiable reason, permission must be obtained from the Coordinator and a log book will be signed for removing and returning files. This proposed action has been initiated and is in effect.*
- 5 As an additional recommendation to avoid misplacing files, WIT proposes that two yearly inventories of all sub-grant files be done. This will be initiated the last quarter of 1999.*
- 6 In reference to A 1 2 Facts Documentation for sub-grants 910 902, 910 904 and 910 925 were approved by WIT for funding and sent to the Ministry for concurrence and*

check signature. The files were lost at the Ministry. WIT reconstituted the three files and resubmitted them to the Ministry for signature. The three projects identified have been visited by WIT staff and are on-going.

7. The sub-grant 810 008, referred to in A 1.2 Facts above, the file only contained the check receiving sheet and check authorization sheet. WIT revisited the association. It is active and the project on-going. WIT is reconstituting the documents that were lost.

A 1.6 Audit Comment

The audit confirms that the implementation of recommendations started with 1999.

A 2 SAFE KEEPING OF SIGNED CHECKS AND THE SUB-GRANT LETTERS BY THE COORDINATOR

A 2.1 Findings

We observed that the procedure for tracking proposals, checks, and the memorandum of the next installment was not adhered to.

A 2.2 Facts

The employee that takes checks for signing is the same person who keeps the signed check waiting delivery to the recipient. As a result, 5 checks amounting to 6,789,400 RWF were stolen.

A 2.3 Risk Arising

Funds might be stolen.

A 2 4 Recommendation N° 2

The procedure should be reviewed because in our opinion it is not the role of the Coordinator to keep or to hand over checks to the sub-grantees. Moreover, there should be an employee for taking checks to be signed and another for tracking purposes. The updated procedure should institute a register of signed checks.

A 2 5 Management Comments

WIT measures already taken

1 *The former WIT finance officer, who misappropriated funds, was arrested. The amount of two stolen checks, 1,949,900 Rwf (\$5,571), made out to his brother and sister, were reimbursed to WIT.*

2 *The three members of the WIT administrative/finance sector now have distinct duties in controlling, signing and distributing checks to sub-grantees.*

a One WIT finance member keeps and writes checks,

b Another WIT finance member takes checks to the Ministry for signatures,

c A third WIT finance member distributes checks to association officers.

3 *If one of the three finance members is not available to carry out their specific duty mentioned in #2 above, the Coordinator can authorize one of the other finance members to assume the designated responsibility.*

4 *To further tighten controls, WIT proposes*

a By 15 August 1999, cancel any outstanding checks and acquire new checkbooks,

b Coordinator will keep checkbooks,

c The Finance member that writes checks will obtain them from the Coordinator when he completes a checkbook and written checks have been verified with the Coordinator.

d Bank statements are first sent to the Coordinator. The Coordinator and Finance Officer (who writes checks) together verify the finance register of signed checks.

A 2 6 Audit Comments

WIT Management took some measures described above and they should put in practice their proposals.

A 3 WITNESSING OF THE HANDING OVER OF WIT FUNDS TO THE SUB-GRANTEES BY AT LEAST TWO ASSOCIATION MEMBERS

A 3 1 Finding

The Resource Manager's Procedure Manual on page 12 states that " Two members of the association must sign for any funds transferred from the Initiative " We observed that the handing over of signed checks was signed only by one association member

A 3 2 Facts

The signing of the checks receiving sheets is done by only one person from the sub-grantee

A 3 3 Risk Arising

There is a high risk of embezzlement of the WIT funds

A 3 4 Recommendation N° 3

The handing over should be witnessed by two association members by signing the Check Receiving Sheet This form should be redesigned to accommodate the second signature of the association member

A 3 5 Management Comments

WIT agrees and has implemented the recommendation

A 3 6 Audit Comment

The audit confirms that the recommendation has already been implemented

A 4 FINAL EVALUATION OF THE FUNDED PROJECTS

A 4 1 Finding

The procedure related to the final evaluation of funded projects states that “ It is important that an evaluation is carried out with the participation of all members and beneficiaries of the project ” There was no evidence that a final evaluation was carried out for completed projects

A 4 2 Facts

25 files of sub-grantees considered as completed were checked, they did not have any report of the final evaluation

A 4 3 Risks Arising

Without final evaluation, it is not possible to assess if objectives of the funded project have been accomplished

A 4 4 Recommendation N° 4

A final evaluation must be carried out in order to assess whether the funded projects met its objectives But, the procedure should be updated to make it more applicable

A 4 5 Management Comments

1 WIT agrees

2 The WIT Monitor position was not initially included in WIT's staffing pattern Due to the large number of funded projects the need for a monitoring position became apparent A four-week evaluation in June 1999 of the WIT program by DevTech Systems also highlights the importance and value of WIT's monitor in reviewing and reporting on all projects The evaluation recommended a second monitor be added because of the large number of activities and the benefits of the positive and negative project information provided on a weekly basis If the project is extended through 2000 this recommendation should be implemented

3 WIT would like to discuss with USAID/Rwanda about modifications concerning the initial project evaluation procedures. WIT feels that its present evaluation system adapted to the rapid growth of the program and provides valid and reliable information about associations' projects. Information from the evaluation reports are entered weekly into WIT's project data report and distributed to the Ministry USAID/Rwanda OTI/Washington to Prefects and appropriate commune officials.

A 4.6 Audit Comment

The audit recommendation is based on the actual procedures manual. As long as the procedure is not changed, it should be followed.

B ACCOUNTING SYSTEM

B 1 CANCELING AND REPLACEMENT OF CHECKS

B 1 1 Finding

Canceled checks are not subtracted from the sub-grants accounts. When the canceled checks are replaced, the payment is not posted on the corresponding sub-grant accounts because the first posting was not canceled. But sometimes, the canceled checks are not replaced or replaced by an amount which is different from the canceled check.

