

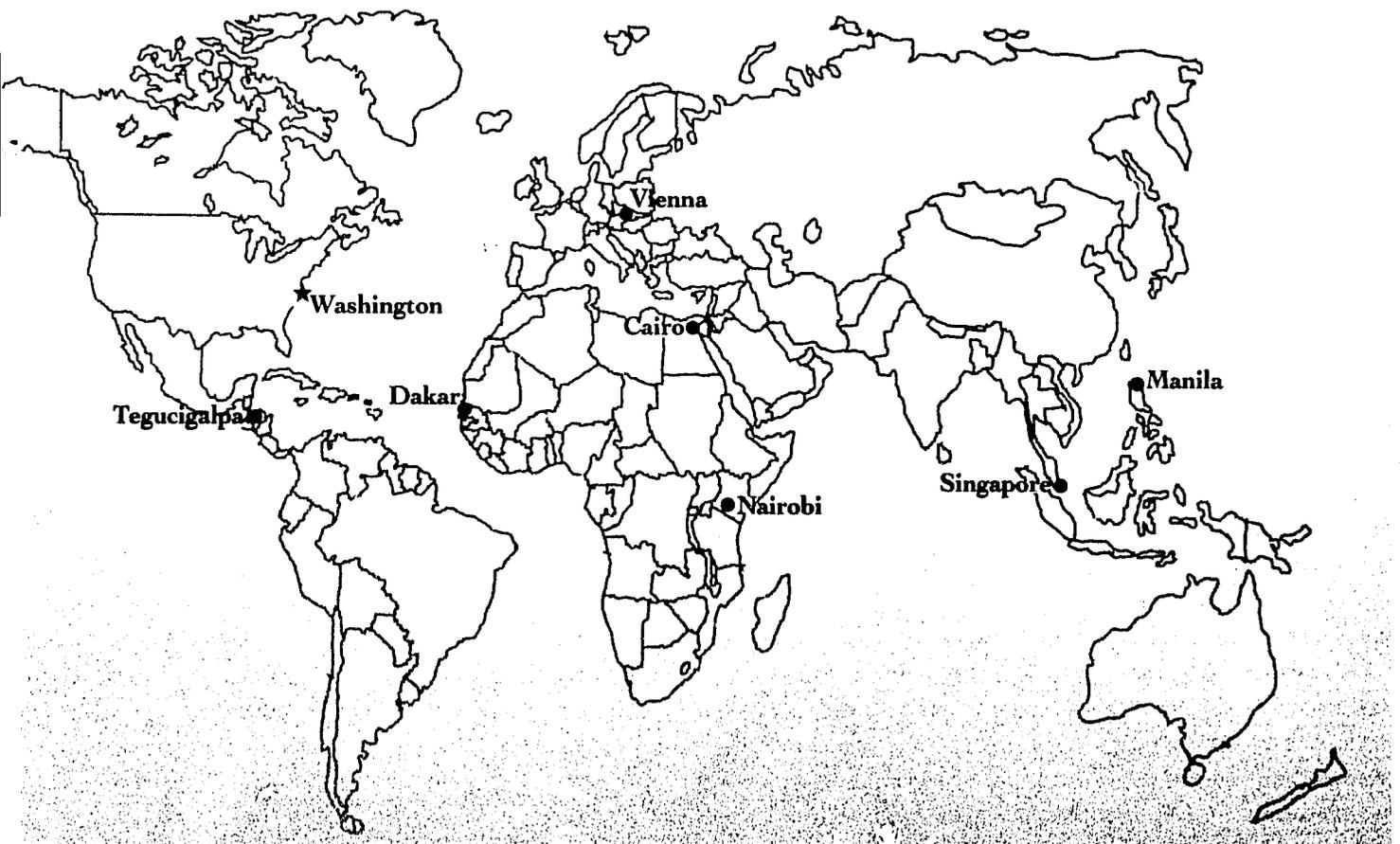
**Regional Inspector General for Audit  
Singapore**

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**AUDIT OF  
PRIVATE AGENCIES COLLABORATING  
TOGETHER  
BANGLADESH**

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**Audit Report No. 5-388-92-12-N  
March 13, 1992**



**AUDIT OF  
PRIVATE AGENCIES COLLABORATING TOGETHER (PACT)  
BANGLADESH**

**AUDIT REPORT NO. 5-388-92-12-N**

**March 13, 1992**

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**The auditors found that except for \$244,949 in questioned costs, PACT's Fund Accountability Statement presents fairly the receipts and expenditures under the cooperative agreement with USAID/Bangladesh. No material internal control weaknesses were noted. However, material instances of noncompliance with agreement terms were identified, including the fact that PACT's reported home and local offices' aggregate expenditures exceeded certain cooperative agreement budget line items by another \$75,273.**

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**FINANCIAL INFORMATION CONTAINED IN THIS REPORT MAY BE PRIVILEGED. THE RESTRICTIONS OF 18 USC 1905 SHOULD BE CONSIDERED BEFORE ANY INFORMATION IS RELEASED TO THE PUBLIC.**

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT  
OFFICE OF THE REGIONAL INSPECTOR GENERAL FOR AUDIT  
— Singapore —

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March 13, 1992

**MEMORANDUM FOR:** Mary C. Kilgour  
Mission Director USAID/Bangladesh

**FROM:**   
James B. Durnil, RIG/A/Singapore

**SUBJECT:** Audit of Private Agencies Collaborating Together - Bangladesh  
Audit Report No. 5-388-92-12-N

The accounting firm of Price Waterhouse, India performed a financial audit of USAID/Bangladesh's cooperative agreement with Private Agencies Collaborating Together (PACT) in Bangladesh. Five copies of the audit report are enclosed for your action.

In 1987, USAID/Bangladesh approved the Private Rural Initiatives Project and began implementing it a year later through a cooperative agreement to a consortium of U.S. based Private Voluntary Organizations led by PACT. The purpose of the cooperative agreement was to strengthen cooperative action and build strategies and management capacities for individual Non-Governmental organizations within specified program areas. These program areas include local self-help economic activities, self-financing of local services, local government collaboration and participation to enable the poor to enhance their accessibility to productive resources. The period covered by the audit was September 1, 1988 to August 31, 1990, during which PACT received a total of \$1,648,176 from USAID/Bangladesh under the cooperative agreement. This audit only covers the Bangladesh operations of PACT which received \$824,733 of these funds.

The audit objectives were to: (1) determine whether the Fund Accountability Statement of PACT presents fairly the receipts and expenditures under the cooperative agreement with USAID/Bangladesh and whether the expenditures were allocable, allowable, and reasonable; (2) report on PACT's system of internal controls, and (3) report on PACT's compliance with applicable laws, regulations, and agreement terms.

The auditors reported that except for \$244,949 in questioned costs (\$240,053 unallowable and \$4,896 unsupported), the Fund Accountability Statement presents fairly PACT's receipts and expenditures under the cooperative agreement with USAID/Bangladesh. Certain non-material internal control weaknesses were noted, and for the items tested, except for six material instances of noncompliance, PACT complied with the applicable laws, regulations, and agreement terms. These noncompliance issues relate mainly to deficiencies in the maintenance

of accounting records, payments to subgrantees in U.S. dollars instead of local currency, failure to obtain prior Mission's approval for international travel, and incurring expenditures in excess of the cooperative agreement budget line item amounts, all resulting in the above questioned costs. Furthermore, PACT's reported home and local offices' aggregate expenditures exceeded certain cooperative agreement budget line items by another \$75,273 (\$136,262 less \$60,989 on page 44).

The management of PACT generally agreed with the auditors' findings and recommendations. PACT's comments are set out in full under each individual finding in the body of the report.

We are making the following recommendations to be included in the Inspector General's recommendation follow-up system.

**Recommendation No. 1:** We recommend that USAID/Bangladesh resolve the \$244,949 in questioned costs (\$240,053 unallowable and \$4,896 unsupported) identified in the auditors' report, and recover from Private Agencies Collaborating Together any costs not allowable under the cooperative agreement.

**Recommendation No. 2:** We recommend that USAID/Bangladesh verify that Private Agencies Collaborating Together has established and implemented adequate accounting and operating procedures to: (1) maintain complete and accurate accounting records with supporting documentation for all transactions; (2) classify all expenditures accurately; (3) monitor cooperative agreement budgets against expenditures so that A.I.D. approval can be obtained prior to incurring expenditures exceeding cooperative agreement budgets; (4) segregate duties as appropriate; (5) control the handling of cash, paid invoices, and non-expendable property; (6) obtain prior Mission approval for international travel and procurement of used equipment; (7) use local currency to pay local subgrantees, individuals, and contractors; (8) monitor its subgrantees' accounting for funds; (9) place advances in interest-bearing accounts; and (10) withhold taxes on salaries and rents and to deposit these sums with the appropriate authorities within prescribed timeframes.

**Recommendation No. 3:** We recommend that USAID/Bangladesh review the aggregate expenditures incurred by Private Agencies Collaborating Together under the cooperative agreement (local and home office charges), resolve the additional \$75,273 in aggregate expenditures in excess of certain cooperative agreement budget line items, and recover any costs not allowable.

We appreciate the courtesies and cooperation the Mission and PACT extended to the auditors and our staff during the course of this audit. Please advise me within 30 days of any actions planned or taken to close the above recommendations.

**AUDIT OF  
PRIVATE AGENCIES COLLABORATING TOGETHER,  
BANGLADESH**

**SUPPORT OF USAID/BANGLADESH'S  
PRIVATE RURAL INITIATIVES  
PROJECT NO.388-0072**

AUDITORS' REPORT

*Price Waterhouse*



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## *Price Waterhouse*



Mr. James B. Durnil  
Regional Inspector General for Audit  
U.S. Agency for International Development  
Singapore

Dear Mr. Durnil,

This report presents the results of our financial and compliance audit in respect of funds provided to Private Agencies Collaborating Together, Bangladesh (PACT/Bangladesh) in support of USAID/Bangladesh's Private Rural Initiatives Project No.388-0072 for the period September 1, 1988 to August 31, 1990.

### **BACKGROUND**

Bangladesh is one of the poorest countries of the world and ranks among the lowest in physical quality of life. While 85% of 106 million people continue to reside in rural areas, intense population pressure (over 1,800 people per square mile) is driving many Bangladeshis off the farms, over half of rural households are landless, and estimates of unemployment range from 23 to 42 percent and annual growth in the labor force-now estimated at 2.8 percent is accelerating. The major growth sectors of the economy are those which do not enhance direct production-administration, defense, construction, and trade. Growth in agriculture and manufacturing roughly equal population growth.

The present rural political economy contains almost irresistible pressures tending to force development inputs from Dhaka into a patronage system dominated by rural elites. The result is that rural economy, which should be the driving force in Bangladesh development, remains largely stagnant and rural resources yield only a fraction of their potential productivity.

In addition to these weaknesses, Bangladesh is handicapped by meager natural resources. Consequently, development progress will depend on disciplined movement toward achieving maximum productivity from available resources. An appropriate development ethic, which values productive labor and investment is not well established in Bangladesh society, given the entrenched status of the patronage system.

