

Regional Inspector General for Audit
Nairobi, Kenya

Audit of
The Government of Malawi Ministry of Works
Under the Promoting Health Interventions for Child
Survival Project, Grant Agreement No. 89-G-612-0231

Report No. 3-612-93-11-N
February 12, 1993



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INSPECTOR
GENERAL

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

February 12, 1993

MEMORANDUM

*Regional
Inspector General
for Audit/Nairobi*

TO: USAID/Malawi Director, Carol A. Peasley
FROM: *for* RIG/A/Nairobi, Everette B. Orr *Joseph Fainella*
SUBJECT: Agency-contracted Audit of Government of Malawi Ministry of Works
Under the Promoting Health Interventions for Child Survival Project,
Grant Agreement No. 89-G-612-0231.

Attached are five copies of an Agency-contracted audit of the Government of Malawi's Ministry of Works under the Promoting Health Interventions for Child Survival (PHICS) Project Grant Agreement No. 89-G-612-0231. The accounting firm of KPMG Peat Marwick performed the audit.

The PHICS grant agreement was signed on June 30, 1989 with the Government of Malawi's (GOM) Ministry of Finance. The project completion date is June 30, 1997. The grant is a \$20.4 million project to be implemented by the GOM through the Ministry of Health (MOH) and Ministry of Works (MOW). A.I.D. is to contribute \$17.9 million of the total funding and the GOM \$2.5 million worth of local currency and in-kind support. The goal of the PHICS Project is to improve the health status of rural Malawians with emphasis on decreasing child morbidity and mortality. The project's purpose is to increase the institutional capacity of the MOH and the MOW to deliver and sustain health and child survival services and to increase the supply and utilization of these services at the community and family level. The project's purpose is expected to be accomplished through activities implemented under two components --institutional strengthening and service delivery. Institutional strengthening activities will be accomplished through (a) provision of operational support, commodities, technical assistance and training, (b) establishment of new positions for service delivery and management personnel, (c) training of Malawians to fill new positions, and (d) phased assumption by the GOM of the recurrent costs of these new positions and the expanded service delivery program. Service delivery activities will be accomplished through an extension of piped water schemes and hygiene education in rural areas throughout the country and an increase in the number of trained health personnel at the community level.

The MOW's responsibilities include construction of new gravity-fed piped water schemes, the rehabilitation of an existing piped water scheme, the management of an expanded in-service training program, and the conduct of water-related studies.

KPMG Peat Marwick performed an Agency-contracted audit of the Government of Malawi Ministry of Works (GOM/MOW) under the PHICS Project. The audit covered costs claimed by GOM/MOW from June 30, 1989 to August 25, 1992. The amount audited was \$1,592,869. The objectives of the audit were to:

- audit the MOW's Fund Accountability Statement and express an opinion as to whether the Fund Accountability Statement presents fairly, in all material respects and in conformity with the basis of accounting described in the report, the use of funds in accordance with the grant;
- consider the auditee's internal control structure in order to determine the auditing procedures for the purposes of expressing an opinion on the Fund Accountability Statement and to report on significant internal control deficiencies and material weaknesses;
- test the auditee's compliance with the terms of the grant, as part of obtaining reasonable assurance about whether the Fund Accountability Statement is free of material misstatement, and report on any identified material instances of noncompliance; and
- provide an accounting of all pipes purchased by USAID/Malawi under the grant by (a) performing a physical inventory of all pipes purchased under the project, and (b) reporting any internal control weaknesses in the systems of inventory control, stock accounting, and physical security.

In their report on the Fund Accountability Statement, the auditors determined that the Statement was fairly presented except for questioned costs of \$69,366. The questioned amount included unsupported payments of \$60,529 and unliquidated advances of \$8,837. The auditors noted material weaknesses in the internal control structure and its operations. These weaknesses included poor maintenance of files and documents and poor control over liquidation of advances. In regard to compliance, the auditors found that the GOM/MOW did not comply with the requirement that adequate books and records be maintained.

In regard to the accounting of pipes, the auditors stated that pipes purchased by USAID/Malawi were materially accounted for. However, the auditors could not certify the correctness of the figures due to the quality of records used to extract the information. The auditors stated that GOM/MOW records showing the location and usage of pipes at the project sites are inadequate. The auditors noted material weaknesses in inventory recording, stocktaking, usage, security, inventory returns and in recording of borrowing/lending between projects.

The draft report was submitted to GOM/MOW and USAID/Malawi for comments. Their comments (Appendices I and II) are incorporated in the final report by KPMG Peat Marwick. In their comments, the Mission stated that it agreed that the unsupported cost should be recovered if GOM/MOW is unable to locate supporting documents. In regard to internal control weaknesses, the Mission generally agreed with the audit report's recommendations. In their comments, the auditee indicated some supporting documents had been found after the audit was completed. The Mission must make a final determination as to the acceptability of these documents in supporting the questioned amount.

We are including the following recommendations in the Office of the Inspector General audit recommendation follow-up system.

Recommendation No. 1: We recommend that USAID/Malawi determine the allowability and recover, as appropriate, questioned (unsupported) costs of \$69,366 from the Government of Malawi; and

Recommendation No. 2: We recommend that USAID/Malawi obtain from the Ministry of Works a plan to improve its internal control structure, which would include:

- 2.1 proper maintenance of files and documents;**
- 2.2 control over payments and liquidation of advances; and**
- 2.3 an inventory recording, reconciling and reporting system.**

We consider Recommendation Nos. 1 and 2 to be unresolved. Recommendation No. 1 will be resolved when the Mission makes a final determination as to the allowability of the questioned amounts. The recommendation will be closed when the Mission takes action appropriate to its final determination. Recommendation No. 2 will be resolved when we

receive an acceptable plan for corrective action. The recommendation will be closed when the Mission provides evidence that the corrective action has been implemented. Please respond to this report within 30 days indicating action planned or already taken to implement the recommendations.

Thank you for the cooperation extended to KPMG Peat Marwick auditors and the Regional Inspector General for Audit representatives during the audit.

Attachments: a/s.

