

PD-ABC-478

on 70426

**Audit of
the Hurricane Hugo Disaster
Rehabilitation Project
Components Managed by the Ministry of
Agriculture of the Commonwealth
of Dominica**

**Audit Report No. 1-538-90-50-N
July 30, 1990**

AGENCY FOR INTERNATIONAL DEVELOPMENT

U. S. MAILING ADDRESS
RIG/T
APO MIAMI 34222

OFFICE OF THE REGIONAL INSPECTOR GENERAL
AMERICAN EMBASSY
TEGUCIGALPA - HONDURAS

TELEPHONES:
32-9987 - 32-3123
FAX No. (504) 31-446

July 30, 1990

MEMORANDUM

TO: Regional Development Office/Caribbean Director,
Aaron Williams

FROM: *R Howard*
RIG/A/T, Reginald Howard

SUBJECT: Audit of the Hurricane Hugo Disaster Rehabilitation
Project Components Managed by the Ministry of Agriculture
of the Commonwealth of Dominica

This report presents the results of a non-Federal financial audit of the Hurricane Hugo Disaster Rehabilitation Project, Regional Development Office/Caribbean (RDO/C) Project No. 538-0175, components managed by the Ministry of Agriculture of the Commonwealth of Dominica for the period September 20, 1989 to March 31, 1990. The accounting firm of Price Waterhouse prepared the report which is dated June 21, 1990.

This is one of four reports on the entities within the Commonwealth of Dominica that implemented the project. The purpose of the project was to provide emergency relief to certain East Caribbean Islands including Dominica which were devastated by Hurricane Hugo on the weekend of September 17, 1989. Emergency funds of US\$1,900,000 were authorized for agricultural and fishing industry rehabilitation activities under the project which included US\$1,450,000 for fertilizer procurement, US\$300,000 for the procurement of other inputs for banana and other crops, and US\$150,000 for fishing industry rehabilitation activities. The Ministry of Agriculture was responsible for all these funds, however, it directly managed only the latter two activities, delegating to the Dominican Banana Marketing Corporation its responsibility to procure and distribute fertilizer.

This report includes coverage of the US\$1,883,277 that was spent within the amounts authorized. However, only US\$438,746 relates to activities managed directly by the Ministry with the remaining \$1,444,531 relating to activities managed by the Corporation.

directly by the Ministry with the remaining \$1,444,531 relating to activities managed by the Corporation.

The purpose of the audit was to report on (1) the fairness of the fund accountability statement for the project components implemented by the Ministry of Agriculture, (2) the Ministry's internal control structure with respect to project operations, and (3) its compliance with agreement terms and applicable laws and regulations.

Price Waterhouse issued an unqualified opinion on the fund accountability statement for the project components managed by the Ministry. However, there were questionable costs identified in the amount of US\$9,667 which represented short shipments of fertilizer for which insurance claims were not made. With respect to the Ministry's internal control structure, Price Waterhouse found that it was adequate for project operations. With respect to compliance with agreement terms and applicable laws and regulations, Price Waterhouse identified certain nonmaterial instances of noncompliance including that fact that US\$150,000 worth of equipment, supplies, and other items either had not been received or had not been distributed a month and a half after the project's completion date.

The draft report was discussed with the Ministry of Agriculture of Dominica on June 1, 1990 and with RDO/C representatives on June 7, 1990. Both generally concurred with all findings and recommendations.

The Price Waterhouse report contains four recommendations on compliance with applicable laws and regulations. We have summarized the most significant recommendations for inclusion in the Office of the Inspector General's audit recommendation follow-up system.

Recommendation No. 1

We recommend that Regional Development Office/Caribbean negotiate a settlement with the Government of the Commonwealth of Dominica for US\$9,667 in questionable costs included in the Price Waterhouse report dated June 21, 1990 representing payments made for fertilizer that was not delivered.