**Bangladesh has the good fortune of having one of the largest and most active Private Voluntary Organizations (PVOs) communities found in any developing country. It is grounded in a long tradition of private voluntary initiative directed to meeting local needs for improved welfare.**

**Many modern Bangladesh PVOs trace their origins to past relief efforts related to major floods and the wars of partition. The Ministry of Social Welfare recognizes upwards of 6,000 PVOs throughout the country. Most of these are very small informal village "clubs" with few formal functions. Many are formed only to receive the small allotment (a minimum of 200 Taka a year) provided to such organizations as grants by the Ministry.**

**At the upper end of the spectrum are a small number of organizations of impressive size and national program scope. Many of the larger PVOs have been particularly active in organizing the rural poor and landless. Estimates of the number of villages in which such organizations are currently active range from 10% to 20% of the villages of Bangladesh. PVOs are active in nearly every development sector, particularly concerning literacy, health and income generation.**

**From as early as 1985, the U.S. Agency for International Development Mission to Bangladesh (USAID/Bangladesh) has been looking for a mechanism to enable it to provide timely support to Non- Governmental Organizations (NGOs) involved in grass-roots development work in Bangladesh. In June 1987, the Mission approved the Private Rural Initiatives Project (PRIP) Identification Document and began to solicit expressions of interest from various U.S. PVOs to implement PRIP via a Cooperative Agreement. By December 1987, most of the promising potential U.S. PVOs had joined a consortium, led by Private Agencies Collaborating Together (PACT), and submitted a joint proposal for a five year Cooperative Agreement. A technically and administratively acceptable proposal was submitted in August 1988.**

**The Private Rural Initiatives Project (No. 388-0072) is a five year effort authorized at US \$ 5 million which is due to end August 30, 1993. USAID/Bangladesh implements this project through a grant to the Private Agencies Collaborating Together. PACT is a private, non-profit organization incorporated in USA. Its primary goal is to provide timely support to NGOs involved in grass-roots development work in Bangladesh. PACT has maintained an office in Dhaka, Bangladesh since 1989.**

**Since 1988, USAID has obligated a sum of US \$ 2,000,000 to PACT. The most recent amendment to the Cooperative Agreement (No. 388-0072-A-00-8104-00) was dated September 16, 1990. The purpose of the Agreement was to strengthen the cooperative action and build strategies and management capacities for individual NGOs within five program areas, viz:**



1. Participation in local governance in order to enable poor people to have greater access to productive resources and service.
2. NGO/local government collaboration.
3. Local self-help economic activity.
4. Self-financing local services.
5. NGO management strengthening.

As of August 31, 1990, PACT/Bangladesh received US \$ 824,733 from PACT/Headquarters and spent a sum of US \$ 821,260 during the period September 1, 1988 to August 31, 1990.

#### **AUDIT OBJECTIVES AND SCOPE**

A financial and compliance audit was performed in accordance with generally accepted auditing standards set forth by the AICPA and U.S. Government Auditing Standards. The audit included appropriate tests to determine if funds were being properly accounted for and used as directed by the Agreement and other applicable program documents or the laws of Bangladesh.

The principal objectives of the audit were to determine whether :

1. PACT/Bangladesh's Fund Accountability Statement relating to Private Rural Initiatives Project (388-0072) fairly presented the receipts and expenditure for the period from September 1, 1988 to August 31, 1990 in conformity with the terms of the Cooperative Agreement with the Agency for International Development (A.I.D) and identify any costs which were not fully supported with adequate records or which were not allowable/reasonable or allocable under the terms of the Agreement.
2. PACT/Bangladesh's internal accounting controls were adequate for A.I.D purposes.
3. PACT/Bangladesh has complied with the applicable laws, regulations and agreement terms.



## **RESULTS OF THE AUDIT**

### **Fund Accountability Statement**

The scope of our work was limited to the examination of the Fund Accountability Statement of PACT as they relate to its operations in Bangladesh.

Our examination revealed that :

- (1) The Fund Accountability was prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.
- (2) As part of our examination, we identified questioned costs aggregating US \$ 244,949 which we believe should be reviewed by USAID/Bangladesh for allowability or else these should be disallowed (See Summary of Questioned Costs enclosed).

Except for the effects of such adjustments relating to paragraph (2) above, in our opinion, the Fund Accountability Statement, read with the notes attached thereto, fairly presents the receipts and expenditure of funds provided to PACT/Bangladesh by PACT/ Headquarters in support of USAID/Bangladesh's Private Rural Initiatives Project No.388-0072 for the period September 1, 1988 to August 31, 1990, on the basis of accounting described in Note 2b to the Notes on Fund Accountability Statement.

### **Internal Controls**

Our study and evaluation of the system of internal controls of PACT/Bangladesh indicated certain reportable conditions (discussed in Findings 3 to 11). For instance -

- There was no ledger maintained for the period under audit.
- There was lack of segregation of duties with respect to certain incompatible functions in the area of cash, payroll and assets.

We believe none of the above reportable conditions to be a material weakness in which the design or the operation of the internal control structure does not reduce to a low level, the risk that errors or irregularities in amounts that could be material in relation to the Fund Accountability Statement may occur and not be detected in a timely manner.



## **Compliance with Agreement terms**

Based on the results of our audit, except for certain material non-compliance issues as discussed in Findings 1, 2, 12a, 12d, 12g and 12h, PACT/Bangladesh complied in all material respects with the Agreement terms, applicable laws and regulations. With respect to items not tested nothing came to our attention that caused us to believe that PACT/Bangladesh had not complied in all material respects with those provisions.

## **PACT MANAGEMENT COMMENTS ON OUR FINDINGS AND RECOMMENDATIONS.**

PACT officials were generally in agreement with our findings and recommendations. They have advised us of various measures which are being or have been taken to rectify the deficiencies and areas of noncompliance which were highlighted during our audit. Their comments are set out after findings and recommendations in each section.

## **FOLLOW-UP ON PRIOR AUDIT**

Our audit included a review of the status of action taken on the findings reported by M/s. Sadequr Rahim & Co., Chartered Accountants in their Financial Review of PACT/Bangladesh in support of USAID/Bangladesh's Private Rural Initiatives Project (388-0072) for the period January to December 1989. While action had been taken and many of their recommendations implemented, there were still certain areas where corrective action remained to be initiated like maintenance of ledger, petty cash register, etc. Details of above are separately discussed in Follow-up on Prior Audit Section on pages 49 and 50.

January 27, 1992

*Price Waterhouse*  
PRICE WATERHOUSE  
CHARTERED ACCOUNTANTS.



*Price Waterhouse*



**PRIVATE AGENCIES COLLABORATING TOGETHER/BANGLADESH**

**SUPPORT OF USAID/BANGLADESH'S PRIVATE RURAL INITIATIVES  
PROJECT NO.388-0072**

**INDEPENDENT AUDITORS' OPINION ON THE FUND ACCOUNTABILITY STATEMENT**

Mr. James B. Durnil  
Regional Inspector General for Audit  
US Agency for International Development  
Singapore

1. We have audited the Fund Accountability Statement of PACT/ Bangladesh for the period September 1, 1988 to August 31, 1990 of the funds provided to PACT/ Bangladesh by PACT/Headquarters in support of USAID/ Bangladesh's Private Rural Initiatives Project (388-0072) as they relate to PACT's operations in Bangladesh. The Fund Accountability Statement is the responsibility of PACT/Bangladesh management. Our responsibility is to express an opinion on the Fund Accountability Statement based on our audit.
2. We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards. 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 test basis, evidence supporting the amounts and disclosures in the Fund Accountability Statement. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall presentation of Fund Accountability Statement. We believe that our audit provides a reasonable basis for our opinion.

3. As described in Note 2b to the Notes on 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.
4. As part of our examination, we identified questioned costs aggregating US \$ 244,949 the justification of which should be reviewed by USAID/Bangladesh for allowability or else these should be disallowed (See Summary of Questioned Costs enclosed).
5. In our opinion, except for the effects of such adjustments as might have been determined to be necessary relating to paragraph 4 of this report, the Fund Accountability Statement, read with the notes attached thereto, fairly presents the receipts and expenditure of funds provided to PACT/Bangladesh by PACT/Headquarters in support of USAID/ Bangladesh's Private Rural Initiatives Project No. 388-0072 for the period September 1, 1988 to August 31, 1990, on the basis of accounting described in Note 2b to the Notes on Fund Accountability Statement.
6. This report is intended solely for the use of PACT management and USAID. This restriction is not intended to limit distribution of this report which is a matter of public record.

August 27, 1991

*Price Waterhouse*  
PRICE WATERHOUSE  
CHARTERED ACCOUNTANTS



**PRIVATE AGENCIES COLLABORATING TOGETHER/BANGLADESH**

**SUPPORT OF USAID/BANGLADESH'S PRIVATE RURAL INITIATIVES  
PROJECT NO. 388-0072**

**FUND ACCOUNTABILITY STATEMENT OF PACT/BANGLADESH  
FOR THE PERIOD SEPTEMBER 1, 1988 TO AUGUST 31, 1990**

	NOTE	AMOUNT US \$
<b>SOURCE OF FUNDS</b>		
Amounts received from PACT/Headquarters	2b	824,733
<b>TOTAL</b>		<u>824,733</u>
<b>APPLICATION OF FUNDS</b>		
Budget categorywise expenses for the period September 1, 1988 to August 31, 1990	2b and 3	821,260
Closing Balances as at August 31, 1990 :		
Cash in hand		507
Balances with Banks		2,966
<b>TOTAL</b>		<u>824,733</u>

August 27, 1991

*Price Waterhouse*  
**PRICE WATERHOUSE  
CHARTERED ACCOUNTANTS**



# **PRIVATE AGENCIES COLLABORATING TOGETHER/BANGLADESH**

## **SUPPORT OF USAID/BANGLADESH'S PRIVATE RURAL INITIATIVES PROJECT NO. 388-0072**

### **NOTES ON FUND ACCOUNTABILITY STATEMENT**

#### **NOTE 1 - IDENTIFICATION AND ACTIVITY**

The Private Rural Initiatives Project (No.388-0072) is a five year effort authorized at US \$ 5 million which is due to end August 30, 1993. USAID/Bangladesh implements this project through a grant to the Private Agencies Collaborating Together (PACT). PACT is a private, non-profit organization incorporated in USA. Its primary goal is to provide timely support to Non-Governmental Organizations (NGOs) involved in grass-roots development work in Bangladesh. PACT has maintained an office in Dhaka, Bangladesh since 1989.

Since 1988, USAID has obligated US \$ 2,000,000 to PACT. The most recent amendment to the Cooperative Agreement (No. 388-0072-A-00-8104-00) was dated September 16, 1990. The purpose of the Agreement was to strengthen the cooperative action and build strategies and management capacities for individual NGOs within specified program areas.

#### **NOTE 2 - BASIS OF ACCOUNTING/ACCOUNTING POLICIES**

- a. The Fund Accountability Statement has been compiled on the basis of available books and records of PACT/Bangladesh and information made available by PACT/Headquarters to PACT/ Bangladesh.
- b. Amounts received from PACT/Headquarters and all expenditure have been accounted for on cash basis.
- c. Transactions in local currency (Taka) have been translated at the average rate of exchange (1 US \$ = 33.67 Taka) prevailing during the period January 1989 to August 1990. Cash and bank balances as at August 31, 1990 designated in local currency have been translated at the rate of exchange (1 US \$ = 35.51 Taka) prevailing in August 1990.



**NOTES ON FUND ACCOUNTABILITY STATEMENT (CONTD.)**

- d. Payments on account of programs (including subgrants) and technical assistance have been expensed on disbursement.
- e. PACT/Headquarters has recovered US\$ 1,406 from PACT/Bangladesh Director on account of house rent (as per terms of his appointment) for the period February 1989 to January 1990; such recovery being effected annually and accounted for on cash basis. The amount is reflected in PACT/Headquarters's books.

