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12M-70431

**Audit of
the Hurricane Hugo Disaster
Rehabilitation Project
Components Managed by the Accountant
General of the Commonwealth of
Dominica**

**Audit Report No. 1-538-90-53-N
July 30, 1990**

AGENCY FOR INTERNATIONAL DEVELOPMENT

U. S. MAILING ADDRESS:

RIG/T

APO MIAMI 34022

OFFICE OF THE REGIONAL INSPECTOR GENERAL

AMERICAN EMBASSY

TEGUCIGALPA - HONDURAS

TELEPHONES:

32-9987 - 32-3120

FAX No. (504) 31-4465

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 Accountant General 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 Accountant General of the Commonwealth of Dominica during 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 audits done on the entities within the Commonwealth of Dominica that implemented the project. The purpose of the project is to provide emergency relief to certain East Caribbean Islands including Dominica which were devastated by Hurricane Hugo on the weekend of September 17, 1989. The Office of the Accountant General of the Commonwealth of Dominica was responsible for administering the funds relating to the Hurricane Hugo disaster rehabilitation project. This office received all project funds and paid all project disbursements after receiving and approving written applications for payment from the other implementing agencies. The audit covered the US\$2,286,721 in funds received by the Office of the Accountant General through March 31, 1990.

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

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 Office of the Accountant General but noted that US\$19,415 representing unspent funds and an insurance claim receivable should be repaid to A.I.D. With respect to the Accountant General's internal control structure, Price Waterhouse was of the opinion that it was adequate for project operations. While the auditors noted that certain project funds had been commingled with nonproject funds, they were able to reconcile project receipts and payments satisfactorily. With respect to compliance with agreement terms and applicable laws and regulations, the most significant condition noted was that Government of Dominica failed to place the project's funds into an interest bearing account thus losing about US\$20,000 in interest.

The draft report was discussed with RDO/C on June 7, 1990 and with the Office of the Accountant General of Dominica on June 11, 1990. Both generally concurred with all findings and recommendations.

The Price Waterhouse report contains two recommendations on internal controls and four recommendations on compliance. While the Price Waterhouse recommendations are significant, since the project is now over except for residual activities, we are limiting our recommendations to the remaining issues of monetary recoveries. Accordingly, we are making the following recommendations for inclusion in the Office of the Inspector General's audit recommendation follow-up system.

Recommendation No. 1

We recommend that the Regional Development Office/Caribbean recover the amount of US\$19,415 from the Government of the Commonwealth of Dominica representing the amount of unspent funds and an insurance claim receivable under the project's Agriculture Sector Rehabilitation component as identified in the Price Waterhouse report dated June 21, 1990.

Recommendation No. 2

We recommend that the Regional Development Office/Caribbean negotiate a settlement with the Government of the Commonwealth of Dominica for the amount of interest earnings on the U.S. funds advanced under the project that was foregone as a result of Dominica's failure to put the funds in an interest bearing account as required by the terms of the agreement. The Price Waterhouse report

of June 21, 1990 calculated the interest foregone as roughly US\$20,000 based upon the assumption that the funds could have been held in a savings account.

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 Accountant General
of the Commonwealth of Dominica**

USAID/RDO/C Project No. 538-0175

As of March 31, 1990



**Audit of the Hurricane Hugo Disaster Rehabilitation Project
Components managed by the Accountant General 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 Statements	
· Auditors' report	7
· Fund accountability statements	8 - 9
· Notes to the fund accountability statements	10
Internal Control Structure	
· Auditors' report	11 - 12
· Findings	13 - 14
Compliance with Agreement Terms and Applicable Laws and Regulations	
· Auditors' report	15 - 16
· Findings	17 - 20
List of Report Recommendations	21
Annex 1 - Management Comments	22



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 Accountant General 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>



Emergency Relief Funds

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

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.