AUDIT OF
MALAWI MINISTRY OF WORKS UNDER
USAID/MALAWI PROMOTING HEALTH INTERVENTIONS
FOR CHILD SURVIVAL PROJECT, GRANT AGREEMENT NO.89-G-612-0231

ATTACHMENTS

AGENCY CONTRACTED AUDIT OF THE
GOVERNMENT OF MALAWI MINISTRY OF WORKS
UNDER USAID/MALAWI PROMOTING HEALTH
INTERVENTIONS FOR CHILD SURVIVAL
PROJECT NO. 89-G-612-0231

1

AGENCY CONTRACTED AUDIT OF THE
GOVERNMENT OF MALAWI MINISTRY OF WORKS
UNDER USAID/MALAWI PROMOTING HEALTH
INTERVENTIONS FOR CHILD SURVIVAL
PROJECT NO. 89-G-612-0231

TABLE OF CONTENTS

	<u>Page</u>
1. INTRODUCTION	
1.1. Background	1
1.2. Audit Objectives	2
1.3. Audit Scope	3
1.4. Restrictions on Audit Scope	3
1.5. Audit Methodology	3-4
1.6. Summary of Audit Findings	5
1.7. Summary of Recommendations	6
1.8. Summary of the GOM/MOW Management Comments	7
1.9. Summary of USAID/Malawi Management Comments	7
2. INDEPENDENT AUDITOR'S REPORT ON THE FUND ACCOUNTABILITY STATEMENT OF GOM/MOW UNDER USAID/MALAWI GRANT NO. 89-G-612-0231 (THE GRANT)	8
2.1. The Fund Accountability Statement	9
2.2. Questioned Costs	10-12
3. INDEPENDENT AUDITOR'S REPORT ON THE INTERNAL CONTROL STRUCTURE	13-14
3.1. Introduction	15
3.2. Findings	16-17
4. INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE GRANT	18-19
5. REVIEW OF RECORDING AND USAGE OF PIPES PURCHASED UNDER THE GRANT	20-24

TABLE OF CONTENTS
(Cont'd)

APPENDICES

- I. Management Comments: GOM/MOW.
- II. Management Comments: USAID/Malawi.
- III. Analysis of Questioned Costs.
- IV. Analysis of receipt and usage of pipes purchased under the Grant.
- V. Analysis of the pipe borrowing/lending position between projects.

5

1. INTRODUCTION

1.1. Background

The goal of the Promoting Health Interventions for Child Survival (PHICS) Project is to improve the health status of rural Malawians with emphasis on decreasing child morbidity and mortality. The purpose of the PHICS project is to increase the institutional capacity of the Government of Malawi Ministry of Health (GOM/MOH) and the Government of Malawi Ministry of Works (GOM/MOW) to deliver and sustain health and child survival services, and to increase the supply and utilization of these services at the community and family level. The project's purpose will be accomplished through activities implemented under two components - institutional strengthening, and service delivery. Institutional strengthening activities will be accomplished through:

- provision of operational support, commodities, technical assistance and training;
- establishment of new positions for service delivery and management personnel;
- training of Malawians to fill new positions;
- phased assumption by the Government of Malawi (GOM) of the recurrent costs of these new positions and the expanded service delivery program.

Service delivery activities will be accomplished through an extension of piped water schemes and hygiene education in rural areas throughout the country and by increasing the number of trained health personnel at the community level. The PHICS grant agreement was signed on June 30, 1989 with the Government of Malawi (GOM) Ministry of Finance. It is a \$20.4 million project implemented by the GOM through the GOM/MOH and GOM/MOW. USAID/Malawi is to contribute \$17.9 million of the total funding and the GOM \$2.5 million worth of local currency and in-kind support. GOM/MOW's responsibilities include construction of 13 new gravity-fed piped water schemes, the rehabilitation of the piped water schemes, the management of an expanded in-service training program and the conduct of water-related studies.

1.2 Audit Objectives

Peat Marwick was contracted, under its Indefinite Quantity Contract (No.623-0000-I-00-2005-00), to perform an Agency contracted audit of the GOM/MOW under Promoting Health Interventions for Child Survival (PHICS) project Grant No. 89-G-612-0231 (the Grant), in accordance with generally accepted auditing standards and the U.S. Comptroller General's "Government Auditing Standards" (1988 Revision). The principal objective was to determine whether disbursements by the auditee are adequately supported in accordance with the Grant and are allowable, allocable and reasonable.

With respect to the costs claimed, the objectives of the engagement were to:

- audit the auditee's Fund Accountability Statement and express an opinion as to whether the Fund Accountability Statement presents fairly, in all material respects and in conformity with the basis of accounting described in the report, the use of funds in accordance with the Grant;
- consider the auditee's internal control structure in order to determine the auditing procedures for the purpose of expressing an opinion on the Fund Accountability Statement and to report on significant internal control deficiencies and material weaknesses;
- test the auditee's compliance with the terms of the Grant, as part of obtaining reasonable assurance about whether the Fund Accountability Statement is free of material misstatement, and report on any identified material instances of non-compliance.

In addition, Peat Marwick was requested to account for all pipes purchased by USAID/Malawi under the Grant as follows:

- perform a physical inventory of all pipes purchased under the Grant, and categorize in the following categories: used, in storage and in shipment;
- report any internal control weaknesses in the systems of inventory control procedures, stock accounting, and physical security, and make recommendations as appropriate.

1.3. Audit Scope

The scope of our audit was limited to an examination of costs claimed under the Grant by GOM/MOW. Our detailed audit scope is set out below.

(a) Audit Report on the Fund Accountability Statement

The audit covered costs claimed by GOM/MOW from June 30, 1989 to August 25, 1992. Total costs reimbursed by USAID/Malawi to GOM/MOW amounted to US\$1,788,162, of which US\$1,592,869 was audited by Peat Marwick.

(b) Audit Report on GOM/MOW's internal control structure

The audit reviewed the internal control structure relevant to the recording of receipts and disbursements by GOM/MOW under the Grant.

(c) Audit Report on GOM/MOW's compliance with the Grant

The audit report covered only GOM/MOW's compliance in respect of the Fund Accountability Statement under the Grant.

1.4. Restrictions on Audit Scope

Within the parameters stated above, there were no restrictions on our audit scope with the exception that we have not complied with Government Auditing Standard 3.46 regarding external quality control review. We do not however believe that this scope limitation had an adverse effect on our audit.