**NOTE 3 - LOCATIONWISE BREAK-UP OF EXPENDITURE  
AND CONTRIBUTIONS FROM USAID**

	PACT/ Bangladesh US \$	PACT/ Headquarters US \$	Total US \$
<b>Expenditure</b>			
<b>Budget Category</b>			
Residential Personnel	94,969	121,083	216,052
Administration	—	62,319	62,319
Technical Assistance	178,658	47,332	225,990
International Travel	11,372	25,613	36,985
Partner Coordination	—	2,081	2,081
Local Operating Costs	152,828	6,267	159,095
Programs	378,240	233,015	611,255
Evaluation	5,193	—	5,193
Overhead	—	325,733	325,733
<b>TOTAL</b>	<u><u>821,260</u></u>	<u><u>823,443</u></u>	<u><u>1,644,703</u></u>
<b>Receipts</b>			
Contributions from USAID	<u><u>—</u></u>	<u><u>1,648,176</u></u>	<u><u>1,648,176</u></u>



**PRIVATE AGENCIES COLLABORATING TOGETHER/BANGLADESH**

**SUPPORT OF USAID/BANGLADESH'S PRIVATE RURAL INITIATIVES**

**PROJECT NO.388-0072**

**FINDING - 1**

**QUESTIONABLE PACT/BANGLADESH EXPENDITURES**

**Condition**

- a. Budget categorywise expenses include questioned costs to the tune of Tk. 109,602 (US \$ 3,256) as summarized in Annexure-A (pages 52 to 54).
- b. Set out in Annexure-B (pages 55 to 58) are certain payments aggregating Tk. 509,743 (US \$ 15,138) to Director, PACT/ Bangladesh which are not covered by the related terms and conditions of his appointment (read with the PACT Personnel Policy Manual as applicable).

**Criteria**

All expenses should be incurred in accordance with the terms of the Cooperative Agreement, Mandatory Standard Provisions, Office of Management and Budget (OMB) Circulars A-110 and A-122.

**Cause**

The reason for the above referred expenditure being incurred is lack of clarity among officials of PACT/ Bangladesh responsible for USAID granted funds regarding the allowability of certain expenses.

**Effect**

The questioned costs referred to above do not ensure preparation of an accurate Fund Accountability Statement as budget category expenses are overstated by Tk.619,345(US \$ 18,394).

**Recommendation No. 1**

We recommend that USAID/Bangladesh obtain from PACT/Bangladesh justification for allowability of the abovementioned questioned costs aggregating Tk.619,345 (US \$ 18,394) or else these should be disallowed.



## **PACT Management Comments**

### **Finding 1a.**

#### **A. Grant Modification**

Vouchers 42 and 56 totaling \$ 298

These transactions were incorrectly described as a "donation to Mouchak". In fact they represent a supplemental grant of \$298 made to Mouchak for the same purposes as that specified in grant agreement number SG 07 which was to provide relief services after the Saturaia Tornado. A formal grant amendment was not issued. The grant agreement has now been amended by a letter dated August 26, 1991.

#### **B. Expediting services**

Vouchers 521, 35 for \$ 1722

These are expediting services fees paid to the telephone company staff for services provided to facilitate installation of telephones.

#### **C. Temporary Staff**

Vouchers 1350, 1596, 22, 985, 144 for \$ 521

These costs reflect the hiring of temporary staff to expedite the processing of visas for the PRIP Director and his family. PRIP did not have a full-time expeditor on its staff since the needs did not warrant a permanent staff member.

#### **D. Meeting Expenses**

Vouchers 89, 92, 94, 97, 102, 280, 891, 902, 903, 1612, 1626 and 1650 for \$ 715.

These expenses are associated with meetings scheduled outside of normal working hours as follows :

1. 89, 92, 94, 102 for \$ 284:  
Meeting between the previous CEO of PACT (Thomas Byrne) on his visit to Bangladesh to meet with PRIP's partners agencies
2. 97, 280 for \$ 78  
Meeting between PRIP staff and IVS staff
3. 891, 902, 903 for \$ 177  
Meeting between present CEO of PRIP (Louis Mitchell) on his visit to Bangladesh with PRIP's partner agencies
4. 1612, 1626, 1650 for \$ 176  
Meetings between the staff of PRIP, the evaluators of PRIP and partner agencies of PRIP



**Finding 1b.**

**Household Equipment Shipment/Settling In**

**A. Furniture**

Voucher 1, 7, 13, 219, 294, 406, 691, for \$ 2270

It is standard practice for PACT to provide a furnished house for the Project Director. Also, when possible PACT provides a house with furniture and equipment purchased locally rather than with imported goods. The amount spent and the items purchased are reasonable. All of the items are entered on the PRIP inventory, and belong to the PRIP project.

**B. Home Leave after 18 months**

Voucher 1239, 1594 for \$ 4,311

The finding is accepted. The leave was taken prior to the end of the Director's contract. PACT/Headquarters approved an early home leave since it was better for the Director to be away from post at the eighteen month period because in management's opinion the work flow during the succeeding six months would not have provided an opportunity for the Director to take leave at the prescribed time. In addition, PACT's management has decided that the working environment in Bangladesh warrants leave away from post after one year. PACT has since issued a new contract with the Director beginning with the third year of PRIP which allowed for home leave every year. We believe that the leave was justifiable as approved.

**Housing Allowance**

**A. Furniture**

11, 12, 15, 1, 1, 7, 33, 42, B, 2, 7, 8, 9, 12, 17, 21, 32, 43, 65, 66, 72, 76, 78, 88, 89, 454, 1452 for \$ 6479

As stated in item (i) above, it is standard practice for PACT to provide a furnished house for the Project Director. Also, when possible PACT provides a house with furniture and equipment purchased locally rather than with imported goods. The amount spent and the items purchased are reasonable. All of the items are all entered on the PRIP inventory, and belong to the PRIP project.



**B. Phone Connection**  
Voucher 35 for \$ 1,489

The phone in the Project Director's house was considered necessary because of the time differences between New York and Dhaka. Many of the business calls from Headquarters are made after normal office hours. Therefore, official business calls regarding PRIP are usually made to the Director's home and he likewise will make business calls to Headquarters from his home because of this time difference.

**C. Medical Expenses**  
Voucher 99, 350, 417 for \$ 294

The finding is accepted. These expenses are not and should not be chargeable to the project and should be paid by the Director.

**Travel to Post**

**A. Air fare for collecting Director's family from Penang**  
Voucher 11, 16 for \$ 295 (Half of voucher amount)

The first half of the expenditure involved a business trip Dhaka-Bangkok-Dhaka and the second half a trip Bangkok-Penang-Bangkok to pick up the Director's family and bring them to Dhaka. The Director was requested to proceed to Dhaka in January 1989 because of initial delays in the start up of PRIP. His family was unable to travel to post with him because his wife had just given birth. As a condition of employment, PACT approved this subsequent trip for the Director to collect his family from Penang.

**FINDING - 2**

**Deficiencies in PACT/Bangladesh's accounting system**

**Condition**

Our examination revealed the undermentioned deficiencies in preparation of the Fund Accountability Statement pertaining to PACT/Bangladesh :



- a. **PACT/ Bangladesh did not have an accounting manual describing therein types of items to be included under each account head. As a result of which amounts have been booked under wrong account heads (budget heads). The expenses reflected in the Fund Accountability Statement under the different budget heads are therefore wrongly over/ understated. Some illustrative examples of such bookings are set out in Annexure- C (pages 59 and 60). Attention in this regard is drawn to Finding 12h (page 44) of our report on Compliance Section.**
- b. **Receipts under budget categorywise expenses aggregating Tk. 496,111 (US \$ 14,735) have not been credited to the respective budget heads in PACT/ Bangladesh books resulting in expenses in Fund Accountability Statement being overstated. The list of such receipts has been set out in Annexure- D (pages 61 and 62).**

#### **Criteria**

- a. **Accounting and records should be maintained as per the mandatory standard provisions in Aid Handbook 13 - paragraph 2.**
- b. **As per OMB Circular A-122 - Attachment A, paragraph 5, (Applicable Credits) receipts by the organization relating to allowable cost shall be credited to the Government either as a cost reduction or cash refund as appropriate.**

#### **Cause**

**The above referred deficiencies are due to lack of understanding of PACT/Bangladesh officials of the above provisions.**

#### **Effect**

**The abovementioned deficiencies did not ensure accurate preparation of the Fund Accountability Statement.**

#### **Recommendation No. 2**

**We recommend that PACT/Bangladesh :**

- a. **prepare an accounting manual describing therein the types of items to be included under each account head which will ensure correct postings to account heads.**



- b. credit the receipt of Tk. 496,111 (US \$ 14,735) against the respective budget categorywise expenses.

### **PACT Management Comments**

#### **Finding 2a.**

We acknowledged that there were mis-posting during the period audited. The posting errors have not materially affected the financial statement presentation and they do have no effect on the total project expenditures to date. The PACT/Bangladesh staff has developed skills in the allocation of expenses and there is now (since July 1991) a more detailed breakdown of budget line items. PACT Bangladesh will prepare a description of the type of items that are to be charged to each budget line item on the Chart of Accounts.

A new chart of accounts has been prepared in consultation with Headquarters which is in line with the budget presently being followed. The PACT/Bangladesh Administration and Accounting Manual was updated in early 1991. The present improved accounting system is adequate to ensure correct posting of accounting entries.

#### **Finding 2b.**

Other income and receipts of Tk.496,111 (or \$14,735) was recorded in the PACT/Bangladesh books during the audit period. PACT/ Headquarters recognized that the income items reported by the Dhaka office were in fact refunds and recorded the items as credits to the appropriate expense line items. Since mid-1991 such credit figures have been properly recorded as a credit to the proper budget line item. PACT Headquarters is presently reconciling the life of project expenditures as reported to AID. Discrepancies, if any, will be adjusted on subsequent Financial Status Reports after we complete this review.

Since mid-1991 PACT/Bangladesh receives a detail report which should describe PACT/ Headquarters and field expenses as summarized in the Financial Status Reports which is prepared by PACT/Headquarters and submitted to USAID/Washington.

Also, as of June 1991, the original receipts vouchers along with all relevant financial statements are being sent to Headquarters at the end of every month and photocopies of the same are kept in the Bangladesh office.



*Price Waterhouse*



**PRIVATE AGENCIES COLLABORATING TOGETHER/BANGLADESH**

**SUPPORT OF USAID/BANGLADESH'S PRIVATE RURAL INITIATIVES  
PROJECT NO.388-0072**

**INDEPENDENT AUDITORS' REPORT ON THE INTERNAL CONTROLS**

Mr. James B. Durnil  
Regional Inspector General for Audit  
US Agency for International Development  
Singapore

We have audited the Fund Accountability Statement of PACT/ Bangladesh for the period September 1, 1988 to August 31, 1990 of the funds provided to PACT/Bangladesh by PACT/ Headquarters in support of USAID/Bangladesh's Private Rural Initiatives Project (388-0072) and have issued our report thereon dated August 27, 1991.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in 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.

In planning and performing our audit of PACT/Bangladesh we considered its internal control structure 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 management of PACT/Bangladesh 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 Statement 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.**

**For the purpose of this report, we have classified the significant internal control structure policies and procedures of PACT/Bangladesh in the following categories :**

- 1. General Control**
- 2. Bank and Cash (receipts and disbursements)**
- 3. Payroll**
- 4. Procurement**

**For all the control 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 and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the Fund Accountability Statement. The reportable conditions which include internal control weaknesses - lack of segregation of duties and maintenance of ledger, are described in Findings 3 to 11.**

**A material weakness is a condition in which the design or operation 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.**



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 and in Findings 3 to 11 is a material weakness.

