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FROM THE AMERICAN PEOPLE

OFFICE OF INSPECTOR GENERAL

Audit of USAID Resources Managed by the Agency for the Development of Social Marketing (ADEMAS) under the Decentralized Quality Health Services Program in Senegal (No. 685-0309-00) for the Period September 3, 2003 to December 31, 2004

AUDIT REPORT NO. 7-685-06-001-N
AUGUST 31, 2006

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

DAKAR, SENEGAL



USAID

FROM THE AMERICAN PEOPLE

Office of Inspector General

August 31, 2006

MEMORANDUM

To: USAID/Senegal Director, Olivier Carduner

From: RIG/Dakar, Nancy Toolan *Nancy Toolan*

Subject: Audit of the USAID Resources Managed by the Agency for the Development of Social Marketing (ADEMAS) under the Decentralized Quality Health Services Program in Senegal (No. 685-0309-00) for the period September 3, 2003 to December 31, 2004; (Audit Report No. 7-685-06-001-N)

Please find attached one copy of the subject financial audit report covering USAID resources managed by the Agency for the Development of Social Marketing (ADEMAS) under the Decentralized Quality Health Services Program in Senegal (No. 685-0309-00) for the period September 3, 2003 to December 31, 2004. The audit was conducted by the public accounting firm of Cabinet Aziz Dieye of Dakar, Senegal.

The USAID Regional Inspector General in Dakar, Senegal reviewed the report and found that the audit generally met the requirements of the U.S. Government Auditing Standards issued by the Comptroller General of the United States.

In September 2003, USAID/Senegal signed a cooperative agreement with ADEMAs for the purpose of providing an amount of \$4,486,503 in support for ADEMAs' program in using social marketing techniques to stimulate consumer demand for health products. ADEMAs is a non-profit local association, created in 1998, which works in close collaboration with the private sector in Senegal to improve the nation's health. Under the agreement with USAID/Senegal, ADEMAs currently markets PROTEC condoms and SECURIL oral contraceptives. The audit covered \$877,906 in disbursements made by ADEMAs.

The objectives of the audit were to: (1) express an opinion on whether ADEMAs' fund accountability statement was presented fairly, in all material respects; (2) evaluate ADEMAs' internal control structure related to USAID funds; (3) determine whether ADEMAs complied with agreement terms and applicable laws and regulations; and (4) determine whether ADEMAs has taken adequate corrective actions on prior audit report recommendations.

U.S. Agency for International Development
Ngor Diarama
Petit Ngor
BP 49
Dakar, Senegal
www.usaid.gov

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

Cabinet Aziz Dieye concluded that the fund accountability statement presented fairly, in all material respects, program revenues, costs incurred and reimbursed, and commodities and technical assistance directly procured by USAID in accordance with the terms of the agreements and in conformity with the cash basis of accounting. However, the auditors found questioned costs totalling \$455, which consisted of ineligible payments of penalties and value added taxes. In reporting on internal controls, Cabinet Aziz Dieye noted several weaknesses such as undue payment of penalties and taxes, irregular frequency of the meetings of ADEMAs' board of directors, and the lack of documentation of these meetings. However, none of the reportable conditions found was considered material. Concerning compliance, Cabinet Aziz Dieye noted no material instances of noncompliance. Since this was the first audit of ADEMAs, the auditors performed no follow-up work on prior audit recommendations. Also, the auditors noted that the agreement did not require costs sharing contributions from ADEMAs.

In its response to the draft audit report, ADEMAs generally agreed with the auditors conclusions.

Based on our review of the audit report, we are not making any recommendations for inclusion in USAID's Consolidated Audit Tracking System. However, please note that USAID/Senegal should make a determination on the allowability of all questioned costs in the audit report.

We appreciate the cooperation and assistance USAID/Senegal extended to the auditors during the course of the audit.

**United States Agency for International Development
(USAID)**

**Audit of the USAID Resources Managed by the ADEMAs under the
Decentralized Quality Health Services Program in Senegal**

N° 6850309-00

for the Period September 3, 2003 to December 31, 2004

March 2006

To the Regional Inspector General

**USAID
BP 49**

DAKAR

Dakar, March 27th 2006

Dear Sir :

In pursuance of the above-mentioned audit assignment entrusted to us by USAID with respect to the USAID resources managed by ADEMAs, we are pleased to submit to you our financial audit report.