Implementing Agencies

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

- the Accountant General
- the Ministry of Agriculture
- 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. We conducted our audit 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 statements as of March 31, 1990 present 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 statements for the implementing agency 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 fertilizer purchased for "banana crop" rehabilitation and "other crop" rehabilitation and performed physical verification of stock quantities on hand at various dates during the period. In relation to disbursements for 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 Statements

The fund accountability statements were 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 statements as of March 31, 1990 present fairly the financial activities of the project, components managed by the Accountant General of the Commonwealth of Dominica, 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.



Internal Control Structure

In planning and performing our audit of the fund accountability statements 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 statements.

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

- Receipt of funds
- Payment for goods and services
- Bank accounts and bank account reconciliations
- 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 statements are 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 U.S. dollar proceeds of the grant were placed in a separate bank account but the account was non-interest bearing.
- For the road and infrastructure rehabilitation project, no separate bank account was established.
- No progress report was provided. The final report was provided but not in accordance with the terms of the agreement.
- Funds advanced which were not liquidated by expenditures at March 31, 1990 have not been returned to the United States Agency for International Development within the thirty days from March 31, 1990 as stipulated in the agreement.

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

This report has been discussed with both the United States Agency for International Development, Mission in Barbados and the Accountant General of the Commonwealth of Dominica. Each of these entities are in general agreement with the content of the report. Specific comments are reproduced in Annex 1.

Price Waterhouse



Price Waterhouse

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

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

Independent Auditors' Report

We have audited the accompanying fund accountability statements of the Hurricane Hugo Disaster Rehabilitation Project, components managed by the Accountant General of the Commonwealth of Dominica, USAID/RDO/C Project No. 538-0175 as of March 31, 1990. These fund accountability statements are the responsibility of the Government of the Commonwealth of Dominica and the Accountant General of the Commonwealth of Dominica. Our responsibility is to express an opinion on these fund accountability statements 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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the fund accountability statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall fund accountability statements' presentation. We believe that our audit provides a reasonable basis for our opinion.

The fund accountability statements were prepared on the basis of cash receipts and disbursements, modified as described in Note 1, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the fund accountability statements present fairly, in all material respects, the fund position of the Hurricane Hugo Disaster Rehabilitation Project, components managed by the Accountant General 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 Accountant General 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
Component managed by the Accountant General
of the Commonwealth of Dominica
USAID/RDO/C Project No. 538-0175**

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

	Budget		Actual	
	US dollars	EC dollars	US dollars	EC dollars
Agriculture sector rehabilitation:				
Receipts	<u>\$1,900,000</u>	<u>\$5,130,000</u>	<u>\$1,900,000</u>	<u>\$5,130,000</u>
Disbursements				
Assistance to farmers - other crops	300,000	810,000	288,584	779,177
Rehabilitation of banana production	1,450,000	3,915,000	1,444,531	3,900,233
Assistance to fishermen	<u>150,000</u>	<u>405,000</u>	<u>150,162</u>	<u>405,438</u>
	<u>\$1,900,000</u>	<u>\$5,130,000</u>	<u>\$1,883,277</u>	<u>\$5,084,848</u>
Unspent funds			16,723	45,152
Add: Insurance claims receivable (Note 3)			<u>2,692</u>	<u>7,269</u>
Funds repayable to USAID			<u>\$ 19,415</u>	<u>\$ 52,421</u>

Notes 1 to 4 form an integral part of this fund accountability statement

**Hurricane Hugo Disaster Rehabilitation Project
Component managed by the Accountant General
of the Commonwealth of Dominica
USAID/RDO/C Project No. 538-0175**

**Fund Accountability Statement
Emergency Road and Infrastructure Repairs
For the period September 20, 1989 to March 31, 1990**

	Budget		Actual	
	US dollars	EC dollars	US dollars	EC dollars
Emergency road and infrastructure repairs:				
Receipts	\$550,000	\$1,485,000	\$386,721	\$1,044,147
Disbursements	<u>550,000</u>	<u>1,485,000</u>	<u>555,152</u>	<u>1,498,910</u>
	-	-	168,431	454,763
Less: expenditures included above but funded by the Government of Dominica (Note 4)	<u>-</u>	<u>-</u>	<u>(5,152)</u>	<u>(13,910)</u>
Reimbursement claims due from USAID at March 31, 1990	<u>\$ -</u>	<u>\$ -</u>	163,279	440,853
Reimbursement claims paid during April 1990			<u>(149,355)</u>	<u>(403,258)</u>
Reimbursement claim due from USAID at April 30, 1990			<u>\$ 13,924</u>	<u>\$ 37,595</u>