Recommendation No. 2

We recommend that Regional Development Office/Caribbean provide "in-house monitoring" of the ultimate receipt and delivery of project equipment, supplies, and other items to ensure that:

- a. marine equipment with an approximate value of US\$50,000, that is paid for but not yet delivered, is received by the Ministry of Agriculture of Dominica and subsequently is delivered to appropriate project beneficiaries, and

- b. fishing equipment and supplies with a value of approximately US\$10,000 and other items for crop rehabilitation totaling approximately US\$90,000, that have been received but not yet distributed, are distributed to appropriate project beneficiaries.

These matters were discussed in the Price Waterhouse report dated June 21, 1990.

Please advise this office within 30 days of actions planned or taken to clear the recommendations.

Audit of The Hurricane Hugo Disaster Rehabilitation Project

**Components managed by The Ministry of Agriculture of
the Commonwealth of Dominica**

USAID/RD0/C Project No. 538-0175

As of March 31, 1990



**Audit of the Hurricane Hugo Disaster Rehabilitation Project
Components managed by the Ministry of Agriculture
of the Commonwealth of Dominica
USAID/RDO/C Project No. 538-0175
As of March 31, 1990**

Table of Contents

	Page
Transmittal Letter and Summary	
Background	1 - 3
Audit objectives and scope	3 - 4
Results of audit	4 - 5
Management comments	6
Fund Accountability Statement	
· Auditors' report	7
· Fund accountability statement	8
· Notes to the fund accountability statement	9 - 10
Internal Control Structure	
· Auditors' report	11 - 12
Compliance with Agreement Terms and Applicable Laws and Regulations	
· Auditors' report	13 - 14
· Findings	15 - 17
List of Report Recommendations	18

Price Waterhouse

June 21, 1990

Mr. Coinage N. Gothard, Jr.
Regional Inspector General for Audit
United States Agency for International Development
Tegucigalpa
Honduras, C.A.

Dear Mr. Gothard

This report presents the results of our audit of the Hurricane Hugo Disaster Rehabilitation Project, components managed by the Ministry of Agriculture of the Commonwealth of Dominica USAID/RDO/C Project No. 538-0175 for the period September 20, 1989 to March 31, 1990.

Background

Hurricane Hugo devastated certain Eastern Caribbean Islands including Dominica, on the weekend of September 17, 1989. The hurricane caused extensive damage to utility poles, banana trees, food crops, houses, fishing boats and roads. The United States Government, through the United States Agency for International Development, Regional Development Office of the Caribbean, USAID/RDO/C, provided emergency relief funds to the Government of the Commonwealth of Dominica to assist in the rehabilitation.

The emergency relief funds, totalling US\$2,570,000, were provided in accordance with the terms of the original agreement dated September 30, 1989 which was amended on October 20, 1989 and December 29, 1989. Details of the relief funds, listed by component, are as follows:

Emergency Relief Funds				
	Original Agreement September 30 1989	Amendment October 20 1989	Amendment December 29 1989	Total
Agriculture sector rehabilitation				
Banana crop fertiliser procurement	150,000	1,300,000	-	1,450,000
Other crops	70,000	230,000	-	300,000
Fishing industry rehabilitation	50,000	100,000	-	150,000
Emergency road and infrastructure repairs	50,000	450,000	50,000	550,000
Support and monitoring				
Environmental monitor	20,000	30,000	15,000	65,000
Financial monitor	30,000	90,000	(65,000)	55,000
	<u>US\$370,000</u>	<u>US\$ 2,200,000</u>	<u>US\$ -</u>	<u>US\$ 2,570,000</u>



Agriculture Sector Rehabilitation

Emergency funds were required to finance the acquisition of fertilizer and other agreed agricultural inputs critical to rehabilitating banana and other crop production. The Ministry of Agriculture bears responsibility for implementation of agriculture sector rehabilitation but has delegated procedures for the ordering and distribution of the banana crop fertiliser to the Dominica Banana Marketing Corporation. Although the Ministry of Agriculture still maintains a monitoring role over the implementation actions of the Dominica Banana Marketing Corporation, each of these entities have been treated as separate implementing agencies for reporting purposes since the Dominica Banana Marketing Corporation plays such a vital role in the rehabilitation process.