This report is intended for the information of PACT management, and USAID. The restriction is not intended to limit the distribution of this report which is a matter of public record.

August 27, 1991

*Price Waterhouse*  
PRICE WATERHOUSE  
CHARTERED ACCOUNTANTS



**PRIVATE AGENCIES COLLABORATING TOGETHER/BANGLADESH**

**SUPPORT OF USAID/BANGLADESH'S PRIVATE RURAL INITIATIVES**

**PROJECT NO. 388 - 0072**

**FINDINGS ON INTERNAL CONTROLS**

**FINDING - 3**

**Deficiencies in PACT/ Bangladesh's accounting and related control systems**

**Condition**

In the course of our audit, we have noted the following deficiencies :

- a. PACT/Bangladesh maintains only a Cash Book with extended columns for expense heads. No ledger is maintained. This does not ensure completeness and accuracy of records.
- b. Monthly Financial Status Reports (showing consolidated budget categorywise expenses for PACT/Headquarters and Bangladesh) are sent by PACT/Headquarters to PACT/Bangladesh. These are not backed up by any breakup/ details of expenses. Similarly, receipts of USAID funds by PACT/Headquarters, amounts remitted by PACT/Headquarters to Bangladesh and closing balances, if any, lying with PACT/ Headquarters are not informed to PACT/ Bangladesh. The absence of such information does not facilitate:
  - reconciliation by PACT/Bangladesh of expenses incurred/ reported by them to PACT/Headquarters and reflected in the monthly Financial Status Reports.
  - preparation of Fund Accountability Statement for PACT as a whole.
- c. Salaries to all local employees are paid in cash.
- d. There is no defined policy of PACT/Bangladesh for disbursements to be made by checks/ cash. During the period under audit large amounts have been paid by cash. No imprest cash balance is maintained for day to day petty cash transactions. This slackens control and does not preclude the possibility of misappropriation of funds.



- e. The inward mail are not date stamped.
- f. PACT/Bangladesh did not maintain attendance records for its employees. Such records has, however, been maintained for some of its employees from May, 1990. This did not ensure monitoring of unauthorized leave, if any.
- g. Log books for vehicles at PACT/Bangladesh were not maintained till April 1990. Further, log books presently maintained do not contain relevant particulars such as signatures of users and time reported/released. This may not ensure use of vehicles for authorized purposes.
- h. There is no laid down policy for vehicle use. Amounts in respect of private use of car by Richard Holloway have been recovered subsequent to the period under audit. Private use of vehicles, if any, before log books were maintained are, however, not ascertainable.
- i. Overtime are paid to the drivers on the basis of approval of authorized persons recorded in the Overtime Record Sheet of the drivers. These are, however, not approved on the basis of users' signatures.
- j. Supportings in respect of the payment vouchers as set out in Annexure- E (page 63) were not available for our verification at PACT/Bangladesh. Xerox copies for the same were also not available. As confirmed by the auditee these vouchers have been sent to PACT/Headquarters.

### **Criteria**

As per the mandatory standard provisions, in AID Handbook 13, paragraph 2 - 'Accounting, Audit And Records', the grantee should maintain books, records, documents and other evidence in accordance with the grantee's usual accounting procedures to sufficiently substantiate charges to the grant. The grantee's financial management system should provide for -

- accurate, current and complete disclosure for each AID - sponsored project in accordance with reporting requirements of this grant
- effective control over and accountability for all funds, property and other assets



- **accounting records that are supported by documentation that a minimum will identify and segregate all costs incurred under a grant and which fully disclose such other records as will facilitate an effective audit.**

**Cause**

**The reason for the above referred deficiencies in accounting and related control system is lack of awareness of the above mandatory standard provisions.**

**Effect**

- a. and b.           **The weaknesses do not facilitate preparation of an accurate Fund Accountability Statement.**
- c. and d.           **This slackens control and does not preclude the possibility of misappropriation of funds.**
- e.                   **This may result in all mail not being acknowledged/attended to.**
- f., g. and h       **This may lead to misuse of facilities.**
- i.                   **This does not ensure adequate utilization of services.**
- j.                   **This weakens control over charges made to the project.**

**Recommendation - No.3**

**We recommend PACT/Bangladesh ensure that :**

- a.   **A ledger is maintained.**
- b.   **Monthly Financial Status Reports obtained from PACT/Headquarters are backed up by breakup/ details of expenses. Other information like receipts of USAID funds by PACT/ Headquarters, amounts remitted to PACT/Bangladesh by Headquarters and closing balances, if any, lying with PACT/Headquarters are also regularly reported to PACT/ Bangladesh.**
- c.   **Salaries are paid by checks/bank transfers wherever practicable.**
- d.   **Policies regarding disbursements by checks/cash are set out and imprest cash balance is maintained.**



- e. Incoming mail are date stamped.
- f. Attendance records are properly maintained.
- g. Log books for vehicles are maintained with relevant particulars such as users' signatures, time reported/released.
- h. Policies as regards official and private use of vehicles are laid down.
- i. Overtime to drivers is approved and paid on the basis of authorized users' signatures.
- j. Xerox copies of vouchers are retained in file in case original thereof are required to be sent to PACT/Headquarters or elsewhere and voucher copies for Tk. 164,866 (US \$ 4,896) referred to in Annexure- E (page 63) are obtained from PACT/Headquarters.

### **PACT Management Comments**

#### **Finding 3a.**

The finding is agreed. PACT/Headquarters only required PACT HQ/Bangladesh to maintain cash receipt, cash disbursement journals which were summarized and forwarded to Headquarters monthly. The full general ledger is being maintained by Headquarters. PACT/Bangladesh has improved its ledgers since hiring a Finance and Administration Manager in August 1991. A plan is being formulated to computerize the financial record in the Bangladesh office. This will allow us to maintain comparable ledger systems in both offices.

#### **Finding 3b.**

- A. The finding is agreed. PACT/Headquarters has instituted a system of reconciling the expenses incurred in the USA and in Bangladesh monthly. Headquarters has been providing the Bangladesh office with a reconciliation of expenditures as consolidated in PACT's general ledger since July 91.
- B. Total Financial Status Reports are prepared by PACT/Headquarters and submitted to USAID/Washington. PACT has an annual A-110 Compliance audit performed by a Certified Public Accounting Firm. As a part of the audit process, a reconciliation of total Letter of Credit draws, expenditures and fund balances are performed. Since PACT has one Letter of Credit for all of its' USAID funded Agreements, we do not physically separate funds in the bank by project number. Therefore, it is not possible for PACT



to provide the information requested in this comment. It is PACT/Headquarters responsibility to manage the Letter of Credit and not PACT/Bangladesh.

**Finding 3c**

The finding is agreed. As of September 1, 1991 the salaries of all employees except drivers, messengers and cook will be paid by check.

**Finding 3d.**

The finding is agreed. An imprest system for petty cash (imprest of Tk.20,000) has been in place since April 1991. As of September 1, 1991 any amount over Taka 5,000 will be paid by check.

**Finding 3e.**

The finding is agreed. As of February 1991 all incoming mail is date stamped.

**Finding 3f.**

The finding is agreed. Attendance records for all employees have been maintained since December 1990.

**Finding 3g.**

The finding is agreed. Log books have been maintained since April 1990 with entries being verified by the Deputy Director. As of September 1, 1991 the entries are being verified and signed by the PACT/Bangladesh staff member that uses the vehicle when they are traveling, and by the Deputy Director when the vehicle is used for other official purposes.

**Finding 3h.**

It is PACT's policy to allow the Project Directors to use the project's vehicles. However, the Director must reimburse PACT for personal usage in accordance with the USAID prescribed rate in effect in the country concerned. In Bangladesh the rate is presently established at Taka 8.5 per mile. A record of private use is kept and the Director makes a reimbursement once a year. This policy is presently under review. In the future reimbursements will be required quarterly.



**Finding 3i.**

Please refer to (g) above. Overtime of drivers are being verified by users when the user is a PACT/Bangladesh staff member, and by the Deputy Director when the vehicle is used for other official purposes.

**Finding 3j.**

The initial \$5,000 expenditure incurred in the field was charged against an initial allowance of \$5,000 issued in Travelers checks from PACT/Headquarters to the Director upon his departure from NY prior to his arriving at his duty post. These funds were used to cover the initial start-up cost and expenditures of the PACT/Bangladesh office. All receipts supporting this expenditure have been sent to NY and copies will be sent to the auditors.

**FINDING - 4**

**Lack of segregation of duties**

**Condition**

The 'Senior Accountant' is responsible for the following functions :

- receipt of cash and preparation of deposit slips for banking.
- custody of cash and unused checks (not crossed), preparation of checks for payment and recording of Cash Book.
- preparation of payroll and payment of salary.
- record keeping and custody of assets.

**Criteria**

An adequate system of internal control should provide for segregation of duties in relation to the above incompatible functions.

**Cause**

There was absence of a proper system of internal control in this regard.



**Effect**

The weakness due to one individual performing incompatible functions may result in errors and other discrepancies remaining undetected for considerable period.

**Recommendation No. 4**

We recommend PACT/Bangladesh to adopt a procedure for ensuring segregation of duties in respect of the above incompatible functions. This can be done by reallocation of duties amongst existing personnel.

**PACT Management Comments**

The finding is agreed. Due to the size of the PACT/Bangladesh staff it was not possible to have the segregation of duties described by the audit team. However as of August 1991 PACT/Bangladesh has a Finance and Administration Manager. We will now be able to distribute tasks to provide for better internal control procedures.

**FINDING - 5**

**Deficiencies in system of payment procedures.**

**Condition**

Original and duplicate invoices are not defaced at the time of payments.

**Criteria**

Original invoices when paid should be defaced or stamped as 'paid' and duplicate bills canceled at the time of payments.

**Cause**

The reason for the above referred deficiencies is lack of understanding of control systems and procedures among personnel responsible for management and control of funds.

**Effect**

The deficiencies may result in double payments on the same invoice.



### **Recommendation No. 5**

We recommend PACT/Bangladesh to ensure that original and duplicate invoices are defaced at the time of payment.

### **PACT Management Comments**

The finding is agreed. The recommendation has been implemented as of August 1, 1991. Original invoices and supporting documentation for payments vouchers are being stamped 'Paid' at the time of payments.

## **FINDING - 6**

### **Deficiencies in system of recording, verifying and accounting travel expenses**

#### **Condition**

PACT/Bangladesh does not generally obtain travel expense statements for international trips by the travelers (PACT/Bangladesh officials/ contractors) stating particulars of days of journey and stay, locations visited, purpose of trips and breakup of expenses incurred. Travel expenses are accounted for on the basis of traveling advances based on travel allowance rates authorized in the Standardized Regulations.

#### **Criteria**

Travel expenses should be recorded on the basis of travel expense statements submitted.

#### **Cause**

The reason for the above referred deficiencies is lack of understanding of control systems amongst PACT/Bangladesh officials.

#### **Effect**

This may result in effective control over travel being not exercised.



## **Recommendation No. 6**

We recommend PACT/Bangladesh to ensure that control procedures over travel are established by obtaining expense statements and advances liquidated only on submission of actual travel vouchers by maintaining a separate advance account in the general ledger.

### **PACT Management Comments**

The finding is agreed. The recommendation has been implemented as of August 1, 1991. Since this date printed forms for International travels have been used with serial numbering to ensure adequate control on expenses for international travel. Expense claims associated with such travel is being settled as per USAID travel regulations utilizing the standard per diem rates.