Our report is divided into five sections:

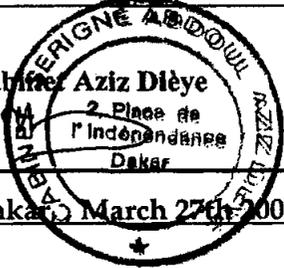
- PART I : SUMMARY**
- PART II : INDEPENDENT AUDITOR'S REPORT ON THE FUND ACCOUNTABILITY STATEMENT**
- PART III : INDEPENDENT AUDITOR'S REPORT ON THE INTERNAL CONTROL**
- PART IV : INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH GRANT AGREEMENT TERMS AND APPLICABLE LAWS AND REGULATIONS**
- PART V : REPORT ON THE COST SHARING SCHEDULE**
- PART VI : FOLLOW UP OF PRIOR RECOMMANDATIONS**

.../...

We would like to thank you together with your staff for all the cooperation extended to us in the course of our assignment.

Should you require further information, please feel free to contact us.

Yours sincerely,

Circular stamp with the name "M. ERIGNE ABDOU AZIZ DIÈYE" around the perimeter and a star at the bottom. The text inside the stamp reads: "M. ERIGNE ABDOU AZIZ DIÈYE", "2, Place de l'Indépendance", "Dakar".

Cabfite Aziz Dièye
2, Place de
l'Indépendance
Dakar

Dakar, March 27th 2006

AUDIT OF ADEMAs
N° 685-A-00-03-00118-00

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SUMMARY

	<u>Pages</u>
- PART I : INTRODUCTION	5
- PART II : INDEPENDENT AUDITOR'S REPORT ON THE FUND ACCOUNTABILITY STATEMENT	12
- PART III : INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL	19
- PART IV : INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH AGREEMENT TERMS AND APPLICABLE LAWS AND REGULATIONS	27
- PART V : REPORT ON THE COST SHARING SCHEDULE	30
- PART VI : FOLLOW UP OF PRIOR RECOMMANDATIONS	32

PART I
INTRODUCTION

INTRODUCTION

The Agency for the Development of Social Marketing (ADEMAS), supported by USAID, is a non-profit local association, implementing the Commercial Market Strategies (CMS) Project in Senegal since 1999. Its objective is to improve the family well-being and quality of life.

The audit exercise concerns the USAID/ADEMAS Cooperative Agreement n° 685-A-00-03-00118-00 covering the period from September 2003 through September 2006.

As part of this agreement, ADEMAS aims at extending the social marketing of PROTEC condoms and SECURIL oral contraceptives and also at stimulating consumer demand for reproductive health products, by introducing and promoting the injectable contraceptives in the private medico-pharmaceutical sector.

The program is in line with the health strategy defined by the Government of Senegal and supported by USAID which aims at increasing the use of health services and products, especially for the reproductive health and ST/HIV/AIDS prevention.

The program contributes to the achievement of the key intermediate results of the health strategic objective related to the increased and sustainable use of quality reproductive health services.

In particular, two major objectives are concerned:

- The increase of the supply of reproductive health services and products (family planning and ST/HIV/AIDS prevention) in the private sector :
 - by strengthening the social marketing program related to PROTEC condoms ;
 - by strengthening the social marketing program related to SECURIL oral contraceptives ;
 - by expanding the reproductive health product line to include injectable contraceptives.

- The stimulation of reproductive health and services supply and demand in the private sector through :
 - Training sessions of suppliers and points of sale managers ;
 - Activities of promotion/advertising and sensitization;
 - IEC/BCC;
 - Research.

The ADEMAs/USAID program covers the whole national territory.

Below is the budget of the grant agreement signed in September 2003 for an amount of USD 4,486,503:

Budget categories	Sept-Dec 03	Jan-Dec 04	Jan-Dec 05	Jan-Dec 06
A.Managmnt/Person	94,573.66	322,732.62	338,869.25	246,331.87
B.Other direct costs	75,683.07	141,148.00	148,572.9	130,355.69
C.Equipt & Vehicle	48,307.69	52,307.69	15,384.61	
D.« Protec » Activ	270,645.67	391,447.07	497,101.23	346,251.76
E. « Sécuril » Activ	99,917.54	223,541.07	321,179.66	252,577.36
F. « Injectable » Act	37,150.00	75,346.15	194,091.38	162,637.40
TOTAL	626,277.64	1,206,872.61	1,515,199.05	1,138,154.11

During the period from 03 September 2003 through 31 December 2004, ADEMAs reported disbursements amounting to USD 877,908.