1.5. Audit Methodology

Peat Marwick conducted an initial survey of the accounting records of GOM/MOW from August 24, 1992 to September 21, 1992, at which time the selection of transactions for detailed testing was completed. Peat Marwick subsequently prepared its audit work program for approval by RIG/A/N, secured approval and performed the field work from October 26, 1992 to November 13, 1992.

The principal audit steps performed included:

- a review of the terms and conditions of the Grant, applicable standard provisions and regulations and other project documents as deemed necessary;
- a review of the auditee's internal control structure in order to assess the auditee's significant internal control policies and procedures;
- performance of detailed compliance, internal controls, and errors and irregularities (SAS 53 and 54) audit procedures to evaluate the auditee's compliance with the Grant, adequacy of the accounting system and internal controls, and to obtain reasonable assurance of detecting errors, irregularities and illegal acts;
- testing of receipt and disbursement transactions from the Fund Accountability Statement to determine the extent of non-compliance, unallowable or unallocable expenses and the effectiveness of internal controls.

12

1.6 Summary of Audit Findings

1.6.1 Audit report on the Fund Accountability Statement

Our report on the Fund Accountability Statement is set out in Section 2. As noted in section 2.2 there are questioned costs of US\$69,366. Our audit report states that the Fund Accountability Statement is fairly stated except for the questioned costs noted above.

1.6.2 Review of GOM/MOW's internal control structure

Our review of GOM/MOW's internal control structure is set out in section 3. Our report indicates that GOM/MOW's accounting systems are inadequate in the following respects:

- maintenance of files and documents;
- controls over liquidation of advances.

1.6.3 Review of compliance with the Grant

Our review of GOM/MOW's compliance with the Grant is set out in section 4. Our report indicates that GOM/MOW has failed to comply with Section B.5(b) of the Grant, regarding the maintenance of adequate books and records.

(3)

1.7 Summary of Recommendations

	Recommendation No.	Page No.
Resolve questioned costs of US\$60,529	1	11
Resolve questioned costs of US\$8,837	2	12
Payment documentation to be filed according to claim period	3	16
Access to payment documentation to be restricted and a register maintained of all documentation removed from PHICS accountants' office	4	16
GOM/MOW to introduce a ledger recording payments issued pending liquidation. Outstanding unliquidated payments should be formally followed up	5	17
PHICS projects to immediately adopt the GOM/MOW standard stores documentation. System to be implemented by a competent GOM/MOW stores officer	6	22
Stores issue and receipt documentation to be filed on a systematic basis	7	22
Stock counting to be performed monthly by an individual independent from the stock recording function. The results should be followed up and discrepancies explained and acted upon	8	22
Water assistants to be issued with a formal record book to record receipt and usage of materials. The record books should be checked weekly by the site foreman or project engineer	9	23
Namitambo and Usisya stores to construct security fences	10	23
GOM/MOW headquarters to obtain inventory returns from all sites on a monthly basis. Returns to include three month forward usage estimates	11	23
All material borrowing/lending requests to be authorized by GOM/MOW headquarters. A register of inter-project borrowing/lending balances to be maintained	12	24

1.8. Summary of GOM/MOW Management Comments

The response of GOM/MOW management to our audit report is set out in Appendix I.

In general GOM/MOW management agree with our recommendations. However, they disagree with recommendation No.10, concerning project site security, on the grounds that at the two relevant sites no cases of theft have been noted. In addition, work at one of the sites, Namitambo, is due to be completed shortly.

GOM/MOW management advise that original vouchers for US\$18,660 have now been located out of unsupported expenditures of US\$60,529.

1.9. Summary of USAID/Malawi Management Comments

The response of USAID/Malawi management to our audit report is set out in Appendix II.

USAID/Malawi note the following points:-

Firstly, USAID/Malawi management note that a number of recommendations noted in our report have been raised previously by USAID/Malawi management, and that adoption of the recommendations at the relevant time would have eliminated a number of problems noted in the report.

Secondly, USAID/Malawi management note that shortcomings in GOM/MOW accounting are in part due to the quality of accounting staff responsible for executing the accounting functions.

Thirdly, USAID/Malawi management suggest that a number of our recommendations be combined, in particular recommendations 1 and 2, recommendations 3 and 4, recommendations 6, 7 and 9, and recommendations 8 and 11.

Lastly, USAID/Malawi management disagree with recommendation 10, concerning erection of security fences at Usisya and Namitambo.

KPMG Peat Marwick

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2.

**INDEPENDENT AUDITOR'S REPORT ON THE FUND
ACCOUNTABILITY STATEMENT OF GOM/MOW UNDER
USAID/MALAWI PROJECT GRANT NO. 89-G-612-0231**

We have audited the Fund Accountability Statement for the period June 30, 1989 to August 25, 1992. This financial statement is the responsibility of the management of GOM/MOW. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the Government Auditing Standards (1988 Revision) issued by the Comptroller General of the United States with the exception that we did not comply with Government Auditing Standard Section 3.46 regarding external quality control review. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also assesses the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in note 1 to the Fund Accountability Statement, this financial statement was prepared on a cash basis which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the Fund Accountability Statement of GOM/MOW for the period June 30, 1989 to August 25, 1992 is fairly stated on the above accounting basis with the exception of questioned costs of US\$69,366. Details of the questioned costs are set out in section 2.2 of this report.

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. This report is intended solely for the information of GOM/MOW and The Agency for International Development but this is not intended to limit the distribution of the report, if a matter of public record.

Peat Marwick

CERTIFIED PUBLIC ACCOUNTANTS

NAIROBI

Date:

November 13, 1992

2.1. Fund Accountability Statement of GOM/MOW under USAID/Malawi
Grant No.89-G-612-0231 for the period June 30, 1989 to August 25, 1990

	<u>Notes</u>	<u>US\$</u>	<u>US\$</u>
<u>Receipts</u>	2		
Expenditure claims reimbursed by USAID/Malawi			1,788,162
<u>Payments</u>	3		
Training costs		22,660	
Commodities	4	1,550,616	
Operating expenses		<u>214,886</u>	
			<u>1,788,162</u>
Balance			- =====

2.1.1 Notes to the Statement

1. Basis of Accounting

The Fund Accountability Statement is prepared on a cash receipts and payments basis. As noted in notes 2 and 3 below, revenues and expenditures are recorded when cash is physically received or expended.

2. Revenues

Revenues represent expenditures reimbursed by USAID/Malawi.