Fishing Industry Rehabilitation

Emergency funds financed the acquisition and distribution of critical fishing gear, nets, the replacement of boats which were lost and repairs to damaged boats. The Ministry of Agriculture bears responsibility for the implementation.

Emergency Road and Infrastructure Repairs

Emergency relief works involved general slide and drain clearance, the reconstruction of seawalls and other earth retaining structures, repairs to a bridge and roads and other critical repairs. These rehabilitation works were implemented by the Ministry of Communications, Works and Housing.

Support and Monitoring

This component consists of financial and environmental monitoring services. Our audit contract does not require any audit activities relating to this component.

Emergency Relief Funds

All receipts and payments of the emergency relief funds are centrally administered by the Accountant General. Hence, the Office of the Accountant General has been treated as a separate implementing agency for purposes of accountability.

Implementing Agencies

The four principal agencies responsible for the implementation of this disaster rehabilitation project, as already described, are listed below:

- the Ministry of Agriculture
- the Accountant General
- the Ministry of Communications, Works and Housing
- Dominica Banana Marketing Corporation.

The Dominica Banana Marketing Corporation is a public corporation established by Act of Parliament Number 11 of 1988 in the Commonwealth of Dominica. Each of the other three implementing agencies are departments of the Government of the Commonwealth of Dominica.



Each implementing agency is separately accountable for the components of the rehabilitation effort which it is responsible for implementing, hence four separate audit reports have been submitted. However, due to the high degree of interrelationship between the activities of each implementing agency and for the purpose of viewing the project as a whole, each report should be read in conjunction with the other reports.

Rehabilitation Completion Date

The completion date for the rehabilitation process previously was February 28, 1990, however, this date was extended to March 31, 1990 to enable completion of agriculture and fisheries rehabilitation.

Audit Objectives and Scope

We were engaged to perform a concurrent financial audit of the Hurricane Hugo Disaster Rehabilitation Project No. 538-0175 for the period September 20, 1989 to March 31, 1990. Our audit was performed in accordance with generally accepted auditing standards and the United States Comptroller General's "Government Auditing Standards" (1988 Revision) and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary to determine whether:

- The fund accountability statement as of March 31, 1990 presents fairly the financial activities of the project at that date and costs reported as incurred and reimbursed by USAID/RDO/C during the period ended March 31, 1990 are allowable, allocable and reasonable in accordance with agreement terms and applicable laws and regulations.
- The internal control structure of the implementing agency is adequate to manage the project's operations.
- Government of the Commonwealth of Dominica and the implementing agency have complied with agreement terms and applicable laws and regulations which may affect the project's goals and incurred costs.

We have been alert to situations or transactions that could be indicative of fraud, abuse and illegal expenditures and acts.

The scope of our audit work consisted of:

1. Monitoring the implementing agency's utilization of funds, commodities and supplies provided under the grant agreement. Monitoring activities included:
 - Performing selective review of project related documentation, accounting records, internal control structure and inventory controls.
 - Performing necessary on-site tests, visits, inspections, and observations to determine that the project's activities are in accordance with the agreement and are carried out as planned.
 - Reviewing the project's procurement procedures used to determine that sound commercial practices were used, including competition, reasonable prices and adequate qualities and quantities as agreed in the project agreement.