THE AUDIT OBJECTIVES

The objective of the engagement is to conduct a financial audit of the costs in accordance with the generally accepted auditing standards and in accordance with U. S. Government Auditing Standards, especially in accordance with the requirements contained in the USAID Office of Inspector General's Guidelines for Financial Audit contracted by Foreign Recipients.

The specific objectives of the audit of USAID funds are to :

- 1°/ Express an opinion on whether the fund accountability statement for the period September 3, 2003 to December 31, 2004 presents fairly, in all material respects, project revenues received, costs incurred, in conformity with the terms of the agreements and generally accepted accounting principles ;
- 2°/ Evaluate and obtain sufficient understanding of ADEMÁS's internal control structure, assess control risk, and identify reportable conditions, including material internal control structure weaknesses;
- 3°/ Perform tests to determine whether ADEMÁS complied, in all material respects, with applicable agreement terms, laws and regulations. All material instances of noncompliance and all indications of illegal acts will be identified.

Audit scope

The audit has been performed in accordance with U.S. Government Auditing Standards and has covered the local costs incurred by ADEMÁS during the period from 03 September 2003 through 31 December 2004. The total expenditures for this period stand at FCFA 487,239,070 (USD 877,908).

In practice, the audit work has been carried out in the following manner:

Gaining understanding of the basic documents listed below:

- the grant agreement ;
- the financial and administrative procedures manual ;
- the by-laws
- the financial reports
- the reports on activities
- the plan of action
- the budget
- etc.....

Audit tasks performed

- Review and evaluation of the internal control system of ADEMÁS. Tests have been conducted in order to determine whether internal control procedures have been established and whether they are applied in a satisfactory manner;
- Verification of the expenditures made by ADEMÁS with the view to determining whether the costs incurred are allowable, allocable and reasonable under the agreement terms;
- Ascertain that the funds put at the disposal of ADEMÁS have been utilised in accordance with the laws, regulations and agreement terms.

Audit results

The audit work we have performed has led to the following findings:

FUND ACCOUNTABILITY STATEMENT

Costs amounting to FCFA 252,525 (USD 455) have been questioned. They are made up of non authorized expenditures in the amount of FCFA 175,243 (USD 315.75) and unaccounted for expenditures in the amount of FCFA 77,282 (USD 139).

However in our opinion, the found accountability statement presents fairly, in all material respects, program revenues, costs incurred and reimbursed, and commodities and technical assistance directly procured by USAID in accordance with the terms of the agreements and in conformity with the basis of accounting described in note 1 to the Fund Accountability Statement.

INTERNAL CONTROL

Below are listed the weaknesses we have detected during our audit work in the internal control system:

- ❖ Payment of VAT for FCFA 77,282
- ❖ An irregular frequency of the Board meetings and no documenting of the Executive Bureau meetings with minutes of meetings.

COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS

The results of our tests disclosed no material instances of noncompliance that are required to be reported here under *U.S. Government Auditing Standards*.32.

COST SHARING

The grant agreement did not require any Cost Sharing contribution for ADEMAs.

FOLLOW UP

This is our first audit in ADEMAs, so that we don't have any follow up to perform.

NOTA

After submission of the draft report to ADEMAs, the following weaknesses have been explained and resolved:

1. Miscalculation of salary taxes of local employees recruited during the course of the year Condition

Our tests have permitted us to detect anomalies in the calculation method of the annual income taxes for the local employees recruited during the course of the year. The calculation is done in fact by applying the prorata temporis basis system according to the duration of service instead of applying the official annual reckoner as stipulated by laws and regulations. This calculation method of taxes has resulted in the reduction of salary taxes paid for the FY 2004 and, therefore, the payment of excess amount (FCFA 813,238) of salary

2. PROCUREMENT PROCEDURE

Condition

The verification tests that we have conducted have revealed that limited consultations have been systematically proceeded with instead of advertised tender calls.

PART II :

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

**To the Regional Inspector General
USAID
BP 49**

DAKAR

PART II

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

=====

We have audited the Fund Accountability Statement of ADEMAs for the period from September 3, 2003 through December 31, 2004.