3. Expenditures

Expenditures represent payments made by GOM/MOW for costs incurred under the Grant.

4. Commodities

Commodities includes US\$1,310,321 of pipes and other fittings purchased directly from suppliers by USAID/Malawi for use on PHICS projects.

2.2 Fund Accountability Statement of GOM/MOW under USAID/Malawi
Grant No. 89-G-612-0231 for the period June 30, 1989 to
August 25, 1992 - Questioned costs

	Disbursements		----- Questioned costs -----		Reference
	Total Disbursed	Recommended For acceptance	Ineligible Disbursements	Unsupported Disbursements	
	US\$	US\$	US\$	US\$	
<u>Expenditures</u>					2.3
Training costs	22,660	10,839	-	11,821	Appendix III
Commodities	1,550,616	1,540,668	-	9,948	"
Operating expenses	214,886	167,289	-	47,597	"
	----- 1,788,162 =====	----- 1,718,796 =====	----- - =====	----- 69,366 =====	

18.

2.3 Expenditures

Expenditures consist of payments made under the Grant for training costs, commodities and operating expenses.

Verification

1. For a sample of payments made by GOM/MOW reimbursed under the Grant, we performed the following work:
 - ensured that the payment was authorized;
 - ensured that the payment was adequately supported by originating third party documentation,
 - ensured that the payment was for purposes relevant to the Grant and was allowable, allocable and reasonable.

Results

1. Questioned costs amounted to US\$69,366. An analysis of this figure is as follows:-

	US\$
Unsupported payments; original documentation missing	60,529
Unsupported payments; unliquidated advances (note 1)	8,837
	<u>69,366</u>

Note 1 Unliquidated advances relate to payments which have not been signed for, or advances for payment of project expenses which have not been liquidated by submission of third party receipts.

A detailed breakdown of the relevant payment vouchers is included in Appendix III.

Recommendation No.1

We recommend that if Government of Malawi Ministry of Works is unable to supply supporting original third party documents for the unsupported costs of US\$60,529, the amount should be deducted by USAID/Malawi from the next reimbursement claim submitted by Government of Malawi Ministry of Works.

GOM/MOW Management Comments

GOM/MOW management advise that they have now located original vouchers to support US\$18,660 out of unsupported costs of US\$60,529.

Recommendation No.2

We recommend that if the Government of Malawi Ministry of Works is unable to provide liquidation documents for advances of US\$8,837, the amount should be deducted by USAID/Malawi from the next reimbursement claim submitted by Government of Malawi Ministry of Works.

GOM/MOW Management Comments

GOM/MOW management advise that the services rendered were for PHICS projects, and request that certification of copy vouchers be accepted by USAID/Malawi.

KPMG Peat Marwick

Certified Public Accountants

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3. INDEPENDENT AUDITOR'S REPORT ON THE INTERNAL CONTROL STRUCTURE OF GOM/MOW UNDER THE USAID/MALAWI GRANT NO. 89-G-612-0231 (THE FINANCIAL STATEMENT)

We have audited the Fund Accountability Statement of GOM/MOW for the period June 30, 1989 to August 25, 1992 and have issued our report thereon dated November 13, 1992.

We conducted our audit in accordance with generally accepted auditing standards and the Government Auditing Standards (1988 Revision) issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

In planning and performing our audit of the financial statement of GOM/MOW we considered GOM/MOW's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control structure.

The management of GOM/MOW 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 financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

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

- Controls over disbursements.
- Controls over preparation of reimbursement claims.
- Controls over cash management.

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

We noted certain matters involving the internal control structure 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 judgement, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A description of reportable conditions is set out on pages 16 to 17 immediately following this report. In view of the significance of weaknesses identified, we consider the system of internal accounting control of GOM/MOW to be inadequate for the purpose of properly identifying and accounting for expenditures to USAID/Malawi.

A material weakness is a reportable condition in which the design or operation of the specific internal control structure element does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. In our opinion the reportable conditions set out on pages 16 to 17 are all material weaknesses.

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. This report is intended solely for the information of GOM/MOW and The Agency for International Development but this is not intended to limit the distribution of the report, if a matter of public record.

Peat Marwick

CERTIFIED PUBLIC ACCOUNTANTS

NAIROBI

Date: November 13, 1992

3.1. Introduction

3.1.1. Definition

American Institute of Certified Public Accountants (AICPA) Codification of Auditing Standards, section 319, defines an organization's internal control structure as consisting of the policies and procedures established to provide reasonable assurance that a specific entity's objectives will be achieved. The internal control structure is composed of three elements:

- . the control environment;
- . the accounting system;
- . control procedures.

The control environment reflects the overall attitude, awareness and actions of management. The accounting system consists of methods and records established to identify, assemble, analyze, classify, record and report transactions. Control procedures are those policies and procedures in addition to the control environment and accounting system that management has established to safeguard the organization's resources.

We have classified the internal control structure of GOM/MOW on a functional basis, relating to the administration of the Grant as follows:-

- Controls over disbursements.
- Controls over preparation of reimbursement claims.
- Controls over cash management.

3.2 Findings

3.2.1 Maintenance of files and documents

Observation

It was noted that the general quality of filing of documents, for example payment vouchers, throughout the period of the Grant has been poor. The poor standard of filing has led to a high level of questioned expenditures due to lack of supporting documents. USAID/Malawi has, throughout the Grant, disallowed large numbers of payment vouchers on reimbursement claims due to lack of supporting documentation.

Recommendation No.3

We recommend that with immediate effect payment vouchers, together with all supporting documentation, should be filed according to the period covered by each reimbursement claim submitted to USAID/Malawi. Within this guideline, the Government of Malawi Ministry of Works may chose to file according to account number or sequentially according to payment voucher number.

GOM/MOW Management Comments

GOM/MOW management advise that with the creation of separate Treasury Payment Accounts all PHICS vouchers from April 1992 are being filed according to period of reimbursement claim using the month of the claim as a control number.

Recommendation No.4

We recommend that payment vouchers should be securely maintained in the Promoting Health Interventions for Child Survival accountants' office. Access to documents should be restricted and a register maintained of all vouchers removed from the accountants' safekeeping, recording the person removing the document, the document number, the date of removal and the date of return. All unreturned documents should be followed up systematically.

GOM/MOW Management Comments

GOM/MOW management accept this recommendation, and advise that the recommendation has been implemented.