- Reviewing the procedures used to control the project's funds, including the channelling of such funds from the Government of the Commonwealth of Dominica to other government and non-government entities and to the beneficiaries, when appropriate. Also, reviewing the procedures for approval of contracts and contractors, procurement and beneficiaries, as appropriate.
2. Examination of the fund accountability statement for the implementing agency and for each major component of the project taken as a whole, through March 31, 1990. Reviewing for any costs which were not fully supported with adequate records or which were not allowable or reasonable under the terms of the agreement. This work included:
 - a. Determining whether advances of project funds were justified with documentation, including reconciliations of funds advanced, disbursed and available for each implementing agency.
 - b. Reviewing direct and indirect costs billed to USAID/RDO/C identifying and quantifying any questionable costs.
 - c. Review of the bank accounts and related controls. Obtaining positive confirmation of balances.
 3. Review and evaluation of the implementing agency's internal control structure to manage the project. The conduct of preliminary and compliance tests to determine the extent to which established procedures and controls are functioning as intended.
 4. The scope of our work included 100% verification of receipts of funds from the United States Agency for International Development and ensuring the proper accounting treatment and banking of those receipts. We examined all supporting documentation for payments for fertiliser purchased for "banana crop" rehabilitation and "other crop" rehabilitation. We performed physical verification of stock quantities on hand at various dates during the period. In relation to disbursements for fisheries, road and infrastructure rehabilitation and other disbursements under the project we examined supporting documentation on a test basis, as considered appropriate in the circumstances.

Results of Audit

Fund Accountability Statement

The fund accountability statement was prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles. Based on work performed, as summarised above, in our opinion, the fund accountability statement as of March 31, 1990 presents fairly the financial activities of the project at that date and costs reported as incurred and reimbursed by USAID/RDO/C during the period ended March 31, 1990 are allowable, allocable and reasonable in accordance with agreement terms and applicable laws and regulations which may affect the project's goals and incurred costs.

As stated in the fund accountability statement, costs of US\$9,667 are considered questionable. These questionable costs represent short shipments of fertiliser for which insurance claims should have been made. These costs are also referred to in the report for the Dominica Banana Marketing Corporation.



Internal Control Structure

In planning and performing our audit of the fund accountability statement we considered the internal control structure of the implementing agency in order to determine our auditing procedures for the purpose of expressing an opinion on the fund accountability statement.

Our evaluation of the internal control structure included the systems of internal control surrounding:

- Payment for goods and services
- Procurement of goods and services
- Physical controls over stock held prior to distribution
- Selection of beneficiaries under the project
- Distribution to beneficiaries
- Monitoring of the progress of the project by the implementing agencies
- Adequacy of accounting records relating to the project

We noted no matters involving the implementing agency's internal control structure that we believe to be material weaknesses.

Compliance with Agreement Terms and Applicable Laws and Regulations

As part of obtaining reasonable assurance about whether the fund accountability statement is free of material misstatement and in order to form an opinion on compliance with agreement terms and applicable laws and regulations, we performed tests to ensure that the Government of the Commonwealth of Dominica and the implementing agency have complied with the agreement terms and applicable laws and regulations which may affect the project's goals and incurred costs. Our tests of compliance disclosed the following instances of non-compliance:

- The final report required to be prepared in accordance with the terms of the agreement was provided, but not in accordance with the terms of the agreement.
- Some shipments of goods were not covered by marine insurance.
- Delivery of fertiliser to farmers under the banana crop rehabilitation, delivery to fishermen under the fisheries rehabilitation and distribution of various "other crop" items to farmers have not been completed as of the date of our report.
- Some fisheries items ordered and paid out of project funds at March 31, 1990 have not been delivered as of the date of our report.

These instances of non-compliance do not materially affect the project's goals and incurred costs. The results of our tests of compliance indicate that, with respect to items tested, the Government of the Commonwealth of Dominica and the implementing agency have complied, in all material respects, with agreement terms and applicable laws and regulations which may affect the project's goals and incurred costs. With respect to items not tested, nothing came to our attention that caused us to believe that the Government of the Commonwealth of Dominica and the implementing agency had not complied, in all material respects, with the terms of the agreement and with applicable laws and regulations which may affect the project's goals and incurred costs.



Management Comments

- United States Agency for International Development, Mission in Barbados

This report has been discussed with the mission and the following comment has been provided:

We were pleased to receive your final draft with regard to the concurrent audit of this project. We have read the report thoroughly and we concur with your findings therein.

- The Ministry of Agriculture of the Commonwealth of Dominica

The Ministry of Agriculture has read our report and the findings herein. All matters have been discussed and general agreement has been expressed.