B 1 2 Facts

In addition to the stolen checks, other payments have been canceled but were not deducted from the corresponding sub-grant accounts.

B 1 3 Risks Arising

Monthly reports may be incorrect. Budget follow-up might not be easy.

B 1 4 Recommendation N° 5

Canceled checks should be directly deducted from the corresponding sub-grant accounts.

B 1 5 Management Comments

WIT agrees and has implemented the recommendation.

B 1 6 Audit Comments

At the end of the present audit mission, the recommendation was not yet implemented.

B 2 DOUBLE PAYMENTS

B 2 1 Finding

Payments on sub-grants files were paid twice

B 2 2 Facts

Four checks amounting to 6,605,900 RWF were paid twice for the same sub-grant files

Date	Check N°	Description - Sub-grant	AMOUNT - RWF	Total Per Program
1/17/98	333864	Twisungane 10 Sub-grant N° 810 158	1,130,000	ADP*
1/30/98	333870	Jyambere munyarwandakazi Sub-grant N° 810 130	819,900	1,949,900
2/10/98	252179	Abishyizehamwe Sub-grant N° 910 232	1,800,000	OTI
9/23/98	463857	Twisungane Sub-grant N° 910 241	2,856,000	4,656,000
Total of double payments			6,605,900	

* In addition to double payments of 1,949,900 RWF on ADP grant, an other check of 183,500 RWF was endorsed to the wrong person by the ex-secretary. Thus, stolen funds on ADP grant were 2,133,400 RWF, but a total of 1,949,900 RWF was paid back at the beginning of February 1999

B 2 3 Risks Arising

Double payments lead to ineligible costs and potential thefts

B 2 4 Recommendation N° 6

- All sub-grant Letters/Agreements should be stamped "Paid" with identification of date of payment and the check number

- Implement a regular follow-up of previous payments to make sure that there is no double payment

B 2 5 Management Comments

1 WIT agrees and has enacted the auditors' recommendation

2 The ex-WIT finance employee who embezzled funds, was arrested and imprisoned before the audit began. He told the police that he would be willing to reimburse the stolen funds. WIT preferred to wait until the audit was finished and its findings disclosed to see if other misappropriation cases were discovered before pursuing the matter with the Ministry, police and Tribunal.

3 On 2 August 1999, WIT learned that the ex-WIT finance employee, Jean de Dieu Fuiaha, who had been imprisoned was released. WIT sent a letter to the Director of Criminal Investigations (CID) requesting information about the release. The CID inspector in charge of Mr Fuiaha's arrest went with WIT to the Public Prosecutor's office. The Prosecutor said the prefectural court had received an order from the Minister of Justice to release Mr Fuiaha. The Prosecutor's Office re-arrested Mr Fuiaha but the Appeals Court upheld the prefectural court's decision. The Minister and Administrator of MIGEPROFE were informed of the release. WIT requested Ministerial intervention to determine the reason for the release.

4 The ex-secretary repaid 45,080 Rwf (\$130). Payments have stopped and WIT was informed that she left Rwanda. Assuming no further payments are forthcoming, WIT, in coordination with CID, is pursuing a warrant for her arrest, if she returns to Rwanda.

B 2 6 Audit Comments

The audit confirms that the recommendation has been put in practice.

B 3 SUBMISSION OF MONTHLY FINANCIAL REPORTS AND ADVANCES REQUESTS

B 3 1 Findings

According to the Finance & Procedures Manual, monthly financial reports must be submitted to the USAID controllers office within 10 days of the close of the reporting period. But, monthly statements and advances requests were reported after 10 days and more.

B 3 2 Facts

Out of 30 financial reports, 19 cases where the deadline was not respected

- 3 reports were submitted between 10 and 15 days
- 5 reports were submitted between 16 and 30 days
- 11 reports were submitted after 1 month and more

B 3 3 Risks Arising

Advances may delay and the budget follow-up is not well done and there may be shortages of funds

B 3 4 Recommendation N° 7

Reports should be submitted within the specified period. Moreover, 15 days might be more reasonable.

B 3 5 Management Comments

WIT would like to review this policy with USAID/Rwanda. The 10-day submission guideline is limiting. WIT requests an extension of the 10-day guideline to 15 days.

B 3 6 Audit Comments

The Finance & Procedures Manual should be updated accordingly.

B 4 APPROVAL OF PAYMENTS OVER US\$ 10,000 BY THE USAID CONTROLLER OFFICE

B 4 1 Finding

The procedure N° 9 of the Finance & Procedures Manual states that “ All sub-grants over \$ 10,000 in value, must be reviewed by the USAID controller before funds are committed” On all expenditures over than US\$ 10,000 or equivalent to 3,000,000 RWF, there is no evidence of approval by the USAID controllers

B 4 2 Facts

Out of 13 files checked, no evidence of approval by the USAID controllers was found

B 4 3 Risk Arising

There is a risk that WIT Project funds could not reach a large number of small associations of beneficiaries

B 4 4 Recommendation N° 8

The procedure should be respected. Moreover, the procedure should be reviewed by USAID in collaboration with WIT Project

B 4 5 Management Comments

1 WIT would like to review the threshold amount with USAID/Rwanda

2 If 300 Rwf to the dollar is used to calculate the \$10,000 payments cited, then ten of the thirteen cases cited were minimally over \$10,000 (see auditor's notes). Dates of the ten payments would have to be examined to determine the real exchange rate and whether they surpassed the \$10,000 ceiling. Since the exchange has been rising over the past three years and is now 347 Rwf to the dollar, it is likely that the actual amount of payments fall within the \$10,000 limit.

3 The ten cases cited were for the purchase of shelter materials for associations. The costs of supplies varied. We tried to calculate each tranche under the \$10,000 ceiling, but also wanted to respect the amount of material given based on the number of members in the associations.