3.2.2 Control over liquidation of advances

Observation

A number of payments tested represented advances issued to project staff to pay local expenses, suppliers and staff. These advances should be liquidated by refunding the payment voucher together with receipts from suppliers or the signatures of staff receiving payments, for example for allowances.

As noted in section 2.3, there are a number of such payments which have not been liquidated, and as such have been questioned.

Recommendation No.5

- 5.1 We recommend that the Government of Malawi Ministry of Works should introduce a ledger which records all payments which are issued pending future liquidation. Payments should be recorded according to recipient.
- 5.2 Before release of further funds the recipient should be required to satisfactorily account for prior unliquidated advances.
- 5.3 A list of outstanding items should be circulated to senior Government of Malawi Ministry of Works head office staff for follow up during site visits.

GOM/MOW Management Comments

GOM/MOW advise that this recommendation has been implemented.

KPMG Peat Marwick

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Telegrams Veritatem Nairobi

4.

INDEPENDENT AUDITORS REPORT ON THE GOM/MOW'S COMPLIANCE WITH THE GRANT

We have audited the Fund Accountability Statement of GOM/MOW under USAID/ Malawi Grant No. 89-G-612-0231 for the period June 30, 1989 to August 25, 1992 and have issued our report thereon dated November 13, 1992.

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

Compliance with the Grant is the responsibility of GOM/MOW's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of GOM/MOW's compliance with certain provisions of the Grant. However, the object of our audit of the Fund Accountability Statement was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

Material instances of non-compliance are failures to follow requirements, or violations of prohibitions, contained in statutes, regulations, contracts or grants that cause us to conclude that the aggregation of the misstatements resulting from these failures or violations is material to the financial statements. The results of our tests of compliance disclosed the following material instance of non-compliance.

Section B.5 (b), "reports, records, inspections, audit" of the Project Grant standard provisions requires that "GOM/MOW maintain or cause to be maintained, in accordance with generally accepted accounting principles and practices consistently applied, books and records relating to the project and this agreement, adequate to show, without limitation, the receipt and use of goods and services acquired under the Grant". As noted in section 3, we are of the opinion that adequate books and records have not been maintained.

We considered this material instance of non-compliance in forming our opinion on whether GOM/MOW's Fund Accountability Statement is presented fairly, in all material respects, in conformity with generally accepted accounting principles, and this report does not affect our report dated November 13, 1992 on the Fund Accountability Statement.

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

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. This report is intended solely for the information of GOM/MOW and The Agency for International Development but this is not intended to limit the distribution of the report, if a matter of public record.

Peat Marwick

CERTIFIED PUBLIC ACCOUNTANTS

NAIROBI

Date November 13, 1992

5. REVIEW OF RECORDING AND USAGE OF PIPES PURCHASED UNDER THE PHICS GRANT

5.1 Background

Peat Marwick was requested to:

- perform a physical inventory of pipes purchased under the Grant and to prepare a statement reconciling the numbers purchased with the numbers of pipes used, in transit, and in stores;
- review control procedures and report on weaknesses in the internal control structure relevant to the recording and usage of pipes;

5.2 Findings

5.2.1 Physical Inventory

A schedule showing the usage of pipes is included in Appendix IV. In addition, we have included an analysis of the source and location of pipes borrowed and lent between projects in Appendix V.

As noted below, the records in place both at GOM/MOW headquarters and at project sites recording the location and usage of pipes are inadequate. Whilst the results of our review provide comfort that the pipes purchased by USAID/Malawi are materially accounted for, Peat Marwick do not certify that the figures are wholly correct, due to the quality of the records used to extract the information.

In addition, we would emphasise that the schedules were extracted from stores records and not from engineering records maintained at GOM/MOW water department.

5.2.2 Internal Control Review

The following material internal control weaknesses were noted.

Project Sites

Inventory recording

The ledgers maintained for recording inventory at the sites are inadequate in the following respects:-

- In a number of cases, the details recorded for receipts and issues are incorrect. In general the ledgers do not record delivery note or issue note number, and the narrative is sometimes inaccurate.
- Delivery notes and issue notes are inadequately filed. In a number of cases delivery notes were not located, and in general there was no systematic basis of filing.

Stocktaking

Whilst we were advised that stock taking was performed regularly, there was no evidence available of the results, and no evidence of follow up of discrepancies.

Stock usage

Material usage records maintained by the water foremen and assistants at the projects are poor. In many cases they did not agree with stores issue records, and were often incomplete.

Site security

Site security at two sites, Namitambo and Usisya, was poor, there being no security fencing.

Headquarters

Inventory returns

It was noted that inventory returns from project sites to headquarters are submitted infrequently, and do not include details as to future usage requirements.

Borrowings/lendings

It was noted that GOM/MOW headquarters records are inadequate to record borrowings/lendings between projects. Headquarters were unable to provide details of the current net borrowing/lending positions between projects, or the location of lent PHICS pipes.

Recommendation No.6

We recommend that project management should immediately adopt Government of Malawi Ministry of Works standard documentation, i.e. issues, receipts and stock ledger records, at all project sites. The usage of these documents should be implemented by a designated competent Government of Malawi Ministry of Works stores officer, who should visit all project sites to train the site stores clerks.

GOM/MOW Management Comments

GOM/MOW accept this recommendation and advise that the headquarters stores office will ensure that the system is adhered to.

Recommendation No.7

We recommend that issue and receipt documentation be filed in a systematic manner, either by date or in numerical order. The stocks ledger should be referenced to each issue and receipt document.

GOM/MOW Management Comments

GOM/MOW accept this recommendation.

Recommendation No.8

We recommend that stock counting be performed monthly by an individual independent from the stock-recording function, preferably the site project engineer. The results should be documented in full and discrepancies between physical counting and stock records fully explained and acted upon.

GOM/MOW Management Comments

GOM/MOW accept this recommendation.

Recommendation No.9

We recommend that water assistants be issued with a formal record book in which they record receipt and usage of project materials. This book should also record transfers of materials between water assistants. The record book should be checked weekly by the site foreman or project engineer against stores and work completed records to ensure accuracy.

GOM/MOW Management Comments

GOM/MOW accept this recommendation.

Recommendation No.10

We recommend that Namitambo and Usisya stores construct security fences. If this is not feasible, the sites should ensure that security guards are employed and permanently on site.