Price Waterhouse



Price Waterhouse

**Hurricane Hugo Disaster Rehabilitation Project
Components managed by the Ministry of Agriculture
of the Commonwealth of Dominica
USAID/RDO/C Project No. 538-0175**

**Fund Accountability Statement
As of March 31, 1990**

Independent Auditors' Report

We have audited the fund accountability statement of the Hurricane Hugo Disaster Rehabilitation Project, components managed by the Ministry of Agriculture of the Commonwealth of Dominica, USAID/RDO/C Project No. 538-0175 as of March 31, 1990. This fund accountability statement is the responsibility of the Government of the Commonwealth of Dominica and the Ministry of Agriculture of the Commonwealth of Dominica. Our responsibility is to express an opinion on the fund accountability statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the United States Comptroller General's "Government Auditing Standards" (1988 Revision). 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. Our audit included examining, on a test basis, evidence supporting the amounts and disclosures in the fund accountability statement. Our audit also included 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 Note 1, the fund accountability statement was prepared on the basis of cash receipts and disbursements, 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, the fund position of the Hurricane Hugo Disaster Rehabilitation Project, components managed by the Ministry of Agriculture of the Commonwealth of Dominica, USAID/RDO/C Project No. 538-0175 at March 31, 1990 and the fund activity for the period September 20, 1989 to March 31, 1990, on the basis of accounting described in Note 1.

This report is intended solely for the use of the United States Agency for International Development, the Government of the Commonwealth of Dominica and the Ministry of Agriculture of the Commonwealth of Dominica. This restriction is not intended to limit the distribution of this report which, upon acceptance by the Office of the Inspector General, is a matter of public record.

Price Waterhouse

May 18, 1990

**Hurricane Hugo Disaster Rehabilitation Project
Components managed by the Ministry of Agriculture of
the Commonwealth of Dominica
USAID/RDO/C Project No. 538-0175**

**Fund Accountability Statement
For the period September 20, 1989 to March 31, 1990**

	Budget		Actual		Over (under) Expenditure (Note 3)		Questionable Costs (Note 6)
	US dollars	EC dollars	US dollars	EC dollars	US dollars	EC dollars	US dollars
Funds for agriculture rehabilitation - Accountant General	<u>\$1,900,000</u>	<u>\$5,130,000</u>	<u>\$1,883,277</u>	<u>\$5,084,848</u>	<u>\$(16,723)</u>	<u>\$(45,152)</u>	
Disbursements:							
Banana crop fertiliser procurement - Dominica Banana Marketing Corporation	\$1,450,000	\$3,915,000	\$1,444,531	\$3,900,233	\$(5,469)	\$(14,767)	\$9,667
Other crops (Note 4)	300,000	810,000	288,584	779,177	(11,416)	(30,823)	
Fishing industry rehabilitation (Note 5)	<u>150,000</u>	<u>405,000</u>	<u>150,162</u>	<u>405,438</u>	<u>162</u>	<u>438</u>	<u> </u>
	<u>\$1,900,000</u>	<u>\$5,130,000</u>	<u>\$1,883,277</u>	<u>\$5,084,848</u>	<u>\$(16,723)</u>	<u>\$(45,152)</u>	<u>\$9,667</u>

Notes 1 to 6 form an integral part of this fund accountability statement.

**Hurricane Hugo Disaster Rehabilitation Project
Components managed by the Ministry of Agriculture
of the Commonwealth of Dominica
USAID/RDO/C Project No. 538-0175**

**Notes to the Fund Accountability Statement
As of March 31, 1990**

1. Nature of activities and accounting policies

The Ministry of Agriculture is responsible for the implementation of the agriculture sector rehabilitation following the Hurricane Hugo disaster. Procedures for the ordering and distribution of banana crop fertiliser have been delegated to the Dominica Banana Marketing Corporation as this corporation has the necessary systems, storage facilities and distribution network established to facilitate the rehabilitation process. The Ministry still maintains a monitoring role over the implementation activities of the Dominica Banana Marketing Corporation. The Ministry performs the rehabilitation activities relating to the "other crops" relief programme and the fishing industry rehabilitation.