4 The other three cases cited were for 68 associations from three communes in Gisenyi. Normally association officers are required to come to Kigali to receive their project funds. Because of the security situation due to insurgents, resulting military action and risks involved in travel to and from Northwest Rwanda, WIT made direct bank transfers to a Gisenyi bank for the associations funded. The three bank transfers involved 68 associations, thus the reason for the amounts over \$10,000. The Gisenyi associations officers went to the Gisenyi bank to sign and receive their funds. Individual sub-grants averaged about \$1,300 per association. Check receiving sheets were signed by each association when they obtained their funds from the bank.

B 4 6 Audit Comment the Finance and Procedures Manual should be reviewed

C FIXED ASSETS

C 1 REGISTER AND INVENTORY OF FIXED ASSETS

C 1 1 Finding

According to the procedure N° 8 of the Finance & Procedures Manual, the project accountant should establish and maintain a non-expendable asset database for the project. And, a regular inventory of assets should be completed jointly by the accountant and the coordinator. This is not done.

C 1 2 Facts

Inventory of fixed assets was done by the USAID WIT Project. It does not have any register of these fixed assets.

C 1 3 Risk Arising

Fixed assets may not be properly controlled and may result in misuse or loss of assets. The register of fixed assets should be maintained at WIT Office.

C 1 4 Recommendation N° 9

The Project Resource Unit should maintain a register of all non-expendable assets and physical verification should be carried out to verify the accuracy of the register.

C 1 5 Management Comments

WIT agrees. An inventory has been done.

C 1 6 Audit Comments

The next audit mission shall verify the implementation of the above recommendation.

D STAFF POLICIES

D 1 EVALUATION OF WIT EMPLOYEES

D 1 1 Finding

The Resource Manager's Procedure Manual on page 14 states " Each employee will have a minimum of 2 written evaluations per year " We did not have evidence that evaluation of personnel was performed

D 1 2 Facts

In all employees individual files, evaluation forms were missing

D 1 3 Risks Arising

Employees do not know how they are performing Once there is no evaluation, there is a risk that promotion may be biased

D 1 4 Recommendation N° 10

The procedure should be reviewed and updated At least, one evaluation of employees should be done once a year

D 1 5 Management Comments

1 WIT requests a review with USAID to amend the procedures manual to one evaluation per calendar year

2 This is the Coordinator's responsibility Although WIT personnel evaluations were done by the Coordinator at the end of 1998, they were not presented Because of the misappropriation of funds, the Coordinator decided to wait until after the audit and program evaluation reports The evaluations will be presented between 15-30 August 1999 and added to the personnel files

D 1 6 Audit Comments

No comment

D 2 FILES OF WIT EMPLOYEES WHICH ARE NOT REGULARIZED

D 2 1 Finding

Tax on Salary and Social Security Taxes were not paid for some WIT occasionals. These employees do not have a contract while they worked for the Project more than three months. This contravenes the Rwandese Governing Law on Employees.

D 2 2 Facts

Two occasional drivers have been working more than one year without any contract. No payment of relevant taxes was done.

D 2 3 Risks Arising

WIT Project risks to pay penalties to the Social Security Fund and to the Rwanda Revenues Authority.

D 2 4 Recommendation N° 11

According to applicable law, each person who has been working for three months continuously with the same employer has automatically indefinite working contract. Therefore, the Project should regularize the above described cases as soon as possible to avoid increasing of penalties.

D 2 5 Management Comments

WIT verified the appropriate law with the Ministry of Labor and received instructions on day or occasional laborers. WIT implemented the recommendations and is in compliance with labor codes.

D 2 6 Audit Comment

WIT Project was obliged to pay penalties to the two employees. The following audit should ensure if these penalties are allowed costs.

E CONTROL PROCEDURES

E 1 DISBURSEMENT TO THE SUB-GRANTEES IN TRANCHES

E 1 1 Finding

Finance & Procedures Manual on pages 13-14 states that funds will be disbursed to the sub-grantees in tranches according to the level of management performance of the sub-grantee. We noted that in funding sub-grantees, the WIT Project did not respect the planned three installments.

E 1 2 Facts

The majority of fundings, advances were made in one or 2 installments. Therefore, the procedure stating that 5% of the project funds should be paid after the submission of the final report" was not implemented.

E 1 3 Risks Arising

There is a risk of misutilization of funds by the associations. The follow-up might not be efficient.

E 1 4 Recommendation N° 12

The procedure should be reviewed and updated in order to make it more applicable.

E 1 5 Management Comments

- 1 All shelter-funded grants are given in tranches*
- 2 Livestock grants are not given in tranches due to the conditions and participation in the grant in which half of the association members receive funding to purchase animals. The first offspring of the animals are given to the remaining association members*
- 3 Nearly all agriculture grants are not given in tranches due to seasonal nature of the projects*
- 4 WIT agrees and is implementing that income generating grants involving significant amounts*

are given in tranches

5 WIT requests a review of the procedures with USAID/Rwanda in order to better respond to the realities of the activities funded

E 1 6 Audit Comment

The procedure should be updated. Small grants may be done in one installment, for more important amounts, the Project should pay in tranches

E 2 WIT STAFF ENDORSE CHECKS ON BEHALF OF RECIPIENTS

E 2 1 Finding

Due to the problem that WIT beneficiaries are not used to dealing with bank operations, the WIT Finance team decided to endorse checks on behalf of the recipients. We noted that (1) beneficiaries sign under a text which is in French or English while they do not speak those languages, (2) some times WIT team endorse checks to other persons and sign on behalf of the first payee, (3) the endorsement of checks is not done only by the Finance Staff

E 2 2 Facts

(1) 4 checks were endorsed by the former finance officer to other persons on behalf of the first beneficiaries

Sub-grant N° 810 340 Check N° 380572 of 375,700 RWF,
Sub-grant N° 910 407 Check N° 445415 of 340,000 RWF,
Sub-grant N° 810 339 Check N° 385574 of 460,500 RWF,
Sub-grant N° 810 329 Check N° 385577 of 260,000 RWF

After field visits, we noted that the amount of 460,500 RWF paid to URUMURI Association was embezzled by the Vice-President. This payment is ineligible cost

(2) A check N° 497627 of 200,000 RWF, Sub-grant N° 910 960, was endorsed by a Resource Manager. One check was stolen by a former receptionist 183,500 RWF

E 2 3 Risk Arising

Checks may be paid to the wrong beneficiaries who are not necessarily members of funded associations. Thus there is high risk of embezzling of WIT funds.