Notes 1 to 4 form an integral part of this fund accountability statement

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

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

1. Nature of activities and accounting policies

The Office of the Accountant General of the Commonwealth of Dominica is responsible for administering the funds relating to the Hurricane Hugo disaster rehabilitation project. All project funds are received by this office and all project disbursements paid by this office after written approved application for payment is made to this office by the various other implementing agencies.

The fund accountability statements are prepared on the basis of cash receipts and disbursements except that unsettled insurance claims have been treated on the accrual basis (see Note 3).

2. Foreign currencies

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

3. Insurance claims

Insurance claims for short and damaged stock of US\$2,692 (EC\$7,269) have been made by the Dominica Banana Marketing Corporation, but no settlement of the amount of these claims has been agreed with the insurance company. The whole amount of the claims has been treated as receivable from the insurance company.

4. Expenditures funded by the Government of the Commonwealth of Dominica

Disbursements in excess of the funds granted under the agreement for road and infrastructure repairs have been made so that the emergency repairs could be completed. The excess expenditure has been funded by the Government of the Commonwealth of Dominica.

Price Waterhouse



**Hurricane Hugo Disaster Rehabilitation Project
Components managed by the Accountant General
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 statements of the Hurricane Hugo Disaster Rehabilitation Project, components managed by the Accountant General 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 statements are free of material misstatement.

In planning and performing our audit of the fund accountability statements for the Hurricane Hugo Disaster Rehabilitation Project, USAID/RDO/C Project No. 538-0175 for the period ended March 31, 1990, we considered the internal control structure of the Office of the Accountant General of the Commonwealth of Dominica 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.

The Government of the Commonwealth of Dominica and the Accountant General 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 fund accountability statements. 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 the procedures may deteriorate.

For the purpose of this report we have classified significant internal control structure policies and procedures into the following categories: 1) receipt of funds; 2) payment for goods and services; 3) bank accounts and bank account reconciliations; 4) monitoring of the progress of the project by the implementing agency; 5) adequacy of accounting records relating to the project.



**Hurricane Hugo Disaster Rehabilitation Project
Components managed by the Accountant General
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 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.

We noted certain matters involving the internal control structure of the office of the Accountant General of the Commonwealth of Dominica and its operation, that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants and the United States Comptroller General's "Government Auditing Standards" (1988 Revision). 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 organisation's ability to record, process, summarize and report financial data consistent with the assertions of management in the fund accountability statements. The reportable conditions are described in findings 1-2 on the following pages to this report.

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 statements 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.

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 Accountant General 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 Accountant General
of the Commonwealth of Dominica
USAID/RDO/C Project No. 538-0175**

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

Findings

1. No separate bank account was established for certain funds

Condition

Funds received for road and infrastructure rehabilitation were deposited into a "development aid" bank account which is a special account for similar project funds.

Criteria

The co-mingling of funds makes it difficult to control and monitor specific project fund transactions and balances over an extended period of time.

Cause

This system is in general use except when a request is received from the funding agency to keep funds in a separate bank account. Although project implementation letter number 1 did require that separate bank accounts be established, no new bank account was opened since funds for emergency road and infrastructure repairs were being disbursed from this account already and it was not considered practical to separate the system which was already in use.

Effect

Difficulty was encountered in monitoring transactions and balances during the duration of the project, however, at March 31, 1990 we performed reconciliations of receipts and payments and all matters arising were resolved satisfactorily.

Recommendation

If the United States Agency for International Development intends to provide future aid to the Government of the Commonwealth of Dominica, no funds should be remitted unless assurance is obtained that a separate bank account has been established.

2. No comparison and reconciliation between the accounting records of the implementing agencies

Condition

The records of the Accountant General and the Ministry of Communications, Works and Housing in relation to road and infrastructure activities, were not compared and reconciled on a periodic basis.