The fund accountability statement is prepared on the cash receipts and disbursements basis.

2. Foreign currencies

The implementing agency maintains its records in Eastern Caribbean currency, the legal currency of the Commonwealth of Dominica. The fund accountability statement has been translated into United States dollars using the exchange rate of 1 United States dollar for 2.70 Eastern Caribbean dollars.

3. Over (under) Expenditure

In accordance with the terms of the agreement, these amounts are repayable to the United States Agency for International Development. See the report for the Accountant General of the Commonwealth of Dominica which shows unspent funds of US\$16,723 (EC\$45,152).

4. Other crops

Items purchased totalling approximately US\$90,000 for "other crops" rehabilitation had not been distributed at the audit report date of May 18, 1990, although beneficiaries have been identified.

**Hurricane Hugo Disaster Rehabilitation Project
Components managed by the Ministry of Agriculture
of the Commonwealth of Dominica
USAID/RDO/C Project No. 538-0175**

**Notes to the Fund Accountability Statement
As of March 31, 1990 (cont'd)**

5. Fishing Industry Rehabilitation

Equipment ordered and paid for totalling approximately US\$50,000 had not been received at the audit report date of May 18, 1990.

Items purchased for fishing industry rehabilitation totalling approximately US\$10,000 have not been distributed at the audit report date of May 18, 1990, although beneficiaries have been identified.

6. Questionable costs

Questionable costs are those costs not fully supported by adequate documentation (suspended costs), and those not allowable under the terms of the agreement (questioned costs). The questionable costs of US\$9,667, in the fund accountability statement, are suspended costs. These costs represent short shipments of fertiliser for which payment was made on or before March 31, 1990 and for which insurance claims should have been made. These costs are also referred to in the report for the Dominica Banana Marketing Corporation. The Dominica Banana Marketing Corporation is considering filing insurance claims for these short shipments.



Price Waterhouse

Hurricane Hugo Disaster Rehabilitation Project Components managed by the Ministry of Agriculture of the Commonwealth of Dominica USAID/RDO/C Project No. 538-0175

Internal Control Structure As of March 31, 1990

Independent Auditors' Report

We have audited the fund accountability statement of the Hurricane Hugo Disaster Rehabilitation Project, components managed by the Ministry of Agriculture of the Commonwealth of Dominica, USAID/RDO/C Project No. 538-0175 as of March 31, 1990 and for the period September 20, 1989 to March 31, 1990 and have issued our report thereon dated May 18, 1990.

We conducted our audit in accordance with generally accepted auditing standards and the United States Comptroller General's "Government Auditing Standards" (1988 Revision). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statement is free of material misstatement.

In planning and performing our audit of the fund accountability statement for the Hurricane Hugo Disaster Rehabilitation Project, components managed by the Ministry of Agriculture of the Commonwealth of Dominica, USAID/RDO/C Project No. 538-0175 for the period ended March 31, 1990, we considered the internal control structure of the Ministry of Agriculture of the Commonwealth of Dominica in order to determine our auditing procedures for the purpose of expressing our opinion on the fund accountability statement and not to provide assurance on the internal control structure.

The Government of the Commonwealth of Dominica and the Ministry of Agriculture of the Commonwealth of Dominica are responsible for establishing and maintaining an internal control structure to manage the project's operations. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorised use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of 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 degree of compliance with procedures may deteriorate.



**Hurricane Hugo Disaster Rehabilitation Project
Components managed by the Ministry of Agriculture
of the Commonwealth of Dominica
USAID/RDO/C Project No. 538-0175**

**Internal Control Structure
As of March 31, 1990**

Independent Auditors' Report (cont'd)

For the purpose of this report we have classified significant internal control structure policies and procedures into the following categories: 1) payment for goods and services; 2) procurement of goods and services; 3) physical controls over stock held prior to distribution; 4) selection of beneficiaries under the project; 5) distribution to beneficiaries; 6) monitoring of the progress of the project by the implementing agencies; 7) adequacy of accounting records relating to the project.