## **FINDING - 7**

**Deficiencies in recording and maintenance of Cash Book.**

### **Condition**

Our examination of PACT/Bangladesh Cash Book revealed the undermentioned deficiencies:-

- a. The Cash Book for the period January 1989 to April 1989 were drawn up in May 1989 after the Senior Accountant had joined and the following discrepancies were noted.
  - The payment vouchers in the Cash Book for the above period were posted monthwise instead of datewise.
  - Cash and bank balances were not extracted daily/ monthly.
- b. During the period December 1989 to February 1990, different bank accounts held by PACT/Bangladesh were maintained under one column instead of separate columns for individual banks.
- c. During the period January 1989 to June 1990 all payments by checks were routed through the cash column.



## **Criteria**

As per the mandatory standard provisions in AID Handbook 13, paragraph 2 - 'Accounting Audit And Records', the grantee's financial management system should provide for :

- accurate, current and complete disclosure for each AID - sponsored project in accordance with reporting requirements of this grant
- effective control over and accountability for all funds, property and other assets
- accounting records that are supported by documentation that a minimum will identify and segregate all costs incurred under a grant and which fully disclose such other records as will facilitate an effective audit.

## **Cause**

The reason for the above referred deficiency is lack of understanding of required standard provisions specified in AID Handbook 13 among PACT/Bangladesh officials

## **Effect**

This may result in books of account not being properly maintained thereby slackening control over cash and bank balances.

## **Recommendation No. 7**

We recommend that PACT/Bangladesh maintain cash book in terms of the mandatory standard provisions specified in AID Handbook 13 regarding accounting, audit and records.

## **PACT Management Comments**

The finding is agreed. Since the Financial Review in May 1990 bank and cash columns have been maintained in the cash disbursement journal to facilitate easy reconciliation of bank accounts. A separate column for each bank account has been maintained in cash and bank book, and the bank accounts are being balanced and reconciled with bank statements at the end of every month.



## **FINDING - 8**

### **Deficiency in control over physical cash balance**

#### **Condition**

Cash balances are extracted only at the end of each month except as stated in Finding 7 above. No evidence was available at PACT/Bangladesh to indicate that these balances were physically verified by the cashier either daily or monthly and agreed to the cash book balance. Evidence of periodic physical verification by independent persons, if any, was also not available.

#### **Criteria**

Liquid assets such as cash should be subject to stricter control procedures to prevent its misuse/misappropriation.

#### **Cause**

The above referred deficiencies is due to lack of understanding of control systems among PACT/Bangladesh officials.

#### **Effect**

This may result in discrepancies remaining undetected in the cash book for a long time.

#### **Recommendation No. 8**

We recommend PACT/Bangladesh ensure that physical verification of cash balances are carried out by both the cashier regularly and by PACT officials on a surprise basis. Periodical supervisory reviews should also be undertaken to ensure that the control is effective.

#### **PACT Management Comments**

The finding is agreed. Since August 1991 there is monthly physical verification of cash balance by the Finance and Administration Manager and countersigned by him.



## FINDING - 9

### Deficiencies in procedures of receipts

#### Condition

Official Receipts were not issued on cash/checks being received by PACT/Bangladesh during the period under audit. Instances are as follows :

Month	Particulars	Amount	
		Tk.	US \$
May 25, 1989	Cash received from Sunypan	500	15
September 5, 1989	Cash received on refund of ticket	16,350	486
December 10, 1989	Commission received from Continental Travels for purchase of air tickets.	2,356	70
February 26, 1990	Commission received from Continental Travels for purchase of air tickets.	2,620	78
February 25, 1990	Check received from Charles Allard	266,528	7,916

#### Criteria

All receipts of cash/checks should be acknowledged by Official Receipts.

#### Cause

The reason for the abovementioned deficiency is lack of understanding among PACT/Bangladesh personnel about the implication of the same.

#### Effect

This may result in all receipts not being accounted for as there is no documented evidence of receipts.



### **Recommendation No. 9**

We recommend PACT/Bangladesh ensure that all cash/checks received are acknowledged by Official Receipts therefor in due course.

### **PACT Management Comments**

The finding is agreed. The recommendation was implemented in March 1991. Since then all cash and check receipts are acknowledged through official money receipts which are chronologically dated. These receipts are cross referenced in the posting in the cash/bank book.

### **FINDING - 10**

**Deficiencies in control over non-expendable property and equipment purchased.**

#### **Condition**

Our examination revealed the undermentioned deficiencies in PACT/ Bangladesh's control over non-expendable property and equipment purchased :

- a. Evidence of physical verification of these items was not available for our verification.
- b. Certain costs of these items as recorded in the Non-Expendable Property Register maintained by the auditee did not agree with the expenses booked in the cash book in this regard.

#### **Criteria**

Provisions of paragraph IT - Property Management Standards in AID Handbook 13 require the recipient to maintain property records accurately. It also requires that a physical inventory of property shall be taken and the results reconciled with the property records at least once every two years.

#### **Cause**

The reason for the above referred deficiencies is lack of awareness of the above provisions among PACT/Bangladesh officials.



**Effect**

The deficiencies may result in a weaker control over such assets resulting in loss, damage or theft of property.

**Recommendation No. 10**

We recommend PACT/Bangladesh ensure that physical verification of non-expendable property and equipment is carried out and items physically verified are agreed with the Non-Expendable Property Register and the costs of certain items recorded in such Register are agreed with actual expenses incurred in this regard.

**PACT Management Comments**

The finding is agreed. Physical verification of non-expendable supplies was conducted in March 1991 and this was later updated by the Director in August 1991. Costs of the items recorded in the inventory sheets were reconciled with the actual expenses as per recommendation of the auditors.

**FINDING - 11****Control over subgrantees/contractors****Condition**

Our examination revealed the under-mentioned deficiencies in PACT/ Bangladesh's control system relating to monitoring of subgrantees/contractors.

- a. In several cases funds were disbursed by PACT/Headquarters under Private Rural Initiatives Project (PRIP) to subgrantees and contractors in Bangladesh and U.S.A. Details of such disbursements are not regularly advised to PACT/Bangladesh to help exercise control over the concerned subgrantees/contractors. Instances of such direct disbursements totaling US \$ 266,673 are set out in Annexure- F (page 64).



- b. **Separate bank accounts were not maintained by the following subgrantees in respect of funds provided by PACT/Headquarters and PACT/Bangladesh.**

Subgrantees	Subgrant	Amount of Funds provided	
		TK.	US \$
Technical Assistance for Rural Development	SG-24	280,580	8,333
IDEAS International	SG-25	2,094,518	62,207
Association for Development Agencies in Bangladesh	SG-32 and 36	6,441,598	191,316

The agreements with subgrantees do not provide for any separate bank account to be opened by the subgrantees in respect of funds provided by PACT/Bangladesh and PACT/Headquarters.

- c. **Competitive quotations were not obtained by the subgrantee for the following item purchased -**

Subgrantee	Particulars	Amount	
		TK.	US \$
IDEAS International	Purchase of IBM PC/AT Compatible Micro Computer	78,000	2,316

- d. **Payments of office rent by Bangladesh Unemployed Rehabilitation Organization amounting to Tk. 24,000 (\$ 713) for the period January to August 1990 were not backed up by any rent agreement or rent receipt.**
- e. **Technical Assistance Contract (TA-11) with Aditee Nag Choudhury for US \$ 3,000 was entered into by PACT/Bangladesh without evaluating contract fees. A supplemental contract for US \$ 2,400 was also entered into with her without recording reasons therefor.**



- f. A service contract for US \$ 51,424 (Tk.1,731,446) was awarded to Community Development Library for printing books to be used by the NGOs, rejecting a lower offer of US \$ 14,912 (Tk.502,087) from Association for Development Agencies in Bangladesh (ADAB) as 'unreal' i.e. without documenting adequate reasons.
- g. Our audit work performed of the following subgrantees revealed that separate books of account were not maintained for funds granted to them by PACT/Bangladesh:
- International Voluntary Services
  - Technical Assistance for Rural Development
  - IDEAS International
  - Association for Development Agencies in Bangladesh.

However, PACT/Bangladesh do not generally stipulate the requirement of separate books of account to be maintained by the subgrantees.

Further, expenses incurred by IDEAS International from PACT/Bangladesh funds were also not separately identifiable from the total expenses recorded in their books.

- h. Narrative reports from Association for Development Agencies in Bangladesh in respect of subgrants (Nos. 32 and 36) made to them were not received by PACT/Bangladesh.

#### **Criteria**

As per the provisions of 'Sub-agreements' in AID Handbook 13 all sub-agreements shall as a minimum contain, in addition to provisions to define a sound and complete agreement, provisions that are specifically required by any other provision in the grant. Accordingly, the requirements stated under a to h above should be included in the agreements/contracts entered into by PACT/Bangladesh with subgrantees/contractors.

#### **Cause**

A relative lack of awareness of the above provision of AID Handbook 13 among PACT/Bangladesh officials have contributed to the inadequacies mentioned.



## **Effect**

The weaknesses referred to above increase the possibility of ineffective monitoring of subgrants/ contracts.

### **Recommendation No. 11**

- a. Details of disbursements to subgrantees/contractors from PACT/Headquarters in Bangladesh and U.S.A. should be advised to PACT/Bangladesh on a regular basis.
- b. Agreements with subgrantees should stipulate for separate bank accounts to be maintained for funds received from PACT/Bangladesh and PACT/Headquarters.
- c. PACT/Bangladesh should ensure that competitive quotations are called for on purchase of goods by subgrantees.
- d. PACT/Bangladesh should ensure that adequate backup documentation for payments are maintained by the subgrantees.
- e. Technical Assistance contracts entered with individuals by PACT/Bangladesh should be made after evaluating contract fees and any supplemental contract entered should be justified by documenting reasons therefor.
- f. PACT/Bangladesh should document justification for not accepting lowest offer.
- g. Agreement with subgrantees should provide for separate books (at least separate accounts) to be maintained by the subgrantees. Further, PACT/Bangladesh should ensure that expenses incurred by subgrantees from their funds are properly recorded and identified by the concerned subgrantee.
- h. PACT/Bangladesh should obtain narrative reports regarding work carried out by subgrantees.

### **PACT Management Comments**

#### **Finding 11a.**

The finding is agreed. Since July 1991 PACT/Headquarters has been formally notifying PACT/Bangladesh of disbursements made to US based PRIP subgrantees. This notification is by facsimile with a copy of additional documentation being sent by mail.



**Finding 11b.**

It is our understanding that under the PACT Cooperative Agreement the USAID/Dhaka mission is not requiring the PACT/Bangladesh subgrantees to maintain separate bank accounts. It is our interpretation of the USAID regulations as they relate to this Agreement that the subgrantee accounts merely have to be identifiable.

**Finding 11c.**

The finding is agreed. The purchasing practice of Ideas International were deficient during the period audited. We have formally notified IDEAS of these deficiencies and we will provide technical assistance to clear up the cited deficiency.

**Finding 11d.**

BURO was allowed the use of a business's firm's premises at a subsidized rental rate. This was an informal agreement made between BURO and Delta Insurance. We have requested that BURO provide documentation in the form of a receipt as proof of payment of the rent for said eight months.

**Finding 11e.**

We agree with the findings, however we provide the following explanation as to why the referenced consultant was hired. A.N. Chowdhury's fees were compared to market rates for consultants, rather than to fees which might have been charged by the two other consultants considered for the job. We considered the consultants rate utilizing USAID guidelines regarding establishing consultant rates, and by informally comparing the rates of other people and organizations. Once the PRIP Coordinator decided that the qualification of A.N. Chowdhury met the requirements of the position, the reasonableness of the fee, he awarded the contract to her, without checking the fees required by other competing consultants. The same process was carried through into the extension of the job. The recommendation is agreed.