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

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

Findings (cont'd)

Criteria

The internal control structure should be adequate to manage the project's operations.

Cause

No specific cause could be ascertained.

Effect

Difficulty was encountered in monitoring transactions and balances during the duration of the project, however at March 31, 1990, we compared and reconciled all receipts and payments and all matters arising were resolved satisfactorily. The project's goals and incurred costs have not been materially affected.

Recommendation

The implementing agency should be notified for future reference on other USAID projects.

Price Waterhouse



**Hurricane Hugo Disaster Rehabilitation Project
Components managed by the Accountant General
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 statements of the Hurricane Hugo Disaster Rehabilitation Project, components managed by the Accountant General 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 statements are free of material misstatement.

The Government of the Commonwealth of Dominica and the Accountant General 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 statements are free of material misstatement, we performed tests of compliance by the Government of the Commonwealth of Dominica and the Accountant General 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 Accountant General 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 Accountant General 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 Accountant General
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 Accountant General of the Commonwealth of Dominica. This restriction is not intended to limit 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 Accountant General
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. U.S. Dollar funds were not placed in an interest bearing account.

Condition

The U.S. dollar proceeds of the grant were placed in a non-interest bearing account.

Criteria

Project implementation letter number 1 requires that a separate, interest-bearing U.S. dollar account be established solely for the disbursement of the U.S. dollar proceeds of the grant.

Cause

It is the practice in the Commonwealth of Dominica that no interest be paid on current accounts. A current account was established since frequent disbursements were to be made from the account.

Effect

No interest was earned on the proceeds of the grant, hence there are no earnings to be repaid to USAID. We do not consider that the project's goals and incurred costs have been materially affected by this breach of compliance although we note that interest of approximately US\$20,000 could have been earned on the proceeds of the grant over the period of the project.

Recommendation

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 or, if such terms cannot be adhered to, that USAID should be notified immediately so that the matter can be discussed and resolved promptly.

2. No separate bank account was established for certain funds.

Condition

Funds received for road and infrastructure rehabilitation were deposited into a "development aid" bank account which is a special account for similar project funds.

**Hurricane Hugo Disaster Rehabilitation Project
Components managed by the Accountant General
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)

Criteria

Project implementation letter number 1 stipulates that grant funds be deposited into separate bank accounts.

Cause

During the initial phase of the emergency work on roads and infrastructure, the "development aid" bank account was being used to fund such work. When the USAID funds were granted at a later date and reimbursed over the course of the project, the funds received were deposited into this same bank account out of which payments had been made already and no new bank account was established.

Effect

The co-mingling of funds made it difficult to monitor these fund disbursements. We do not consider that the project's goals and incurred costs have been materially affected by this breach of compliance since we were able to perform reconciliations of all receipts and payments and all matters arising were resolved satisfactorily.

Recommendation

If the United States Agency for International Development intends to provide further funds to the Government of the Commonwealth of Dominica, no funds should be remitted unless assurance is obtained that a separate bank account has been established.

3. Reports were not submitted in accordance with the terms of the agreement

Condition

No progress report was submitted during the duration of the project and the final report, which was due on April 30, 1990 was not submitted until May 7, 1990.

**Hurricane Hugo Disaster Rehabilitation Project
Components managed by the Accountant General
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)

Criteria

Project implementation letter number 1 states that two narrative reports should be submitted by the Government of the Commonwealth of Dominica. The first report to cover the period from October 1, 1989 to December 31, 1989 and the second report within thirty days of the completion of the project. The implementation letter states that these reports should be submitted from the Government of the Commonwealth of Dominica, not specifically from the Office of the Accountant General, however, since the Accountant General's office is an implementing agency, a progress report should have been submitted. It is noted that the word "narrative" report was misleading since the Accountant General would only be able to report in the form of a cash receipts and disbursements statement.

Cause

The Office of the Accountant General was not aware of its status as an implementing agency and hence no interim report was issued. The final report was issued late due to various time constraints.

Effect

Insufficient information makes monitoring activities difficult. We do not consider that the project's goals and incurred costs have been materially affected by this breach of compliance.