GOM/MOW Management Comments

GOM/MOW do not accept this recommendation on the grounds that no cases of theft have been reported at either project sites. In addition, the Namitambo project is coming to its conclusion.

Recommendation No.11

We recommend that headquarters should request that all project sites submit inventory returns on a monthly basis. The returns should include details of all stocks in hand. For management decision making purposes, the returns should include estimates of material usages for the next three months. This can be used to plan future purchasing and borrow/lend requirements.

GOM/MOW Management Comments

GOM/MOW advise that this recommendation could be implemented if USAID/Malawi provide a computer and software for this purpose.

Recommendation No.12

We recommend that all requests for borrowing/lending are formally submitted to Government of Malawi Ministry of Works headquarters for authorization. A register of balances on inter-project borrowing/lending should be maintained, and reviewed on a regular basis. The schedule at Appendix V could be used as a convenient starting point for this exercise.

GOM/MOW Management Comments

GOM/MOW advise that all requests for borrowing and lending are authorized by GOM/MOW headquarters, but in future authority to borrow/lend will be confirmed in writing. Project officers will maintain a register as recommended.

32

REF. NO. HAW 01.01(23)

January 12, 1993

FROM : THE SECRETARY FOR WORKS, PRIVATE BAG 316,
LILONGWE 3

TO : THE SECRETARY TO THE TREASURY, P.O. BOX 30049,
LILONGWE 3

PHICS PROJECT : AUDIT REPORT

INDEPENDENT AUDITORS REPORT PHICS PROJECTS
USAID/MALAWI GRANT NO. 89-G-612-0231

I am writing with reference to your letter No.11/34/53Y dated December 9, 1992 which invited comments to the Auditors Report to reach your office by December 15, 1992. I would submit that it was not possible to provide the comments at the stated date because there was need to verify the findings which involved visiting Project sites. You will find this reply not very complete on some recommendations which require consulting some officers and payees involved. However, I found it necessary to send you my findings so far.

RECOMMENDATION NO. 1
UNSUPPORTED PAYMENT US \$ 60529 (MK168,790.84)
AND MISSING DOCUMENTS

After an exhaustive search for original documents it has been possible to find vouchers totalling K48,901.24 (Appendix 1). These are now available for inspection. Difficulties are being experienced due to:

- shifting of documents between storage spaces over the period.
- previous filing system did not separate PHICS Project documents from other department's documents.

I would therefore request for the application of one of the projects accepted general accounting procedures of certifying the available copies: that the expenditure incurred was genuine and pertained to the PHICS projects. These copies were actually detached from the original vouchers and submitted to USAID together with the reimbursement claims.

-2-

Of the vouchers not signed for by recipients, Malawi Government Accounting System treats vouchers payable to one paying officer for onward payment to several recipients as receipted vouchers. Vouchers payable to single payees are not classified as receipted vouchers. Included on the audit list are vouchers totalling K1,552.00 which were payments to individuals (Appendix II) which do not require signatures of the payees under the Government accounting system.

Vouchers on Appendix III are truly receipted vouchers which require the signatures of the recipients now, being traced. This exercise has taken longer than expected due to transfers of employees between Projects.

RECOMMENDATION NO. 2

UNLIQUIDATED ADVANCES US \$ 8837 (MK25,236,76)

The recommendation suggests that this should be deducted from the next Advance or reimbursement. The details available on USAID voucher No. 812-120039 indicate that services rendered were truly for PHICS projects, and I request that consideration should be given for certification of the copy vouchers which were made available to USAID.

RECOMMENDATION NO. 3

MAINTENANCE OF FILES

Before 1991/92 financial year, the filing system mixed PHICS documents together with all other accounting documents for the Water Department. And because the vouchers had multiple allocations, it was difficult to segregate PHICS projects' vouchers.

With the creation of separate Treasury Payment Accounts (TPA) all PHICS vouchers from April, 1992 are being filed according to period of reimbursement claim using the month of the claim as a control number.

RECOMMENDATION NO. 4

The recommendation is agreed upon; all the vouchers are now securely maintained by the PHICS Accountant and access to the vouchers and documents is now restricted, any vouchers taken away from the office are recorded and unreturned ones will always be followed up.

34

RECOMMENDATION NO. 5

Ledger for recording payments issued pending liquidation is now in place.

INVENTORY RECORDING

The inventory system is under serious review and all the issues and receipts will independently be checked by stores officer and/or site project Engineer periodically. It will be ensured that delivery notes and issues are adequately filed and given proper references. Monthly inventory reports will be prepared for review.

STOCK TAKING

Each stock taking will be signed for by the stock taking officer and any discrepancies will have to be reported and investigated upon.

BORROWING AND LENDING

All project stations will maintain registers to record borrowing and lending between projects and monthly returns will be sent to Headquarters where authority will have originated from.

RECOMMENDATION NO. 6 AND 7

All PHICS projects will immediately follow Government of Malawi stores procedures and the stores office from Headquarters will ensure that the system is adhered to. All the issues and receipts documentation will be filed in a numerical order and properly referenced.

RECOMMENDATION NO. 8

It is agreed that stock counting will be conducted by an officer independent from record keeping, where practicable this will be done at least once a month. The results will have to be reported on.

35

RECOMMENDATION NO. 9

Water Assistants will be issued with registers where they will record receipts and usage of project materials. The register will also record transfers of materials between Water Assistants.

RECOMMENDATION NO. 10
SITE SECURITY

It is correct that Namitambo and Uvusa have no security fences. It may not be necessary to have Namitambo fenced because augmentation of the project is almost 97% completed and no theft cases have been reported on either sites.

RECOMMENDATION NO. 11

It was recommended that inventory returns should be submitted monthly to Headquarters from project sites showing stock on hand estimates of material usage for three months. This could be implemented if USAID can provide computer and software for this purpose.

RECOMMENDATION NO. 12

All requests and authority for borrowing and lending are authorized by the Headquarters. Authority will be confirmed in writing and each project office will maintain a register in line to the proposal given but will include columns for balances.


B.W. Zimano
SECRETARY FOR WORKS

ATT'D.

PHICS PROJECT AUDIT**MINISTRY OF WORKS - WATER DEPARTMENT (WD)****USAID/MALAWI MISSION MANAGEMENT COMMENTS**

This audit report fails to mention that most of the recommendations made are not new recommendations. On numerous occasions in the past six months through reports and meetings, USAID has made the same suggestions and recommendations that would have eliminated many of the problems discussed throughout this report.