**Finding 11f.**

The finding is agreed. After verifying the preparation of the ADAB quotation with them, the PRIP Coordinator found that ADAB had missed out some parts of the work in constructing their budget which contributed to ADAB's bid being so much lower than CDL's bid. ADAB's quotation did not include the cost of binding and it included an unrealistic printing price. In addition, ADAB did not have enough experience performing the type of work required. These facts are why we classified the quote to be "unreal". We accept the recommendation.

**Finding 11g.**

The finding is agreed. Reports from the subgrantees listed did provide the level of detail information required. PACT/Bangladesh is working with these organization to rectify this. We acknowledge this weakness and have taken steps to correct this deficiency. All subsequent subgrantees/contractors have been advised to ensure that a separate set of financial records are maintained for funds provided by PACT and to ensure that all expenses incurred from funds provided by PACT are properly recorded as per USAID regulations.

**Finding 11h.**

The finding is agreed. PACT/Bangladesh has advised ADAB of the compliance deficiency. We are working with ADAB to improve their compliance with the reporting requirements and other stated terms of their subgrant agreements.



*Price Waterhouse*



**PRIVATE AGENCIES COLLABORATING TOGETHER/BANGLADESH**

**SUPPORT OF USAID/BANGLADESH'S PRIVATE RURAL INITIATIVES  
PROJECT NO.388-0072**

**COMPLIANCE WITH AGREEMENT TERMS, APPLICABLE LAWS AND REGULATIONS**

**INDEPENDENT AUDITORS' REPORT**

Mr. James B. Durnil  
Regional Inspector General for Audit  
US Agency for International Development  
Singapore

We have audited the Fund Accountability Statement of PACT/Bangladesh for the period September 1, 1988 to August 31, 1990 of the funds provided to PACT/Bangladesh by PACT/Headquarters in support of USAID/Bangladesh's Private Rural Initiatives Project (388-0072) and have issued our report thereon dated August 27, 1991.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in 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.

Compliance with laws, regulations, contracts, grants, and binding policies and procedures applicable to PACT/Bangladesh is the responsibility of PACT/Bangladesh management. As part of our audit, we performed tests of PACT/Bangladesh's compliance with certain provisions of laws, regulations, contracts, grants, and binding policies and procedures. However, it should be noted that we performed those tests of compliance as part of obtaining reasonable assurance

about whether the Fund Accountability Statement is free of material misstatement; our objective was not to provide an opinion on compliance with such provisions.

Material instances of noncompliance are violations of laws, regulations, contracts, grants or binding policies and procedures that cause us to conclude that the aggregation of misstatements resulting from those violations is material to the Fund Accountability Statement. The results of our tests of compliance disclosed the following material instances of noncompliance, the effects of which have not been considered in PACT/Bangladesh's Fund Accountability Statement for the period September 1, 1988 to August 31, 1990.

The material instances of noncompliance are noted in Findings 1, 2, 12a, 12d, 12g, and 12h.

We considered these material instances of noncompliance in forming our opinion on whether PACT/Bangladesh's Fund Accountability Statement for the period September 1, 1988 to August 31, 1990 is presented fairly, in all material respects, in conformity with generally accepted accounting principles, and this report has been considered for the purpose of our report dated August 27, 1991 on the Fund Accountability Statement.

Our testing of transactions, and records disclosed instances of noncompliance with those laws and regulations. All instances of noncompliance that we found and the programs to which they relate, are identified in Findings 1, 2, 3, 7, 10, 11 and 12.

Except as described above, the results of our tests of compliance indicate that with respect to the items tested PACT/Bangladesh complied, in all material respects, with the provisions referred to in the third paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that PACT/Bangladesh had not complied, in all material respects, with those provisions.

This report is intended for the information of PACT management and USAID. This restriction is not intended to limit the distribution of this report which is a matter of public record.

August 27, 1991

*Price Waterhouse*  
PRICE WATERHOUSE  
CHARTERED ACCOUNTANTS



# **PRIVATE AGENCIES COLLABORATING TOGETHER/BANGLADESH**

## **SUPPORT OF USAID/BANGLADESH'S PRIVATE RURAL INITIATIVES**

**PROJECT NO. 388 - 0072**

### **REPORT ON COMPLIANCE WITH AGREEMENT TERMS AND APPLICABLE LAWS AND REGULATIONS**

#### **FINDING 12**

**PACT/Bangladesh did not comply with certain Agreement terms, applicable laws and regulations**

#### **Condition**

Our examination revealed the following instances of noncompliance with Agreement terms, applicable laws and regulations :-

- a. As per the Cooperative Agreement all payments by PACT to Bangladeshi subgrant recipients and Bangladeshi national individuals or firms should be made in local currency. However in the instances referred to in Annexure-G (page 65) payments (totaling US\$ 85,666) have been made in US Dollar by checks of Chemical Bank, New York to Bangladeshi subgrantees and national individuals.
- b. Income tax has not been deducted from salaries and deposited with the appropriate authorities within the time frame prescribed under the Bangladesh tax laws.
- c. Income tax has not been deducted from rent paid for PACT/Bangladesh office and deposited with the appropriate authorities within the time period prescribed under the Bangladesh tax laws.
- d. Prior and written approval from USAID in terms of requirements under Air Travel and Transportation in AID Handbook 13 has not been obtained by PACT/ Bangladesh for international trips amounting to US \$ 43,933 undertaken by both PACT/Bangladesh officials and its contractors as set out in Annexure-H (pages 66 and 67).
- e. PACT/ Bangladesh did not maintain advances of Federal Funds in interest bearing accounts as required by OMB Circular A110.



- f. Instances of loan given to the following persons are not covered by the terms of the grant awarded to PACT/Bangladesh and are outstanding at the period end as indicated below:-

Payment Reference	Particulars	Amount		Period end Balance	
		Tk.	US \$	Tk.	US \$
1574 July 31, 1990	Loan to Richard Holloway	25,000	743	—	—
1260 May 6, 1990	Loan to Fazlul Haque Gazi	10,000	297	5,000	149
844 January 1, 1990	Loan to Nuruzzaman	11,000	327	3,000	89
Nil June 20, 1989	Loan to Richard Holloway's friend	3,256	97	—	—

- g. As per AID Handbook 13 (Local Cost Financing) paragraph (e) the grantee shall not procure any used equipment without the prior written authorization of the grants officer. However, in the following cases PACT/Bangladesh has purchased second hand equipment without USAID approval as detailed below:-

Payment Reference	Particulars	Amount	
		Tk.	US \$
15 April --, * 1989	Purchase of Airconditioner (1 set)	31,000	921
800 January 10, 1990	Purchase of IBM Computer and printer	118,000	3,505
Chemical Bank Check No. 141 August 31, 1989	Purchase of 'Apple' Mackintosh plus Computer	39,480	1,173
	<b>Total</b>		<b><u>5,599</u></b>

\* date not indicated in voucher.



h. In the following cases expenses incurred have exceeded the corresponding budget limits set out in the Cooperative Agreement (Amendment No. 4 dated March 29, 1990) :-

Budget Categorywise Expenses	Amount incurred by PACT/Bangladesh US \$	Amount incurred by PACT/Headquarters US \$	Total expenditure. US \$	Budget limit US \$	Excess amount incurred US \$
Technical Assistance	178,658	47,332	225,990	219,812	6,178
International Travel	11,372	25,613	36,985	27,969	9,016
Local Operating Costs	152,828	6,267	159,095	107,707	51,388
Evaluation	5,193	—	5,193	—	5,193
Overhead	—	325,733	325,733	281,826	43,907
					<u>115,682</u>

However, if the expenses were to be compared on the basis of rectification of wrong account bookings as set out in Finding 2a (page 16) of the Fund Accountability Section, read with Annexure-C (pages 59 and 60), the following would evolve:-

Budget Categorywise Expenses	Amount incurred by PACT/Bangladesh US \$	Amount incurred by PACT/Headquarters US \$	Total expenditure. US \$	Budget limit US \$	Excess amount incurred US \$
Technical Assistance	188,563	47,332	235,895	219,812	16,083
International Travel	11,372	25,613	36,985	27,969	9,016
Local Operating Costs	163,503	6,267	169,770	107,707	62,063
Evaluation	5,193	—	5,193	—	5,193
Overhead	—	325,733	325,733	281,826	43,907
					<u>136,262</u>

Since only PACT/Bangladesh expenditure has been considered for Fund Accountability Statement, excess amount incurred over budget has been identified as questioned cost only in case of Local Operating Costs and Evaluation, where PACT/Bangladesh expenditure alone have exceeded the relevant limits by US \$ 55,796 and US \$ 5,193 respectively, aggregating US \$ 60,989.



## **Criteria**

- a. **As per Amendment No. 4, Attachment One, Paragraph 7, Clause N to the Cooperative Agreement, all payments by PACT to Bangladeshi subgrant recipients and Bangladeshi national individual or firms shall be made in local currency.**
- b. **As per Section 50 of the Bangladesh Income Tax Ordinance, 1984, the person responsible for making any payment under the head salaries shall deduct tax from the amount so payable at the rate applicable.**
- c. **Section 53A of the Bangladesh Income Tax Ordinance, 1984 requires deduction of tax at source from income from house property payable by any non-government organization run or supported by any foreign donation or assistance, where the annual rent of the house exceeds or is likely to exceed Tk. 48,000 in a year. Deduction will be made at the rate laid down in Rule 17B of the Income Tax Rules, 1984.**
- d. **'Air Travel And Transportation' provision in AID Handbook 13 requires the grantee to present to the project officer for written approval an itinerary for each planned international trip financed by this grant.**
- e. **OMB Circular 110, Attachment I, paragraph 8a requires that recipients shall maintain advances of Federal Funds in interest bearing accounts.**
- f. **Funds are to be utilized for the purposes specified in the Financial Plan in the Cooperative Agreement.**
- g. **Local Cost Financing provision in AID Handbook 13, paragraph (e) requires that the grantee shall not procure any used equipment without the prior written authorization of the grants officer.**
- h. **'Revision of Grant Budget' provision in AID Handbook 13 (applicable in the case of the grantee as per Attachment I, Clause D of the Cooperative Agreement) requires the grantee to request approval from the grant officer when there is reason to believe that within the next 30 calendar days a revision of the grant budget will be necessary for the specified reasons mentioned under the above provision.**

## **Cause**

**The above referred noncompliances are due to lack of awareness of these requirements among PACT/Bangladesh officials.**



## **Effect**

In view of the noncompliance issues discussed above, USAID cannot be assured that PACT/ Bangladesh exercises adequate control over funds granted by it and property acquired out of such funds and leading to questioned costs aggregating US \$ 196,187 (refer items 6, 7, 8 and 9 in Summary Of Questioned Costs enclosed).

## **Recommendation No. 12**

We recommend PACT/Bangladesh ensure that:

- a. Relevant terms and conditions set out in the Cooperative Agreement are complied with.
- b. Income tax is deducted from salaries and deposited with the appropriate authorities within the specified time period.
- c. Income tax is deducted from rent paid and deposited with the appropriate authorities within the specified time period.
- d. Prior written approval from USAID is obtained in respect of all international trips undertaken by PACT/ Bangladesh officials and contractors.
- e. USAID funds are maintained in interest bearing accounts as required by OMB Circular A110.
- f. Loans are not given to individuals and loans outstanding at the period end are recovered.
- g. USAID approval is obtained in respect of purchases of used equipment.
- h. Expenditure incurred over and above the budget limits are followed up with USAID for allowability.