The Fund Accountability Statement is the responsibility of ADEMAs Management. Our responsibility is to express an opinion on the statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and U.S. Government Auditing Standards issued by the Comptroller General of the United States. These 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 tests basis, evidence supporting the amounts and disclosures in the Fund Accountability Statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Fund Accountability Statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in the note 1 to the fund accountability statement, ADEMAs's fund accountability statement was prepared on a cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

.../...

In our opinion, the Fund Accountability Statement presents fairly, in all material respects, program revenues, costs incurred and reimbursed, and commodities and technical assistance directly procured by USAID in accordance with the terms of the agreements and in conformity with the basis of accounting described in note 1 to the Fund Accountability Statement.

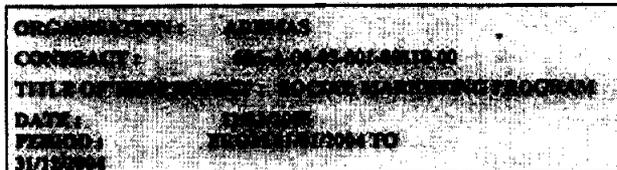
In accordance with US Government Auditing Standards, we have also issued our reports dated December 21, 2006, on our consideration of ADEMAs's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations. Those reports are an integral part of an audit performed in accordance with U.S. Government Auditing Standards and should be read in conjunction with this Independent Auditor's Report in considering the results of our audit.

This report is intended for the information of ADEMAs 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.



« **FUND ACCOUNTABILITY STATEMENT** »

January 2004 to december
2004



Budget line items	Budget 2003 - 2006	Actual 2004	Questionned costs	Unsup ported	Reference Notes
Fund received		937,272			
Administration	1,002,507	204,923	315.75		5
Other direct costs	496,110	143,996	139.24		5
Equipment & vehicles	116,000	126,471			
Protec activities	1,505,446	295,560			
Securil activities	897,216	106,906			
Injectable activities	469,224	50			
TOTAL	4,486,503	877,906			
BALANCE AT 31/12/04		59,366			
BANK BALANCE		59,364			
outstanding fund balance		2			

NOTA

The outstanding balance of 2 U S \$ is caused translation calculation between dollar and CFA.

STATEMENT OF FUNDS RECEIVED IN 2004 (USD)

ORGANISATION			
COMPTES			
PROJET			
DATE			
PERIODE			
N° Chèque	Date	Origine	Montant
# 0013900	23/01/2004	USAID	58,571.59
# 0013901	23/01/2004	USAID	136,324.56
# 0013911	23/01/2004	USAID	224,871.92
# 0021676	30/07/2004	USAID	27,709.53
# 0023335	10/09/2004	USAID	220,523.57
# 0024944	22/10/2004	USAID	104,069.61
# 0026147	26/11/2004	USAID	57,245.60
# 0026146	26/11/2004	USAID	7,691.25
# 0027394	17/12/2004	USAID	70,059.29
Sub Total Funds USAID			907,066.95
# 4870358	12/10/2004	RDF	30,205.40
Sub Total Fonds Activities			30,205.40
Total Fonds Received			937,272.36

NOTES TO THE FUND ACCOUNTABILITY STATEMENT

NOTE 1: Accounting principles

The Fund Accountability Statement was prepared on the cash basis accounting system which is a comprehensive basis of accounting other than generally accepted accounting principles. The expenditures are recorded only at the moment of cash disbursements.

The statement of expenditures has been established based on the monthly financial reports sent to USAID-Dakar by ADEMÁS.

The expenditures not justified for consist of expenditures recorded in advance in the accounts while awaiting the receiving of the corresponding supporting documentation.

NOTE 2: Conversion in US \$

The expenditures made during the period under review are converted at the exchange rate of 1 US \$ = 555 F CFA.

NOTE 3: Revenues

They are made up of fund transfers received from USAID during the period under review.