E 2 4 Recommendation N° 13

Endorsement of checks should be done by the first beneficiary. WIT employees should never endorse checks on behalf of beneficiaries.

E 2 5 Management Comments

1 WIT agrees that its personnel will not endorse checks on behalf of beneficiaries. WIT will request that the bank help women fill out the required information on the back of checks.

2 A distinction should be made between endorsement of a check and WIT staff helping women who cannot read or write fill out the required information needed by the bank to cash a check. WIT understands endorsement to mean to designate oneself as a payee of a check by signing the reverse side of the check, or sign to make over to another person as payee by one's endorsement. The auditors seem to indicate any writing on the reverse side of the check to be an endorsement.

3 WIT initially sent all sub-grantee officials to the bank to cash their checks. Because it was the first time for most women to engage in banking transactions and a significant number cannot read or write, the bank sent them back to WIT to fill out the denomination amounts and information required by the bank to cash the check. The beneficiaries then returned to the bank, needing only to present their ID cards and fingerprint, or sign, in order to receive their funds.

4 In reference to E 1 2 Facts point 2, four checks endorsed by the ex-finance officer to other persons on behalf of the beneficiaries. The four associations were visited on 25 June 1999 by one auditor, and two WIT staff. They confirmed that all four associations had in fact received their funds, but the vice-president of one association, Urumu, used the funds for his own personal project and had not shared funds with any of the other association members. The other members of Urumu informed the Bugomaster. The vice-president admitted to the latter and had signed a statement to the fact. The Bugomaster is to pursue the matter.

5 In reference to E 1 2 Facts, point 3. The president of the association for check 497627 for 200 000 Rwf, was the original recipient of the check. It was discovered that the woman probably created a fake association to obtain funds and then used the funds to operate a small business in Kigali. In July 1999 the woman was located by the Bugomaster and threatened with legal

actions. She repaid 30,000 Rwf (\$90). Commune officials said she repaid another 30,000 Rwf in August 1999. The ex-Bugomaster who signed the sub-grant agreement is in prison and the communal Ministry representative who also signed supporting documents was fired. The WIT Resource Manager, Faustin Vuningoma, claims the strength of his support was based on the recommendations of the former Bugomaster and Ministry representative. Mr. Vuningoma is seconded to WIT from the Ministry.

6. In reference to E 1.2 Facts point 4, WIT threatened legal proceedings against its former WIT Secretary, Claire Uwineza, for theft of 183,500 Rwf (\$528). So far, 45,080 Rwf (\$130) has been repaid. In August 1999, WIT learned that Claire Uwineza left Rwanda. WIT will request Criminal Investigations to issue a warrant for her arrest.

E 2.6 Audit Comment

By endorsement, we mean that "WIT employees fill out beneficiary's identification on the back of checks on behalf of association members." The problem is that employees' texts are in French or in English while they are helping people who do not speak those languages. In fact, the problem might be resolved by asking the bank to help women filling out required information on the back of checks.

**WIT PROJECT
AUDIT REPORT ON COMPLIANCE WITH AGREEMENT
TERMS AND APPLICABLE REGULATIONS**

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

**Women In Transition Initiatives -
USAID/MIGEFASO WIT Project
P O. Box 28 KIGALI
RWANDA**

We have audited the Fund Accountability Statement of the WIT Project 986-5004 96 as of and for the period between September 28, 1995 and January 31, 1999 and have issued our report thereon dated June 9, 1999

We conducted our audit in accordance with US Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the Fund Accountability Statement is free of material misstatement.

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

Material instances of non compliance are failures to follow requirements or violations of agreement terms and laws and regulations that cause us to conclude that aggregations of misstatements resulting from those failures or violations is material to the Fund Accountability Statement. The results of our tests of compliance disclosed the following material instances of noncompliance, the effects of which are shown as questioned costs in the WIT Project's Fund Accountability as presented as at January 31, 1999

During our field visits, tests and inquiries disclosed the following results that we consider to be material instances of noncompliance

- After getting the funds from WIT Project, some associations disappeared from the area,
- Misrepresentation that associations belong to one group where in fact, they belong only to one individual or to "Communal Supervisors" and MIGEFASO representative at the Commune Level
- Some associations have been created only for getting funds from WIT and their members are not aware, yet they received the money

We considered these material instances of noncompliance in forming our opinion on whether the WIT Project's Fund Accountability Statement as presented as at January 31, 1999 is presented fairly, in all material respects, in accordance with the terms of the agreements and in conformity with accounting policies described in Note 1 to the Fund Accountability Statement, and this report does not affect our report on the Fund Accountability Statement dated on June 9, 1999

We noted certain immaterial instances of non compliance that we reported to the management of the USAID/WIT Project in a separate letter dated on Monday the 7th of June 1999

This report is intended for the information of the WIT Project and the US Agency for International Development (USAID) However, upon release by USAID, this report is a matter of public record and its distribution is not limited