## **PACT Management Comments**

### **Finding 12a.**

The finding is agreed. USAID/Dhaka initially agreed that PACT/ Bangladesh could make payments in US dollars. This procedure was changed in December 1989. The present system which was instituted in January 1990 is to make payment in Taka.



**Finding 12b.**

The PACT/Bangladesh Personnel Manual states that income tax payment is the responsibility of the individual. Since individuals are employed on limited term employment agreement (employment agreement cannot exceed the life of the project), we have allowed employees to continue paying their taxes. This is consistent with the employment practices of many other NGOs operating in Bangladesh. We will consult our legal adviser to determine if PACT is required to withhold taxes based upon the operating laws of the Government of Bangladesh. If it is mandatory for the employer to pay income tax at source we will comply and change our policy.

**Finding 12c.**

It is our understanding that the payment of tax for office rent is the responsibility of the property owner and not the renter. We will request from the landlord a letter certifying that tax has been paid, if this is acceptable.

**Finding 12d.**

We agree with the finding. However we offer the following explanation, retroactive approval for international trips taken by both PACT/Bangladesh contractors and officials has been obtained from USAID. Procedures are in place to insure that prior approval is obtained before making additional international trips.

**Finding 12e.**

We agree with the finding. We have, however, been unable to comply with this regulation because it is not an acceptable practice for banks in Bangladesh to allow a foreign organization like PACT to have an interest bearing account. We agree with the recommendation, but it is not possible to implement this recommendation in Bangladesh as far as we are aware. The PACT/ Bangladesh staff has discussed this with the manager of our bank, Grindlays Bank, and they were told that the organizations like ours (foreign entities) can't open any interest bearing account.

**Finding 12f.**

We agree with the finding. Such loans, which were allowed in PACT/Bangladesh's previous Personnel Manual, have now been repaid. Present policies do not allow for such loans and this policy is reflected in the current Personnel Manual.



### **Finding 12g.**

We agree with the finding regarding purchase of used equipment and we provide the following observation for USAID's consideration :

**A. Air-conditioner:**

This was the subject of a finding in the Financial Review, we present a justification or a request for a waiver to USAID/Dhaka which was accepted and closed the finding.

**B. IBM Computer and Printer:**

This was bought for TA 34 which was a computer training course. In the expectation that the computer would suffer rough handling with computer novices a used machine was bought. The price paid for the computer was far below the cost of a new computer. This machine was subsequently taken onto the PACT Bangladesh inventory after the training was over and is still operating. We acknowledge this deficiency and no additional used equipment has been purchased with project funds. We are requesting a waiver of the procurement guidelines as it relates to this equipment and we are requesting retroactive approval of this purchase from USAID.

**C. Mac Plus:**

This was bought as SG 20. When PRIP first rented the IVS offices which was equipped with an old Apple II. It proved to be very useful for PACT/Bangladesh, which had Macintosh equipment, to be able to exchange information with IVS. We purchased a used Macintosh for IVS. Again, we acknowledge this deficiency in PACT's in-country procurement procedure and are therefore requesting retroactive approval of this purchase from USAID.

### **Finding 12h.**

The findings are agreed. We offer the following explanation for transactions listed. Due to the many changes that have taken place during the first two years of the project we found it very difficult to implement the project utilizing the budget line items as originally constructed. We had particular problems matching cost with the Technical Assistance, Local Operating Costs and Program budget line items. We are in the process of preparing a revision of the budget to reflect changes in the financial plan. USAID/D has received copies of the Financial Status Reports. PACT/Bangladesh has regular meetings with USAID/ Dhaka to discuss the progress of the project including budget and spending. We have kept them apprised of the changes that have taken place in the project implementation plan.



*Price Waterhouse*



**PRIVATE AGENCIES COLLABORATING TOGETHER/BANGLADESH**

**SUPPORT OF USAID/BANGLADESH'S PRIVATE RURAL INITIATIVES  
PROJECT NO. 388-0072**

**FOLLOW-UP ON PRIOR AUDIT**

Mr. James B. Durnil  
Regional Inspector General For Audit  
US Agency For International Development  
Singapore

We have reviewed the status of action taken on findings reported in the Financial Review of PACT/Bangladesh in support of USAID/Bangladesh's Private Rural Initiatives Project No. 388-0072 for the period January to December 1989 by M/s Sadequr Rahim & Co., Chartered Accountants. Listed below are findings reported in the above review, where corrective action has not been taken and the deficiency remains unresolved for the current audit period (which also partly covers the above financial review period).

- a. Certificate to be obtained from PACT/Headquarters for initial expenditure of US \$ 4,896 (Tk.164,866) against which the supporting vouchers were sent to PACT/Headquarters [Refer Finding 3j (page 22) of our report on internal controls].
- b. Accounting entries to be posted in General or Control Ledger and the accountheads in the ledger are totaled and balanced at the end of every month and cost reimbursement statements are always based on ledger [Refer Finding 3a (page 21) of our report on internal controls].

- c. **Maintain :**
- (i) **Log book for Vehicles with suggested modification as per sample shown in Annexure 2 of the report [Refer Finding 3g (page 22) of our report on internal controls].**
  - (ii) **Imprest Petty Cash Register [Refer Finding 3d (page 21) of our report on internal controls].**
- d. **PACT/Headquarters should send detailed breakup of PACT/Bangladesh and Headquarters expenses by budget line items along with copies of Monthly Financial Status Reports to facilitate reconciliations of costs reported to PACT/Headquarters and see whether costs of PACT/Bangladesh were properly incorporated in Monthly Financial Status Reports for cost reimbursement from USAID. [Refer Finding 3b (page 21) of our report on internal controls].**

Except for Finding 1d above, all other findings were closed as per the Status and Follow-up Actions on Recommendations and Comments as of June 30, 1991. However, we are of the opinion that these findings need to be reviewed again in view of our observations noted against respective findings of our current audit report.

August 27, 1991

*Price Waterhouse*  
PRICE WATERHOUSE  
CHARTERED ACCOUNTANTS



# PRIVATE AGENCIES COLLABORATING TOGETHER/BANGLADESH

## SUPPORT OF USAID/BANGLADESH'S PRIVATE RURAL INITIATIVES PROJECT NO.388-0072

### SUMMARY OF QUESTIONED COSTS

	Amount US \$
1. Donation, Honorarium and Dinner Party costs (Refer Finding 1a of Fund Accountability Section on page 12)	3,256
2. Payments to Director, PACT/Bangladesh not covered by related terms and conditions of his appointment (Refer Finding 1b of Fund Accountability Section on page 12)	15,138
3. Booking of amounts under wrong budget categories (Refer Finding 2a on page 16 and Annexure-C on pages 59 and 60)	(Note 1) 10,737
4. Receipts not credited to respective budget heads (Refer Finding 2b on page 16 and Annexure-D on pages 61 and 62)	14,735
5. Supporting documents not available (Refer Finding 3j on page 22 and Annexure-E on page 63)	4,896
6. Payments to Bangladeshi subgrant recipients in US dollars (Refer Finding 12a on page 42 and Annexure-G on page 65)	85,666
7. International Travel not approved by USAID/Bangladesh (Refer Finding 12d on page 42 and Annexure-H on pages 66 and 67)	43,933
8. Procurement of used equipment without prior approval (Refer Finding 12g on page 43)	5,599
9. Budget category expenses of PACT/Bangladesh only exceeding relevant budget limit (Refer Finding 12h on page 44)	(Note 2) 60,989
<b>Total</b>	<b><u>244,949</u></b>

- Notes:
1. Out of US \$ 21,412 (Annexure-C) an amount of US \$ 10,737 has been shown against the related item and the balance amount of US \$ 10,675 has been considered under item 9.
  2. Represents excess PACT/Bangladesh expenditure only over relevant budget limits.



Details of questioned costs included in budget categorywise expenses. (Refer Finding 1a on page 12)

Payment Reference	Particulars	Amount		Remarks
		TK.	US \$	
42 May 15, 1989	Donation to Mouchak (NGO)	5,000	149	Unallowable per OMB Circular A-122, Attachment B, Paragraph-8
56 May 15, 1989	Donation to Mouchak (NGO)	5,000	149	- do -
521 October 8, 1989	Honorarium to staff of Telephone Office for installing telephone at PACT/ Bangladesh Office	33,000	980	Unallowable per OMB Circular A-122, Attachment A, Paragraph-2
35 May 11, 1989	Honorarium to staff of Telephone Office for installing telephone at Richard Holloway's house	25,000	742	- do -
1350 May 29, 1989	Honorarium paid to Md. Abul Hassanat for processing paperwork at Department of Social Welfare	6,000	178	- do -
1596 August 19, 1990	Honorarium paid to Special Branch people for Registration	500	15	- do -
22 April, 1989	Honorarium paid to M. Bari for Visa of Richard Holloway	1,060	31	- do -
144 June 20, 1989	Honorarium paid to M. Bari for Visa of Richard Holloway	4,000	119	- do -



## ANNEXURE A (Contd)

Payment Reference	Particulars	Amount		Remarks
		TK.	US \$	
985 February 25, 1990	Honorarium paid to M. Bari for Visa of Richard Holloway and family.	6,000	178	Unallowable per OMB Circular A-122, Attachment-A Paragraph-2.
89 May 31, 1989	Tips to helper of dinner party	200	6	Unallowable per OMB Circular A-122, Attachment-B, Paragraph-12
92 May 31, 1989	Cold drinks for dinner party	720	21	- do -
94 May 31, 1989	Rent for cutleries for dinner party	2,308	69	- do -
97 May 31, 1989	Lunch with IVS staff at King's Kitchen	1,293	38	- do -
102 June 4, 1989	Dinner at Richard's house for Thomas Bryne	6,314	188	- do -
280 July 28, 1989	Dinner party	1,337	40	- do -
891 February 4, 1990	Dinner at PACT/B Office for all NGOs	3,621	108	- do -
902 February 4, 1990	Dinner party for all NGOs	1,317	39	- do -
903 February 4, 1990	Dinner party for all NGOs	1,000	30	- do -



**ANNEXURE A (Contd)**

<b>Payment Reference</b>	<b>Particulars</b>	<b>Amount</b>		<b>Remarks</b>
		<b>TK.</b>	<b>US \$</b>	
1612 August 9, 1990	Bouquet of flowers for dinner party	138	4	Unallowable per OMB Circular A-122, Attachment-B, Paragraph-12
1626 August 13, 1990	Party to Evaluators	3,173	94	- do -
1650 August 19, 1990	Dinner party at Aroma Goon's house for Evaluators	2,621	78	- do -
		<u>109,602</u>	<u>3,256</u>	



## ANNEXURE - B.

**Payments to Director, PACT/Bangladesh not covered by related terms and conditions of his appointment (Refer Finding 1b on page 12)**

Payment Reference	Particulars	Amount	
		TK.	US \$
<b>Household Equipment Shipment/Settling In</b>			
1 January -, * 1989	Advance for furniture	20,000	594
7 February -, * 1989	Final payment for furniture	31,400	933
13 March -, * 1989	Electrical Material	515	15
219 July 12, 1989	Furniture	4,800	143
294 July 31, 1989	Window grill	7,397	220
406 September 4, 1989	Wooden Shelves	2,700	80
691 November 26, 1989	Furniture	9,600	285
1239 April 25, 1990	Airfare to London for family (Home leave)	124,793	3,706
1594 August 5, 1990	Expenses during trip (Home leave)	20,373	605
		<u>221,578</u>	<u>6,581</u>