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants and the United States Comptroller General's 'Government Auditing Standards' (1988 Revision). A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the fund accountability statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

This report is intended solely for the information and use of the United States Agency for International Development, the Government of the Commonwealth of Dominica and the Ministry of Agriculture of the Commonwealth of Dominica. This restriction is not intended to limit the distribution of this report which, upon acceptance by the Office of the Inspector General, is a matter of public record.

Price Waterhouse

May 18, 1990

Price Waterhouse



**Hurricane Hugo Disaster Rehabilitation Project
Components managed by the Ministry of Agriculture
of the Commonwealth of Dominica
USAID/RDO/C Project No. 538-0175**

**Compliance with Agreement Terms
And Applicable Laws and Regulations
As of March 31, 1990**

Independent Auditors' Report

We have audited the fund accountability statement of the Hurricane Hugo Disaster Rehabilitation Project, components managed by the Ministry of Agriculture of the Commonwealth of Dominica, USAID/RDO/C Project No. 538-0175 as of March 31, 1990 and for the period September 20, 1989 to March 31, 1990 and have issued our report thereon dated May 18, 1990.

We conducted our audit in accordance with generally accepted auditing standards and the United States Comptroller General's "Government Auditing Standards" (1988 Revision). 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 Government of the Commonwealth of Dominica and the Ministry of Agriculture of the Commonwealth of Dominica are responsible for compliance with the terms of the agreement and applicable laws and regulations. In obtaining reasonable assurance about whether the fund accountability statement is free of material misstatement, we performed tests of compliance by the Government of the Commonwealth of Dominica and the Ministry of Agriculture of the Commonwealth of Dominica with agreement terms and applicable laws and regulations which may affect the project's goals and incurred costs. However, our objective was not to provide an opinion on overall compliance with such provisions.

The results of our tests indicate that, with respect to the items tested, the Government of the Commonwealth of Dominica and the Ministry of Agriculture of the Commonwealth of Dominica complied, in all material respects, with the terms of the agreement and with applicable laws and regulations which may affect the project's goals and incurred costs. With respect to items not tested, nothing came to our attention that caused us to believe that the Government of the Commonwealth of Dominica and the Ministry of Agriculture of the Commonwealth of Dominica had not complied, in all material respects, with the terms of the agreement and with applicable laws and regulations which may affect the project's goals and incurred costs.



**Hurricane Hugo Disaster Rehabilitation Project
Components managed by the Ministry of Agriculture
of the Commonwealth of Dominica
USAID/RDO/C Project No. 538-0175**

**Compliance with Agreement Terms
And Applicable Laws and Regulations
As of March 31, 1990**

Independent Auditors' Report (cont'd)

We noted certain immaterial instances of non-compliance that we have included in the pages following this report as findings No. 1-4.

This report is intended solely for the information and use of the United States Agency for International Development, the Government of the Commonwealth of Dominica and the Ministry of Agriculture of the Commonwealth of Dominica. This restriction is not intended to limit the distribution of this report which, upon acceptance by the Office of the Inspector General, is a matter of public record.

Price Waterhouse

May 18, 1990

**Hurricane Hugo Disaster Rehabilitation Project
Components managed by the Ministry of Agriculture
of the Commonwealth of Dominica
USAID/RDO/C Project No. 538-0175**

**Report on Compliance with Agreement
Terms and Applicable Laws and Regulations
As of March 31, 1990**

Findings

- 1. The final report was not submitted in accordance with the terms of the agreement.**

Condition

The final report on the project activities which was due on April 30, 1990 was not submitted until May 18, 1990.

Criteria

The agreement states that the final report should be submitted within thirty days of the completion date of the project.

Cause

Information gathering took longer than expected.

Effect

We do not consider that the project's goals and incurred costs have been materially affected by this breach of compliance.