With respect to recommendations 1 and 2 regarding the questioned costs, USAID agrees with the recommendations to recover those costs if GOM/MOW is unable to supply original documentation. Given the fact that MOW was unable to locate these documents within the time frame of four weeks allowed by the auditors, USAID is skeptical that these documents will be found and believes January 30, 1993 will provide adequate time for the documents to be located (if possible) and submitted to USAID. In discussions and meetings with WD staff, it appears no real attempt has been made subsequent to the audit to locate these vouchers. If such documentation is not provided by the deadline, those costs will be recovered from subsequent reimbursement claims.

Recommendations 3, 4 and 5 were included in a pre-audit survey conducted by USAID in March, 1992 and discussed at great length with WD PHICS staff. USAID still considers proper maintenance of files and documents with qualified staff doing the job crucial to the success of this project. The report does not mention that the shortcomings in accounting is in part due to the quality of accounting staff executing the accounting functions. While GOM/MOW has identified a new PHICS Accountant, USAID should be involved in the selection process. These recommendations should be in place by January 30, 1993.

Recommendations 6 through 12 relate to physical inventory of pipes and other materials at project sites. USAID disagrees with recommendation 10 which requires that security fences be constructed at Namitambo and Usisya. No losses or theft have been reported. At Usisya, the stores manager lives next to the storage building making it difficult for theft to occur. USAID believes the cost outweighs the benefit of this action. FMO concurs with the remaining recommendations in order to guarantee proper accounting of and control over pipes and other materials.

USAID suggests that recommendations with similar/overlapping actions be recorded as a single recommendation. Recommendations 1 and 2 both discuss unsupported costs and could be written as a single recommendation requiring USAID to recover costs from GOM/MOW if proper documentation is not provided. Recommendations 3 and 4 could be combined in a single recommendation describing methods for proper maintenance of files and documents. For borrowings/lendings, recommendations 6, 7 and 9 should be condensed in to a single recommendation. Recommendations 8 and 11 could also be combined to discuss stock counting and monthly reporting of inventory returns. These actions are directly related. USAID proposes five recommendations instead of the twelve recommendations in the audit report.

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31

GEN/MOV PEICS PROJECT
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QUESTIONED COSTS-UNSUPPORTED BY VOUCHERS

	TOTAL	TRAINING	COMMODITIES	OPERATING EXPENSES
	US\$	US\$	US\$	US\$
	-----	-----	-----	-----
VOUCHER NO. 612-12123	3,750.44	58.71	2,330.08	791.64
VOUCHER NO. 612-12308	17,604.18	0.00	623.33	16,375.35
VOUCHER NO. 251-21469	0.00	0.00	0.00	0.00
VOUCHER NO. 612-12007	353.49	0.00	0.00	353.49
VOUCHER NO. 612-10541	29,353.57	6,137.11	333.73	22,962.58
VOUCHER NO. 612-12039	9,359.11	22.92	5,595.35	3,359.24
	-----	-----	-----	-----
	60,529.77	6,228.63	9,948.14	44,252.39
	=====	=====	=====	=====

QUESTIONED COSTS-ADVANCES NOT SIGNED FOR

	TOTAL	TRAINING	COMMODITIES	OPERATING EXPENSES
	US\$	US\$	US\$	US\$
	-----	-----	-----	-----
VOUCHER NO. 612-12123	5,610.79	5,592.03	0.00	21.76
VOUCHER NO. 612-12009	0.00	0.00	0.00	0.00
VOUCHER NO. 251-21469	2,103.32	0.00	0.00	2,103.32
VOUCHER NO. 612-12007	0.00	0.00	0.00	0.00
VOUCHER NO. 612-10541	1,113.82	0.00	0.00	1,113.82
VOUCHER NO. 612-12039	0.00	0.00	0.00	0.00
	-----	-----	-----	-----
	8,828.63	5,592.03	0.00	2,236.60
	=====	=====	=====	=====
TOTAL QUESTIONED COSTS	69,357.40	11,820.66	9,948.14	47,537.59
	=====	=====	=====	=====

GCM/NOW PHICS - PROJECT

QUESTIONED COSTS - USAID 1034 VOUCHER NO.612-12123 PREPARED JUL 29, 1991

QUESTIONED COSTS-UNSUPPORTED BY VOUCHERS

NOW VOUCHER NUMBER	TOTAL MK	TRAINING MK	COMMODITIES MK	OPERATING EXPENSES MK	NARRATIVE -----
3072	180.00	180.00			No PV or documentation found
3005	2309.00		2300.00		No PV or documentation found
3120	259.44		259.44		No PV or documentation found
3122	27.50			27.50	No PV or documentation found
3124	52.00			52.00	No PV or documentation found
2418	275.00			275.00	No PV or documentation found
3001	10.45			10.45	No PV or documentation found
	3194.39	180.00	2559.44	364.95	
3174	1569.00			1569.00	No documents supporting PV.
3353	2506.00		2506.00		No documents supporting PV.
3054	2506.00		2506.00		No documents supporting PV.
3034	140.00			140.00	Invoices 32990 & 21425 missing
	5721.00	0.00	5012.00	1709.00	
TOTAL	9815.39	180.00	7571.44	2073.95	
AT US\$1=MK2.6199	3750.44	68.71	2890.08	791.64	
QUESTIONED COSTS-ADVANCES NOT SIGNED FOR					
3132	2090.00	2090.00			Not signed for by recipient
2991	10862.00	10862.00			Not signed for by recipient
3000	330.00	330.00			Not signed for by recipient
3155	228.00	228.00			Not signed for by recipient
3153	1140.00	1140.00			Not signed for by recipient
2968	57.00			57.00	Not signed for by recipient
	14707.00	14650.00	0.00	57.00	
AT US\$1=MK2.6199	5618.79	5592.03	0.00	21.76	

GOM NOW PHICS - PROJECT

APPENDIX III

(cont'd)