Recommendation

In the future, the United States Agency for International Development should liaise more closely with the grantee to ensure that all implementing agencies are aware of their effective status and hence can meet expectations.

**Hurricane Hugo Disaster Rehabilitation Project
Components managed by the Accountant General
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)

- 4. Funds totalling US\$19,415 which are repayable to USAID, have not yet been repaid.**

Condition

Funds totalling US\$19,415, see Page 8, are repayable to USAID and had not been repaid at April 30, 1990.

Criteria

In accordance with project implementation letter number 1 any funds advanced and not liquidated by expenditures shall be refunded to USAID within thirty (30) days of the completion date of the project.

Cause

Delayed preparation of the fund accountability statements due to information gathering taking longer than expected. In addition, certain monies cannot be repaid to USAID until the monies have been received by/refunded to the Accountant General by various other agencies and third parties (e.g. insurance claims).

Effect

Delay in finalising all project matters.

Recommendation

The United States Agency for International Development should request that the Government of the the Commonwealth of Dominica expedite the repayment of the funds due to USAID at March 31, 1990.

**Hurricane Hugo Disaster Rehabilitation Project
Components managed by the Accountant General
of the Commonwealth of Dominica
USAID/RDC/C Project No. 538-0175**

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

1. If the United States Agency for International Development intends to provide future aid to the Commonwealth of Dominica, then no funds should be remitted unless assurance is obtained that a separate bank account has been established for such funds.
2. If funds are to be provided to the Commonwealth of Dominica in the future, the United States Agency for International Development should advise the Government and the implementing agencies of the necessity of comparing and reconciling the various accounting records kept by interrelated implementing agencies where the information being accounted for is similar. Such comparison and reconciliation of records during the duration of the project facilitates monitoring activities.
3. The United States Agency for International Development should notify the Government of the Commonwealth of Dominica that the project agreement was breached in that U.S. dollar funds were not placed in an interest bearing account and that greater care should be taken in the future to adhere to agreement terms or, if such terms cannot be adhered to, that the Agency should be notified immediately so that the matter can be discussed and resolved promptly.
4. In the future, the United States Agency for International Development should liaise more closely with the grantee to ensure that the grantee's implementing agencies are aware of their status and hence can ensure that each implementing agency meets its obligations under the agreement.
5. The United States Agency for International Development should request that the Government of the Commonwealth of Dominica expedite the repayment of the funds due to USAID at March 31, 1990.

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

Annex 1

**Management comments
As of March 31, 1990**

- The United States Agency for International Development, Mission in Barbados, has provided comment as follows:

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 comments below are those provided by the Accountant General of the Commonwealth of Dominica:

1. PAGE 10, Item 3 - It was agreed that the insurance claim has been indicated as a receivable and that in keeping with the terms of the agreement, the amount could only be paid to USAID after it has been received.
2. PAGE 13 - EFFECT - I appreciate the fact that the deposit of the project funds into a separate Bank Account would make it much easier to monitor transactions and balances. However, under the current system of operations, I feel that controls in force are adequate to trace all transactions, that is, receipts and disbursements, without project funds being utilized for any unintended purpose, since the funds would have been placed in the Development Aid Account which is specifically for projects.

It is important to note that if we are to open and operate a separate bank account for every project, we may have too many controls and chances are we can get out of control, hence a consideration of the foregoing.

3. PAGE 17, 1. RECOMMENDATION In Dominica, we have not reached that level of competitiveness within our banking system whereby interest can be earned on "ordinary current accounts": therefore, even if USAID was to exercise greater care in ensuring that these terms are adhered to, the crux of the matter is, that this facility does not exist.
4. PAGE 19 - CRITERIA according to your suggestion, I do not agree that the narrative reports on the projects should be prepared by the Accountant General's Office. This office has a responsibility to exercise control over the receipts and disbursement of funds so that any interim financial report can be prepared if requested, but in the case of the narrative reports I am inclined to believe that these should be prepared by the ministries executing these projects, where they would be better suited to report on the application and use of funds on the projects as well as the status of the projects.