Recommendation

The United States Agency for International Development should notify the Government of the Commonwealth of Dominica, in writing, of the breach, with a request that greater care be exercised in the future in adhering to the terms of such agreements.

- 2. Lack of marine insurance on shipments of marine equipment.**

Condition

Two shipments of marine equipment from Martinique, with a total value of US \$61,358, were not covered by marine insurance.

Criteria

In accordance with the agreement any shipped goods which are financed by project monies must be covered by marine insurance.

**Hurricane Hugo Disaster Rehabilitation Project
Components managed by the Ministry of Agriculture
of the Commonwealth of Dominica
USAID/RDO/C Project No. 538-0175**

**Report on Compliance with Agreement
Terms and Applicable Laws and Regulations
As of March 31, 1990**

Findings (cont'd)

Cause

The implementing agency did not obtain the necessary marine insurance coverage as the equipment was transported on a government owned vessel.

Effect

Loss or damage of marine equipment in transit, if any, would be absorbed by the implementing agency. The goods did arrive safely.

Recommendation

The United States Agency for International Development should notify the Government of the Commonwealth of Dominica, in writing, of the breach, with a request that greater care be exercised in the future in adhering to the terms of such agreements.

3. Non-delivery of goods purchased.

Condition

One shipment of marine equipment with a value of approximately US \$50,000 which was ordered and paid for prior to March 31, 1990 had not been received from the United States supplier as of our audit report date of May 18, 1990.

Criteria

In accordance with the agreement all goods financed under the project must be delivered by March 31, 1990.

Cause

Delay of shipment is attributed to difficulties being experienced by the United States supplier in obtaining the necessary equipment to fulfil the order.

Effect

Delay of distribution to identified beneficiaries. The payment has been made and beneficiaries committed to. We do not consider that the project's goals and incurred costs have been materially affected by this breach of compliance.

**Hurricane Hugo Disaster Rehabilitation Project
Components managed by the Ministry of Agriculture
of the Commonwealth of Dominica
USAID/RDO/C Project No. 538-0175**

**Report on Compliance with Agreement
Terms and Applicable Laws and Regulations
As of March 31, 1990**

Findings (cont'd)

Recommendation

The United States Agency for International Development should consider short-term "in-house" monitoring of the project until all goods have been delivered into Dominica and distributed to beneficiaries.

- 4. Items purchased for fishing industry rehabilitation and other crops rehabilitation have not been distributed.**

Condition

Fishing equipment and supplies totalling approximately US \$60,000 and other crop items totalling approximately US \$90,000 have not been distributed to beneficiaries as of our audit report date of May 18, 1990.

Criteria

In accordance with the agreement all goods financed under the project must be delivered by March 31, 1990.

Cause

Delays in delivery of equipment and supplies from suppliers.

Effect

Delay of distribution to identified beneficiaries. We do not consider that the project's goals and incurred costs have been materially affected by this breach of compliance.

Recommendation

The United States Agency for International Development should consider short-term "in-house" monitoring of the project until all equipment and supplies have been distributed.

**Hurricane Hugo Disaster Rehabilitation Project
Components managed by the Ministry of Agriculture
of the Commonwealth of Dominica
USAID/RDO/C Project No. 538-0175**

**List of Report Recommendations
As of March 31, 1990**

1. The United States Agency for International Development should notify the Government of the Commonwealth of Dominica, in writing, that the final project report was submitted on May 18, 1990 in breach of the terms of the agreement and request that greater care be exercised in the future in adhering to the terms of such agreements.
2. The United States Agency for International Development should notify the Government of the Commonwealth of Dominica, in writing, that shipments from Martinique, with a total value of US\$61,358, were not covered by marine insurance in breach of the terms of the project agreement and request that greater care be exercised in the future in adhering to the terms of such agreements.
3. The United States Agency for International Development should consider short-term "in-house" monitoring of the project until all goods which are on order, but have not yet been received and distributed to beneficiaries, are distributed.