Kigali, August 30, 1999

AUGECO SARL

Manasse TWAHIRWA
Partner



FINDINGS AND RECOMMENDATIONS ON COMPLIANCE WITH AGREEMENTS AND APPLICABLE REGULATIONS AND LAWS

F 1 FUNDING OF QUESTIONABLE ASSOCIATIONS

F 1 1 Findings

After checking supporting documents in individual sub-grantee files, we noticed problems on Check Receiving Sheet, some of them were signed "P O " without "letter of authority" and others were signed with signatures which are different from other signatures available in the same files. Thus we decided to conduct field visits. Field tests and inquiries indicate the following findings:

- (1) After getting funds from WIT Project, some associations disappeared from the area,
- (2) Misrepresentation that associations belong to a group while they belong to one individual or sometimes "Communal Supervisors" and MIGEFASO representative at the Commune Level, some of those are questionable
- (3) Some associations have been created only for getting funds from WIT and their members are not aware, yet they received the money

F 1 2 Facts

1 - Sub-grant N° 810 294 - URUNANA located in Gabiro Commune after getting money from the WIT Project, this association disappeared, for the moment, the MIGEFASO representative does not know where it is. Questioned Amount 609,000 RWF

2 - Sub-grant N° 910 360 - TURWA located in Gabiro Commune after getting funds, the person who received the money disappeared, the MIGEFASO representative said that he may be in Kigali. Questioned amount 428,500 RWF

3 - Sub-grant N° 910 231 - DUIIAGURUKE located in Gabiro Commune sub-grant of 609,000 RWF, amount reimbursed 110,000 RWF. Thereafter, while the President was sick, other members of the Association wrote a letter on July 17, 1999 to the Burgomaster

stating that they wanted to terminate the association because they were unable to pay the money

4 - Sub-grant N° 910 352 - Abarwanashyaka 2 located in Gabiro Commune sub-grant of 400,000 RWF, amount reimbursed 100,000 RWF The MIGEFASO representative is member of this association

5 - Sub-grant N° 810 354 - ABATANGANA 4 located in Runda Commune after getting 713,000 RWF from the Project, the president disappeared

6 - Sub-grant N° 810 016 - TWIKORERE located in Runda Commune after getting 1,635,000 RWF from WIT, the president disappeared

7 - Sub-grant N° 810 160 - JIJUKA located in Runda Commune amount received 134,000 RWF, a lot of misunderstanding within the association, the president left with the money

8 - Sub-grant N° 910 225 - JIJUKA 1 located in Runda Commune amount received 210,500 RWF, the president left with the money

9 - Sub-grant N° 910 448 - ABADACOGORA located in Murambi Commune amount received 341,500 RWF The funded project was commerce of building material, after they change into small commerce, thereafter they change into commerce of food items and according to the "Communal Supervisor" for the moment the association sells "beer of sorghum" During the visit of June 3, 1999, the "Communal Supervisor" could not find its "by-laws", he could not locate it while it is supposed to be in Kiramuruzi Centre which is close to the Communal Bureau While we were told that the President was in Kigali during our visit, the "Communal Supervisor" could not identify any other member of the Board or another association member

10 - Sub-grant N° 910 623 TUJYINAMA located in Musambira Commune by the field visit, no evidence of existence was found and supposed members visited did not know the association and are located in Nyamiyaga Sector although the file shows that they are in Biiambo Sector Questioned amount 380,000 RWF

11 - Sub-grant N° 910 373 DUKORE located in Musambira Commune which was supposed to multiply sweet potatoes seeds in Nyamuyaga Sector During the field visit the association was not found Questioned amount 455,000 RWF

12 - Sub-grant N° 910 960 DUTERIMBERE located in Mugina Commune the association was not found in the area and the president is supposed to stay in Kigali town Questioned amount 200,000 RWF

F 1 3 Risks arising

WIT funds are embezzled by individual people pretending to form associations

F 1 4 Recommendation N° 14

- WIT Resource Managers should ensure real existence of Associations presented by local authorities,

- Control system should be adapted in the field For example members WIT Finance Team should conduct controls on the field to verify adequate implementation on a regular basis,

- Perform external audits on a an annual basis at the minimum

F 1 5 Management's Comments Concerning Auditor's Report on Compliance

WIT believes it is important to re-emphasize the background and context in which WIT was created In 1994 USAID recognized the vacuum between its relief efforts to save lives and its long-term development programs That recognition was a primary reason that the US Congress supported and created the Office of Transition Initiatives (OTI) USAID Director Atwood said "OTI was designed as a lean, flexible operation capable of targeting the key bottlenecks that keep post-crisis countries from moving forward " The maelstrom of genocide, war mass movements of people continued insecurity, distrust and the lack of the basic needs to survive was the context in which WIT was created WIT's objective was to quickly provide direct grant support to large numbers of vulnerable women to enable them to live, sustain themselves, their families and hopefully begin to re-establish basic relationships, trust and peace within their communities Responding quickly does not mean that WIT acts irresponsibly But it does mean that at times WIT takes risks in making funding decisions based on communal officials' recommendations and guidance Inherent in WIT's method of operation are some of the

problems raised in the auditor's comments. That is the primary reason WIT has tried to show and constantly update the positives and the negatives presented in its project reports and to distribute these reports to all parties -- USAID, BHR/OTI and MIGEPROFE (Ministry). WIT knew some funding mistakes could not be avoided in working with so many vulnerable associations (over 1,500 associations and 171,004 direct beneficiaries) and rural officials in 87 communes. But it felt that the increased hope, the opportunities to nurture reconciliation and the urgency to respond quickly to so many genuine needs were major tenets and part of the recognized risk when Congress launched OTI to finance programs such as WIT in war-torn countries.