They amount to **FCFA 520,186,162 (USD US\$ 937,272)**

NOTE 4: Expenditures

During the period under review, ADEMÁS has made expenditures totalling **FCFA 487,239,070 (US\$. 877,908)** detailed as below:

I ADMINISTRATION	113,732,268
II OTHER DIRECT COST	79,917,828
III EQUIPEMENT & VEHICLES	70,191,820
IV ACTIVITIES PROTEC	164,036,093
V ACTIVITIES SECURIL	59,333,100
VI ACTIVITIES INJECTABLE	27,966

**PART III:
INDEPENDENT AUDITOR'S REPORT ON
THE INTERNAL CONTROL SYSTEM**

**To the Regional Inspector General
USAID
BP 49**

DAKAR

PART III

**INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL**

=====

We have audited the Fund Accountability Statement of ADEMAs for the period September 3, 2003 to December 31, 2004 and have issued our report thereon dated March 21, 2006.

We conducted our audit in accordance with generally accepted auditing standards and U.S. Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statement is free of material misstatement. The management of ADEMAs is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures.

The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that the assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of Fund Accountability Statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

.../...

In planning and performing our audit, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the Fund Accountability Statements and not to provide assurance on the internal control structure. We do not express such opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants (AICPA).

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgement, could adversely affect the recipient's ability to record, process, summarize and report financial data consistent with the assertions of management in the Fund Accountability Statement.

Our evaluation and testing of ADEMÁS's internal control disclosed the following weaknesses, none of which was considered to be a material weakness:

- ❖ Payment of VAT for FCFA 77 282
- ❖ An irregular frequency of the Board meetings and no documenting of the Executive Bureau meetings with minutes of meetings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the Fund Accountability Statement being audited 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 considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described above is a material weakness.

We also noted other matters involving internal control and its operation that we have reported to the management of ADEMÁS in a separate letter dated January 27, 2006.

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



Dakar, March 27th 2006

REPORTABLE CONDITIONS AND RECOMMENDATIONS

1. Payment of penalties and of VAT

Condition

The verifications that we have done on the accounting records have permitted to note that ineligible costs in an amount of FCFA 252 525 (USD 455) have been paid :

a) Payment of penalties due to the late payment of contributions to the Social Security Provident Fund and of income taxes for a total amount of F CFA 175 243 (USD315.75). They are specifically related to :

- Withheld at source salary taxes regarding the month of August 2004 : 137 453 FCFA.
- Contributions to Social Security for the month of January 2004 : 16 116 FCFA
- Contributions to Social Security for December 2004 : 21 674 FCFA

b) Payment of VAT for FCFA 77 282 on the following invoices :

- SDE (water)..... 16 494 FCFA
- MATELEC supplier 60 788 FCFA

Criteria

No tax or penalty should be paid under the grant agreement.

Cause

- a) The agency did not pay the contributions in time.

- b) The agency get a tax exemption but the contract with the water company was made on the name of the former owner of the building.

Effect

These expenditures are made in violation of the grant agreement and therefore are unallowable.

Recommendation

We recommend to ADEMÁS Management to reimburse these ineligible costs to USAID. In addition, ADEMÁS should take the necessary measures in order to prevent payment of VAT on the one hand and, on the other, payment of penalties in the future by making timely payments of salary taxes and of social contributions.

Management comments

Payment of penalties (FCFA 137 453) on late payment of withheld-at-source salary taxes regarding the month of August 2004.

The late payment of the salary taxes has been caused by a dearth of cash beyond our control. In fact, our request for fund advance for the month of August 2004 that we had submitted on 19 July 2004 did not receive a positive response from USAID.

The salary taxes withheld at source for the month of August 2004 is in a total amount of **FCFA 2 750 800**. It should have been paid to the Senegalese Government Treasury by the deadline of 10 September 2004. At that time, as at 31 August 2004, the balance of our bank account was **FCFA 1 275 733**.

Not only we could not pay the salary taxes withheld at source, but we could not either pay for the contributions to the Retirement Plan and Social Security Scheme related to the same month of August 2004.

We knew that penalties would be imposed on us but there was nothing we could do.

The cheque for the repayment of the salary taxes was issued only after receiving on the date of 16 September 2004 the fund advance cheque of **FCFA 122 390 582**.

Payment of penalties (FCFA 16 116) on late payment of contributions to the Social Security Scheme for the month of January 2004.

The delay in the payment of Social Security contributions for the month of January 2004 is caused by the fact that the initial funds for the programme were released only in February 2004. It is only in this period that the salaries were paid, resulting of course in late payment of contributions to the Social Security Scheme.