\* date not indicated in vouchers



## ANNEXURE - B (Contd.)

Payment Reference	Particulars	Amount	
		TK.	US \$
<b>Housing Allowance</b>			
35 May 11, 1989	Telephone installation charges	50,120	1,489
11 & 12 March -, * 1989	Refrigerator	25,070	745
15 April -, * 1989	Furniture	30,400	903
1 January -, * 1989	Gas cooker	10,000	297
1 January -, * 1989	Electric heater	12,000	356
7 February -, * 1989	Sanitary material	7,000	208
33 May 10, 1989	Air conditioner	47,000	1,396
42 May 14, 1989	A.C. installation charges	1,000	30
B January -, * 1989	Blankets	1,300	39
2 January -, * 1989	Shoe Racks	650	19
7 February -, * 1989	Bathroom heater	8,286	246

\* date not indicated in vouchers



## ANNEXURE - B (Contd.)

Payment Reference	Particulars	Amount	
		TK.	US \$
8 February -, * 1989	Mattress	1,350	40
9 February -, * 1989	Mosquito net, dinner set	19,325	574
12 March -, * 1989	Cooking utensils	14,250	423
17 April -, * 1989	Electrical appliance	4,215	125
21 April -, * 1989	Furniture	1,550	46
32 May 11, 1989	Housing equipment	2,772	82
43 May 14, 1989	Lamp shades	2,500	74
65 May 24, 1989	Curtain clothes	10,720	318
66 May 25, 1989	Furnishings	2,637	78
72 May 25, 1989	Repairs	150	4
76 May 28, 1989	Varnishing & labor charges	4,065	121
78 May 28, 1989	Furnishings	7,451	221

\* date not indicated in vouchers



## ANNEXURE - B (Contd.)

Payment Reference	Particulars	Amount	
		TK.	US \$
88 & 89 May 31, 1989	Varnishing & repairs	740	22
99 June 4, 1989	Medicine & blood test	7,033	209
350 August 18, 1989	Medical treatment	2,583	77
454 September 20, 1989	Stand Fan	2,300	68
417 September 10, 1989	Medical bill	275	8
1452 June 24, 1990	Repairs	1,490	44
		<u>278,232</u>	<u>8,262</u>
<b>Travel to Post</b>			
11 and 16 March -, * 1989	Cost of air tickets and other expenses of Richard Holloway from Bangkok to Penang and back to collect his family members and bring them back to Dhaka	9,933	295
		<u>9,933</u>	<u>295</u>
	<b>Total of Household Equipment Shipment/Settling In, Housing Allowance and Travel to Post</b>	<u>509,743</u>	<u>15,138</u>

\* date not indicated in voucher.



**Illustrative examples of wrong bookings to account heads (Refer Finding 2a on page 16)**

<b>Payment Reference</b>	<b>Particulars</b>	<b>Amount</b>		<b>Wrongly booked under budget head</b>	<b>Should have been booked under budget head</b>
		<b>TK.</b>	<b>US \$</b>		
851 January 29, 1990	Payments to D. Gisselquist under Technical Assistance Contract No. 20	224,437	6,666	Program	Technical Assistance
1274 May 9, 1990	Payment to Aloshika under Technical Assistance Contract No. 40	27,234	809	Program	Technical Assistance
1277 May 9, 1990	Payment to Aditee Nag Choudhury under Technical Assistance Contract No. 47	20,000	594	Program	Technical Assistance
1278 May 10, 1990	Payment to Community Development Services under Technical Assistance Contract Nos. 36 and 38	23,800	707	Program	Technical Assistance
800 January 10, 1990	Payment to C. Allard for computer	266,528	7,916	Program	Local operating costs (Office Equipment)



**ANNEXURE - C (Contd)**

<b>Payment Reference</b>	<b>Particulars</b>	<b>Amount</b>		<b>Wrongly booked under budget head</b>	<b>Should have been booked under budget head</b>
		<b>TK.</b>	<b>US \$</b>		
142 June 19, 1989	Payment to Omar Faruk under Technical Assistance contract No. 8	38,000	1,129	Resident Personnel (Consultants)	Technical Assistance
1444 June 24, 1990	Payment to Association for Development Agencies in Bangladesh under Subgrant No. 12	28,000	832	Resident Personnel (Consultants)	Programs (Subgrants)
5 February -,* 1989	Car rent by Richard Holloway	4,314	128	Resident Personnel (Consultants)	Local operating costs (Vehicle Operation/ Maintenance)
5 February .-,* 1989	Purchase of one Apple Mackintosh plus computer	88,600	2,631	Resident Personnel (Consultants)	Local operating costs (Office Equipment)
	<b>Total</b>	<b><u>720,913</u></b>	<b><u>21,412</u></b>		

\* date not indicated in vouchers



**Receipts under budget categorywise expenses not credited to respective budget heads (Refer Finding 2b on page 16)**

Month	Particulars	Amount	
		TK.	US \$
May 25, 1989	Cash received from Sunypan	500	15
May 25, 1989	Cash received on sale of cassette	900	27
September 5, 1989	Cash received on refund of ticket	16,350	486
December 10, 1989	Commission received from Continental Travels for purchase of air tickets	2,356	70
February 25, 1990	Check received from Charles Allard	266,528	7,916
February 26, 1990.	Commission received from Continental Travels for purchase of air tickets	2,620	78
March 27, 1990	Cash received from Richard Holloway	2,026	60
March 4, 1990	Commission received from Continental Travels for purchase of air tickets	2,041	61
April 19, 1990	Check received from BRAC	5,400	160
April 19, 1990	Cash received from BA	2,800	83
April 25, 1990	Commission received from Continental Travels for purchase of air tickets	3,740	111



## ANNEXURE - D (CONTD.)

Month	Particulars	Amount	
		TK.	US \$
April 16, 1990	Bank transfer from New York	47,992	1,425
August 5, 1990	Check received from Richard Holloway	36,850	1,094
August 9, 1990	Check received from GSS	2,040	61
August 26, 1990	Check received from IVS	100,000	2,970
August 22, 1990	Cash received from BURO	3,968	118
	<b>Total</b>	<u><u>496,111</u></u>	<u><u>14,735</u></u>



## Supporting of payment vouchers not available for verification(Refer Finding 3j on page 22)

Payment Reference	Particulars	Amount		Account head
		Tk.	US \$	
A January --* 1989	Train, food, taxi, at London and Penang Airfare	13,918	413	Travel to post
	Baggage, Hotel Rent	6,588	196	Travel to post
	Medicine, Doctor	860	26	Travel to post
	Business Center, Singapore Airport, Phone	2,028	60	Local operating costs (Communication)
	Bookshelf, document box	2,000	59	Local operating costs (Furniture)
	Binding documents	1,615	48	Local operating costs
		<u>27,009</u>	<u>802</u>	
B January --* 1989	Blanket	1,300	39	Resident Personnel (Housing Allowance)
	Walkman	615	18	Local operating costs (Others)
	Stationery	21,008	624	Local operating costs (Supplies)
	Furniture for Office	15,500	460	Local operating costs (Furniture)
	Rent Advance for Richard Holloway's House	90,000	2,673	Resident Personnel (Housing Allowance)
	Taxi fare, transport	2,000	59	Local operating costs (Others)
	Motorcycle repair	7,434	221	Local operating costs (Vehicle Maintenance)
	<u>137,857</u>	<u>4,094</u>		
<b>Total (A + B)</b>	<u><u>164,866</u></u>	<u><u>4,896</u></u>		

\* date not indicated in vouchers.



**Instance of direct disbursements to subgrantees/contractors in Bangladesh and USA (Refer Finding 11a on page 34)**

<b>Name of Subgrantee/Contractor</b>	<b>Subgrant/ Contract No.</b>	<b>Amount US \$</b>
International Voluntary Services, Washington	SG 002	110,000
IDEAS International, Bangladesh	SG 025	58,652
Cooperative American Relief Everywhere, USA	SG 023	17,758
Cooperative American Relief Everywhere, USA	SG 021	6,481
Institute for Development Research, Boston, USA	SG 004	8,031
Institute for Development Research, Boston, USA	SG 030	23,265
Save the Children Fund, USA	SG 001	6,000
David Korten	TA 002	5,981
David Korten	TA 040	6,971
Sara Stuart	TA 012	8,400
Thomas Timberg	TA 024	2,649
Mohammad Arif	PT 002	500
Mainus Sultan, Mohammad Mohsin and Ehsanur Rahman	PT 003	11,985
	<b>Total</b>	<b><u>266,673</u></b>



**Instances of US dollar payments to Bangladeshi subgrantees/ individuals (Refer Finding 12a on page 42)**

<b>Subgrantee/Individual</b>	<b>Subgrant/ Contract No.</b>	<b>Amount US \$</b>
Association of Development Agencies in Bangladesh	SG - 5	5,143
	SG - 8	4,875
Bangladesh Unemployed Rehabilitation Organisation	SG - 11	4,800
	SG - 16	4,975
Bangladesh Institution Development Studies	SG - 13	28,861
Alosikha	SG - 15	364
Community Development Library	SC - 1	5,142
Nurul Haq	TA - 6	3,125
Jahangir Alam	TA - 10	2,000
Rahamat Ali	TA - 17	1,036
Iqbal Ahmed	TA - 18	1,808
Syed Nurul Alam	TA - 21	7,092
Iqbal Ahmed	TA - 28	747
Ziauddin Ali Ahmed	TA - 03	4,950
Bangladesh Rural Advancement Committee	SG - 12	455
Sigma Huda	TA - 22	600
Osman Gani	TA - 23	4,010
M. A. Matin	TA - 13	1,721
Siddiqur Rahim and Emamul Haq	PT - 01	1,680
Continental Travels	Not applicable	2,282
	<b>Total</b>	<b><u>85,666</u></b>



**ANNEXURE - H**

**Instances of international trips undertaken by PACT/Bangladesh officials and contractors not covered by USAID approval (Refer Finding 12d on page 42)**

<b>Particulars of international trips undertaken</b>	<b>Subgrant/ Contract No.</b>	<b>Amount US \$</b>
Travel to India by Ibrahim Sobahan	SG 034	720
Travel to Social Legal Aid Research and Training Center, India by four participants	SG 031	412
Travel to Bangkok by Mahmood and Zahin Ahmed	SG 028	2,138
Travel to India by Stephen Roy of Alohika (Subgrantee)	SG 015	881
Travel to Bangkok by Abdus Salam and Ranjan Sarkar	SG 010	3,977
Travel to Bangkok by eight participants of various NGOs	SG 009	5,695
Travel to USA (Harvard Institute of International Cooperation) by Iqbal Ahmed	SG 006	5,618
Travel to Institute of Development Research, Boston, USA, by Zahin Ahmed	SG 004	9,400
Travel to India, New Delhi to Social Legal Aid Research and Training and Participatory Research in Asia by Aroma Goon (Deputy Director, PACT/Bangladesh)	Not applicable	1,467
Travel to New York, USA by Richard Holloway (Director, PACT/Bangladesh) for attending PACT/Headquarters meeting	Not applicable	3,671



**ANNEXURE - H (Contd.)**

<b>Particulars of international trips undertaken</b>	<b>Subgrant/ Contract No.</b>	<b>Amount US \$</b>
Travel to Bangkok by Aroma Goon for attending workshop at International Council for Adult Education World Assembly	Not applicable	1,962
Travel to New York, USA by Aroma Goon for meeting officials of PACT/Headquarters	Not applicable	1,634
Travel to Participatory Research in Asia, India, New Delhi by Richard Holloway and Aroma Goon	Not applicable	2,619
Travel to London by Richard Holloway and family	Not applicable	3,739
	<b>Total</b>	<b><u>43,933</u></b>



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