Despite WIT's recognition that some controlled risk is required to reach intended beneficiaries, we feel that the very low rate of questioned costs is a testimony to sound procedures and a very high staff commitment. With the recommendations identified by the audit, WIT believes these standards can be maintained and improved. WIT will continue to work with USAID/Rwanda to ensure effective management procedures will seek guidance in determining rates of acceptable risks.

Management Comments concerning section F 1 1 Findings

Point 1 After getting funds from WIT Project, some associations disappear from the area

WIT's comment It is not usual for associations to move from one commune to another. After the war and genocide in 1994, nearly 40% of the population were displaced, became refugees or had been living in exile outside of Rwanda for many years. The return of the latter groups posed innumerable resettlement problems, land and housing issues and consequently frequent relocations. WIT asks associations and commune officials to inform them of relocations of activities. Frequently this information is found during the Monitor's visit. In the majority of the relocations, WIT agrees with the reasons given.

Point 2 Misrepresentation that associations belong to a group while they belong to one individual or sometimes "Communal Supervisors" and MIGEFASO representative at the Commune Level, some of those are questionable

WIT's comment

1 It is the job of the WIT staff in cooperation with communal officials to try and determine if associations are genuine. Associations have to be registered in their commune before they can be considered for funding. Cases exist in which individuals form associations in an effort to obtain funding. Most bogus associations are discovered and not funded, but not all. If they are funded but subsequently detected, WIT works with commune officials to retrieve the funds or bring legal action.

2 The network of associations and organized groups existing throughout Rwanda is extensive and has a long history. Having a family member of a commune official does not exclude registered associations from being funded. If WIT determines that commune officials are supporting or members of bogus associations, WIT suspends funding of activities, reports such cases to the Prefect and Ministry and normally ceases operations in those communes.

Point 3 Some associations have been created only for getting funds from WIT and their members are not aware, yet they received the money.

WIT's comment

Of the 1 519 associations WIT has funded, an estimated 3,000 or more have been denied funding based on WIT's questioning or inquiries of the associations or activities presented.

Management Comments concerning section F 1 2 Facts

Classification of Associations Making Contributions to Communes WIT's sub-grants have primarily funded four project categories: 1) Shelter, 2) Livestock, 3) Agriculture and 4) Income Generating activities. Funds provided to associations for shelter and livestock are awarded based on the vulnerability of the groups and are awarded as sub-grants with no restrictions. At the Ministry's request, sub-grants provided to associations for income generating activities are considered to be conditional grants. Associations capable of working in economic activities, and given the means to do so through WIT funding, return the principal of the sub-grant to communal orphans' funds for school fees. This is regarded as the associations' in-kind contributions to communal social problems as a result of the war and genocide. These contributions also respond to the Ministry's effort to reduce the entitlement mentality, which was prevalent among associations before the war. WIT reports if income generating associations are providing these funds to the communal fund or not, but it is the commune officials' responsibility to follow-up with associations who are not respecting the agreement of the conditional grant, since these officials are the ones who recommended and endorsed the agreement.

1 Sub-grant 810 294 - URUNANA Association - Gabiro Commune - 609,000 Rwf. After getting money from WIT, this association disappeared. For the moment, the Ministry representative does not know where it is.

General comment about WIT's operations in Gabiro Commune The Gabiro Ministry representative was arrested 12/98 for misuse of association funds. In December 1998, WIT suspended any consideration of new activities and reported the existing problems/concerns of associations not respecting their obligations to the Prefect and the Burgomaster.

The Burgomaster agreed to follow up on questioned associations and keeps WIT informed of his actions

WIT COMMENT CONCERNING SUB-GRANT 810 294

1 1 This activity was monitored 9/98. The Monitor's report stated that concerns were raised about the association. WIT discussed the concerns with the Burgomaster and requested that he keep us apprised of the situation.

1 1a On 6/15/99, WIT's Assistant Coordinator and Finance Assistant returned to Gabiro. They reported that the association's president moved to Kigali and took the sub-grant funds. The remaining association members appealed to the Burgomaster. The Burgomaster told WIT that he knows the association president and met her once to discuss the problem. At the time of WIT's visit, the president has made no payments. The Burgomaster said he would continue to seriously pursue the president, even if it means using the law to resolve the issue.

2 Sub-grant 910 360 - TURWA Association - Gabiro Commune - 428,500 Rwf After getting funds, the person disappeared. The MINISTRY representative said that he (should be she Olive Businge) may be in Kigali.

WIT COMMENT

2 1 On 6/15/99, WIT's Assistant Coordinator and Finance Assistant discussed Turwa association with the Gabiro Burgomaster and MINISTRY Representative. The Burgomaster is aware that Turwa association is indeed working in Kigali, and said it is doing well. The MINISTRY representative promised to visit Kigali in the immediate future and show WIT's Monitor where the association is working. The Burgomaster said the association promised to contribute to the communal fund for orphans.

3 Sub-grant 910 231 - DUHAGURUKE Association - Gabiro Commune - 609,000 Rwf An amount of 110,000 Rwf was reimbursed. Afterwards, the association president fell sick and other association members wrote the Burgomaster in July 1999 (should be 7/98) requesting termination of the association because they were unable to repay the remaining funds.

WIT COMMENT

3 1 WIT's Monitor reported internal problems within the association on 9/98

3 2 During WIT's 6/15/99 Gabiro visit, it discussed Duhaguruke association with the Burgomaster and Ministry Representative. It was reported that Duhaguruke's president is sick and used project funds to treat her illness. She has promised to contribute to the communal fund, but it seems unlikely since she remains ill and apparently is not improving. The Burgomaster confirmed that other association members wrote to him saying they wanted to dissolve the association and their obligations under the sub-grant since they are not responsible for the misuse of the project funds.

3 3 WIT is informed that the association's president illness is getting worse and she is not expected to recover. Because of the president's situation, the commune officials do not expect to press charges or collect any of the remaining funds.