Payment of penalties (FCFA 21 674) on late payment of contributions to the Social Security Scheme for the month of December 2004.

The penalties result from the deficit of cash (cf. point 1.1. above). We received the notification of penalties for the month of August 2004 in December 2004 including monthly fines from August to December 2004.

Payment of VAT on SDE invoices for water (FCFA 16 494) and on MATELEC invoice (FCFA 60 788).

Regarding SDE, the subscription is in the name of the landlord. We made in the past, without any success, moves in order to get the subscription in the name of ADEMÁS. We will soon resume our actions and apply for the transfer of the subscription to the name of ADEMÁS.

As for the MATELEC invoice, the VAT had been inadvertently paid inclusively. It might have been caused by the urgency of the situation due to frequent power failures in the building. The VAT amount represents less than 0.02 % of the total expenditures for the year 2004.

2 Working of ADEMÁS governing bodies

The verification tests that we have conducted over the working system of ADEMÁS governing bodies have led us to the following observations:

Condition :

- a) The Board of Directors meets only once a year.
- b) No documenting of the Executive Bureau meetings with minutes of meetings.

Criteria :

- a) The Board of Directors should meet at least twice a year as indicated in the manual of Procedures.
- b) The decisions taken by the Executive Bureau should be documented by means of written minutes of meetings.

Cause

- a) The management did not follow the rules of the manual of procedures.
- b) The management did not comply with the local regulations

Effect :

- a) Such a situation does not permit to ADEMÁS to benefit from the intellectual advice of the Board members.
- b) The absence of minutes of meetings does not permit to perform a better follow-up over the decisions taken by the Executive Bureau.

Recommendation :

- a) Since the roles of the Board are crucial for the achievement of ADEMÁS objectives, we recommend to Management to see that Board meetings are compulsorily held more frequently.
- b) ADEMÁS governing bodies should document their meetings through minutes of minutes.

Management comments

- a) ADEMÁS Board of Directors is composed of five members, one of whom resides abroad and two of whom are regularly on travel out of Dakar or Senegal for professional reasons. We are looking for solutions consisting in planning and convening the meetings long ahead of time.
- b) The necessary steps are taken in such a manner that minutes of meetings will be systematically prepared.

PART IV
REPORT ON COMPLIANCE WITH
AGREEMENT TERMS AND APPLICABLE
LAWS AND REGULATIONS

**TO THE REGIONAL INSPECTOR GENERAL
DE L'USAID
BP 49
DAKAR**

PART IV

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

=====

We have audited the fund accountability statement of ADEMAs as of and for the period from September 3, 2003 through December 31st, 2006, and have issued our report on it dated March 21, 2006.

We conducted our audit in accordance with *U.S. Government Auditing Standards* issued by the Comptroller General of the United States.

Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statement is free of material misstatement resulting from violations of agreement terms and laws and regulations that have a direct and material effect on the determination of the fund accountability statement amounts.

Compliance with agreement terms and laws and regulations applicable to ADEMAs is the responsibility of ADEMAs's management. As part of obtaining reasonable assurance about whether the fund accountability statement is free of material misstatement, we performed tests of ADEMAs'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.

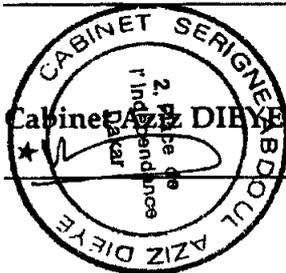
We noted certain immaterial instances of noncompliance that we have reported to the management of ADEMAs in a separate letter dated March 21st, 2006.

This report is intended for the information of ADEMAs and the U.S. Agency for International Development (USAID). However, upon release USAID, this report is a matter of public record and its distribution is not limited.

.../...

The results of our tests disclosed no instances of noncompliance that are required to be reported here under *U.S. Government Auditing Standards*.³²

This report is intended for the information of ADEMAs and the U.S. Agency for International Development (USAID). However, upon release USAID, this report is a matter of public record and its distribution is not limited.



Dakar, January 27, 2006

PART V
REPORT ON THE COST SHARING
SCHEDULE

The grant agreement did not require any Cost Sharing contribution for ADEMAs.

**PART VI
FOLLOW UPOF PRIOR
RECOMMANDATIONS**

This is our first audit in ADEMAs, so that we don't have any follow up to perform.

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