4 Sub-grant 910 352 - ABARWANASHYAKA 2 Association - Gabiro Commune - 400,000 Rwf Amount reimbursed, 100,000 Rwf. The MINISTRY representative is a member of this association.

WIT COMMENT

4 1 During 3/98, WIT's Monitor reported that the Ministry Representative had started a fake association and had been imprisoned by the Burgomaster.

4 2 During WIT's 6/15/99 visit, it was reported that the Ministry Representative accepted that she is member of the association. She felt it posed no problem if the association is respecting its agreement to contribute to the communal orphans' fund. Earlier problems of non-payment have been resolved (after she was put in prison) and the association is now doing well and contributing. Two of the original 10 members have left the association. WIT's Assistant Coordinator and Finance Officer visited the association's field/garden (70 x 200 meters). The association has harvested beans and groundnuts remain to be harvested. WIT thought their garden was doing well.

5 Sub-grant 810 354 - ABATANGANA 4 Association - Runda Commune - 713,000 Rwf
After receiving funds, the president disappeared

WIT COMMENT

5.1 The association was monitored on 3/99 and reported that the association was not respecting their agreement. Communal authorities said they would follow up with the association's president.

5.2 On 6/14/99, WIT's Monitor and Resource Manager discussed the case with Runda's Burgomaster and former Ministry representative. Burgomaster and x-representative said they had written three letters to the association to report and explain why they are not respecting their agreement. As of this visit, the association had still not responded to the commune's requests. Burgomaster said if they do not respond, serious measures will be taken. He said the association president is currently out of the country for medical treatment.

6 Sub-grant 810 016 - TWIKORERE Association - Runda Commune - 1,635,000 Rwf
After receiving funds, the president disappeared

WIT COMMENT

6.1 WIT's project data report shows that the association was monitored 2/99. It was only after WIT and communal officials applied pressure that the association made a first payment.

6.2 On 6/14/99, WIT's Monitor and Resource Manager discussed this on-going problem with the Runda Burgomaster. He confirmed that 150,000 Rwf has been repaid by Twikorere. The association is still making bricks and the communal officials said they will continue to monitor and apply pressure for contributions.

7 Sub-grant 810 160 - JIJUKA Association - Runda Commune - 134,000 Rwf
A lot of misunderstanding within the association. The president left with the money.

WIT COMMENT

7.1 The president left the commune due to threats from her husband. WIT staff does not believe she took project funds as reported in the audit draft. The two groups always give several versions of how the funds were used as well as varying opinions of the former president. Her efforts to pass by WIT to give updates and request help to solve the associations' problems were commendable and didn't indicate the actions of someone with vengeful intentions.

7.2 The project was monitored on 2/98 and indicated a lot of distrust and dissension within the association. This association has been monitored and visited on several occasions by WIT staff.

7.3 WIT had initial reservations about funding this association because of its apparent lack of organizational skills and management capabilities. The majority of the group had returned from exile from the K-Zaire refugee camps (10/97) and commune officials (at that time) insisted that no organization or donor were responding to the association's requests and that the Bwatwa (Pygmies) felt abandoned, neglected and desperate just to get by. Commune officials said that if WIT would help fund their activities they would work closely with the group. They appeared not to and the divisions within the Jyuka appeared to negate efforts to assist or provide guidance.

7.4 WIT Monitor and Resource Manager visited the associations and commune officials on 6/14/99. They reported both associations of the Bwatwa (pygmies) live in one sector. When requesting funding they were one group, but divided into two. They were funded for agriculture and pottery. Because of their lack of organization, they have always had problems, which WIT and communal officials are very much aware of. The funds they got in large part were apparently used for the intended purposes.

7.5 Jyuka's president visited the WIT office on several occasions after receiving funds. She asked for help and guidance to resolve internal problems and distrust within the association. Some Jyuka association members were suspicious she had profited from the project funds. She showed WIT receipts for two bicycles (about 100,000 Rwf) she purchased plus a tool for the association. The last time she passed by WIT she told the Resource Manager that she was being beaten and threatened by her husband and would be moving to another prefecture.

8 Sub-grant 910 225 - JIJUKA 1 Association - Runda Commune - 210 500 Rwf. A lot of misunderstanding within the association, the president left with the money.

WIT COMMENT

8.1 The reasons given above for sub-grant 810 160, also apply to this association. Both associations (Jyuka and Jyuka 1) of the Bwatwa (pygmies) live in one sector. When requesting funding they were one group, but divided into two to work with separate activities. WIT verified that Jyuka's president was the only group member who could read or write. Thus she managed and controlled funding for both associations. Jyuka was funded for pottery and Jyuka 1 for agriculture.

9 Sub-grant 910 448 - ABADACOGORA Association - Murambi Commune - 341,500 Rwf The project was funded for building materials Afterwards, they changed to small commerce They changed their activity again to food items and now sell sorghum beer During the audit visit of 6/3/99, the supervisor could not locate the project by-laws Auditors were told the association president was in Kigali and that the "Supervisor" did not know any board or association members

WIT COMMENT

9.1 On 6/15/99, Assistant Coordinator and Finance Officer visited the association The Assistant Coordinator reported We visited Abadacogora of Murambi commune and met the president of this association, Madame Uwimana Glorioso

9.2 She told WIT that the activities are going on well and they have so far contributed 50,000 Rwf The 50 000 Rwf was given in December 1998 and no more contributions have been made since then She however assured WIT that they were going to repay the remaining amounts in two months

9.3 Their first activity was selling building materials Later they changed to selling sorghum beer, which they are still doing and she says they are making good profits She also showed us the premises from where they operate They work on Tuesday and Saturday (market days)

9.4 The association started with eight members One of them moved to Butare Four more dropped out The president said the four wanted to share the project funds, but she refused, and they left None of those who left the association took any funds The president assured WIT that the activity is doing well and she will happily provide the full amount in two months time

10 Sub-grant 910 623 - Tujyimana Association - Musambira Commune - 380,000 Rwf No evidence existed of the association or members The association is located in Nyamiyaga sector, although the file shows they are in Birambo sector

WIT COMMENT

10.1 WIT Monitor and Resource Manager visited association on 6/14/99 WIT confirms that the association is located in Birambo sector, not Nyamiyaga where the auditor visited WIT reports that the association is doing well and the activity is on-going The association is respecting their agreement

11 Sub-grant 910 373 - Dukore Association - Musambira Commune - 455,000 Rwf
Supposed to multiply sweet potatoes seeds in Nyamiyaga sector During the field visit, the association was not found

WIT COMMENT

11 1 The association's activity was monitored on 10/98

11 2 Monitor's report showed that much of the cassava in the sector was affected with a mosaic virus WIT took an NGO (World Vision) agronomist to visit the association's field The agronomist advised the association to uproot their cassava and replant

11 3 WIT Monitor and Resource Manager visited the association The association confirmed they had received the funds from WIT for sweet potatoes Because of low prices for sweet potatoes, they reported to WIT they would change to cassava, and WIT agreed These changes are shown in the association's latest report to WIT (see file) The association uprooted the infected cassava but said they found and replanted non-infected stock from Mugina commune The project is on-going since the harvest of cassava takes 18 to 24 months

12 Sub-grant 910 960 - Dutembere Association - Mugina Commune - 200,000 Rwf The association was not found in the area and the president apparently lives in Kigali

WIT COMMENT

12 1 WIT concurred with the auditor's finding WIT's Monitor and Finance Officer visited the commune and met with the new Burgomaster, Councillor and the former MINISTRY representative It was confirmed by the x-MINISTRY representative that he and the x-Burgomaster (now in prison) signed for this fake association

12 2 The new Mugina Burgomaster has pursued the individual The women who received the funds was found in Kigali She was threatened with arrest In July 1999, she repaid 30,000 to Mugina's orphans fund WIT was told by the new Mugina Ministry representative that she repaid an additional 30,000 in August 1999

Management's Chart Concerning Status of Questioned Associations

Grant # / Commune Association	Amount Rwf	Stok	Repaid or Repaying	Legal Action	Commune Pursuing	Expect Recovery	Write Off	Association respecting agreement
810 016/Runda Twikorere	1,635 000		repaying 150 000		X			
810 160/Runda Jjuka	134 000						X	
810 294/Gabiro Urunana	609 000	X		X	X			
810 338/Ntongwe Dufat inge 9	2nd ck issued 183 500	X	repaying 45 080	X				
810 339/Ntongwe Urumuri 2	460 500	X		X	X			
810 354/Runda Abatangana	713 000	X		X	X			
910 225/Runda Jjuka I	210,500						X	
910 231/Gabiro Duhguruke	609,000		repaid 110,000		X		X	
910 232/Kanombe Abishyizchamwe	2nd ck issued 1,800,000	X		X		X		
910 241/Rukara Twisungane	2nd ck issued 2,856 000	X		X		X		
910 352/Gabiro Abarwanashyaka	400 000		repaying	X	X	X		
910 360/Gabiro Turva	428,500				X	X		
910 373/Musambira Dukore	455 000					X		X
910 448/Murambi Abadacogora	341,500		repaying 50,000			X		X
910 623/Musambira Tuyinama	380 000					X		X
910 960/Mugina Duterimbere	200,000		repaying 60,000		X	X		
Total	11,415,500							

Management Comments concerning section F 1 4 Recommendation # 14

1 WIT feels that its Resource Managers make maximum efforts to ensure that true associations benefit. The fact that a very small percentage of WIT's total project expenditures are questionable reflects the Resource Managers' efforts to ferret out bad associations, as well as irresponsible commune officials.

2 WIT would prefer to discuss F 2 4 point 2 with USAID/Rwanda to reach to a decision. The recommendation by DevTech Systems evaluation team that another full-time monitor be hired seems more realistic and practical.

3 WIT agrees with F 2 4, point 3, concerning the external audit and will work with USAID to determine whether an annual audit would be sufficient.

F 1 5 1 Management's Comments Concerning Funding Questionable Associations

1 WIT has averaged at least two meetings per its targeted prefectures in 1998-99 and numerous communal meetings with appropriate communal officials. At the prefecture level, Prefets, communal Burgomasters, ministry representatives and other appropriate authorities are invited. These meetings are a means to explain WIT criteria for funding, problems encountered with associations and officials, respond to questions and provide project data sheets for each commune with status/observations on each funded association/activity.

2 If WIT's monitoring reports determine or suspect that communal officials are supporting questionable or fake associations, WIT has suspended funding of further activities and reported its reasons to the appropriate Prefet and the Ministry in Kigali. Of over 1,500 projects funded by WIT, probably more than 3,000 have been denied funding based on WIT's questioning or inquiries of the associations or activities presented.

3 For the various reasons mentioned above, WIT suspended funding activities in the following prefectures - communes

Gikongoro - Kinyamakara

Kigali-Rural - Bicumbi

Kigali-Rural - Mugambazi

Gitarama - Nyamabuye

Gitarama - Kayenzi

Gitarama - Mukingi

Kibungo - Rutonde
Kibungo - Buenga
Kibungo - Sake
Umutara - Gabu o
Umutara - Nyagatare
Byumba - Kivuye
Byumba - Cyumba
Byumba - Kiyombe

F 1 6 Audit Comment

Findings about questionable associations are based on Management periodic reports and on results of inquiries on the field. Some of the facts which have been described come from the column entitled "Status/observations Updated 29 April 1999" of WIT Projects Report, the audit confirmed these facts by visits on the field. The validity of these associations shall be verified in the next audit.