QUESTIONED COSTS - USAID 1034 VOUCHER NO. 612-12008 PREPARED AUG 1, 1991

QUESTIONED COSTS-UNSUPPORTED BY VOUCHERS

NOW VOUCHER NUMBER	TOTAL NE	TRAINING NE	COMMODITIES NE	OPERATING EXPENSES NE	NARRATIVE
3713	287.15			287.15	No documents supporting PV.
4024	47.50			47.50	No documents supporting PV.
3938	171.93			171.93	No documents supporting PV.
3593	3216.00			3216.00	No PV or documentation found
3326	165.11			165.11	No PV or documentation found
3553	10.00			10.00	No PV or documentation found
3464	269.31		269.31		No PV or documentation found
3563	348.78		348.78		No PV or documentation found
3571	494.26			494.26	No PV or documentation found
3549	2135.43			2135.43	No PV or documentation found
3723	59.83			59.83	No PV or documentation found
4062	27.50			27.50	No PV or documentation found
3956	82.50			82.50	No PV or documentation found
3911	510.00			510.00	No PV or documentation found
3471	1007.23			1007.23	No PV or documentation found
3465	490.00			490.00	No PV or documentation found
3558	612.56			612.56	No PV or documentation found
3556	1164.20			1164.20	No PV or documentation found
3619	2173.44			2173.44	No PV or documentation found
3620	327.30			327.30	No PV or documentation found
3715	421.63			421.63	No PV or documentation found
3860	1792.21			1792.21	No PV or documentation found
3892	1133.04			1133.04	No PV or documentation found
3927	2631.52			2631.52	No PV or documentation found
3929	179.55			179.55	No PV or documentation found
3936	6199.70			6199.70	No PV or documentation found
4022	567.13			567.13	No PV or documentation found
4019	2605.19			2605.19	No PV or documentation found
4032	471.30			471.30	No PV or documentation found
4033	1026.76			1026.76	No PV or documentation found
3988	136.23			136.23	No PV or documentation found
4102	269.30			269.30	No PV or documentation found
3533	27.50			27.50	No PV or documentation found
3546	27.00			27.00	No PV or documentation found
3609	110.00			110.00	No PV or documentation found
3595	10.00			10.00	No PV or documentation found
3796	27.50			27.50	No PV or documentation found
3824	59.83			59.83	No PV or documentation found
3212	132.50			132.50	No PV or documentation found
3915	92.50			92.50	No PV or documentation found

40

(Cont'd)

3569	7,070.00		7,070.00	No PV or documentation found
3477	14.00		14.00	No PV or documentation found
3479	86.00		86.00	No PV or documentation found
3965	4,417.00		4,417.00	No PV or documentation found
3993	22.00		22.00	No PV or documentation found
4104	5.00		5.00	No PV or documentation found
4099	1,856.00		1,856.00	No PV or documentation found
3745	420.00		420.00	No PV or documentation found
3953	99.00		99.00	No PV or documentation found
3924	113.00		113.00	No PV or documentation found
4092	396.00		396.00	No PV or documentation found
	-----	-----	-----	
	46119.42	0.00	1646.09	44473.33
	-----	-----	-----	-----
AS US61-MZ2.6199	17604.18	0.00	628.33	16975.85
	=====	=====	=====	=====

41

GON/NOW PHICS - PROJECT

QUESTIONED COSTS - USAID 1034 VOUCHER NO.26:-21468 PREPARED MAY 7, 1991

QUESTIONED COSTS-ADVANCES NOT SIGNED FOR

NOW VOUCHER NUMBER	TOTAL MK	TRAINING MK	COMMODITIES MK	OPERATING EXPENSES MK	NARRATIVE
9394	3380.00			3380.00	Not signed for by recipient
8433	2092.00			2092.00	Not signed for by recipient
9293	262.00			262.00	Not signed for by recipient
TOTAL	5734.00	0.00	0.00	5734.00	
AT US\$1=MK2.7139	2109.02	0.00	0.00	2109.02	

GOM/NOW PHICS - PROJECT

QUESTIONED COSTS - USAID 1034 VOUCHER NO.612-12007 PREPARED JULY 29, 1991

QUESTIONED COSTS-UNSUPPORTED BY VOUCHERS

NOW VOUCHER NUMBER	TOTAL KX	TRAINING KX	COMMODITIES KX	OPERATING EXPENSES KX	NARRATIVE
1808	212.23			212.23	No PV or documentation found
1743	156.57			156.57	No PV or documentation found
1584	20.00			20.00	No PV or documentation found
1590	60.00			60.00	No PV or documentation found
1799	20.90			20.90	No PV or documentation found
1812	31.50			31.50	No PV or documentation found
1363	531.19			531.19	No PV or documentation found
1150	7.15			7.15	No PV or documentation found
1516	21.45			21.45	No PV or documentation found
1824	5.98			5.98	No PV or documentation found
TOTAL	1066.07	0.00	0.00	1066.07	
AT US\$1=KX2.78	383.48	0.00	0.00	383.48	

GON/NOV PHICS - PROJECT

QUESTIONED COSTS - USAID 1034 VOUCHER NO.612-10541 PREPARED JAN 7, 1991

QUESTIONED COSTS-UNSUPPORTED BY VOUCHERS

NOV VOUCHER NUMBER	TOTAL K	TRAINING K	COMMODITIES K	OPERATING EXPENSES K	NARRATIVE
1134	3056.00	3056.00	0.00	0.00	signed receipt by participant seen
Various	8169.61			8169.61	List of Usisya Rural Water Supply PV's missing
1494	214.83			214.83	No PV or documentation found
1348	26.00			26.00	No PV or documentation found
1911	54.00			54.00	No PV or documentation found
3357	26.00			26.00	No PV or documentation found
295	57.46			57.46	No PV or documentation found
296	38.30			38.30	No PV or documentation found
1852	140.00			140.00	No PV or documentation found
1473	27.00			27.00	No PV or documentation found
797	20.00			20.00	No PV or documentation found
721	25.00			25.00	No PV or documentation found
539	82.50			82.50	No PV or documentation found
582	46.00			46.00	No PV or documentation found
1938	8.00			8.00	No PV or documentation found
1854	55.00			55.00	No PV or documentation found
1712	77.00			77.00	No PV or documentation found
2389	15.00			15.00	No PV or documentation found
1255	15.00			15.00	No PV or documentation found
1413	27.50			27.50	No PV or documentation found
2291	82.50			82.50	No PV or documentation found
2368	55.00			55.00	No PV or documentation found
1022	1635.00			1635.00	No PV or documentation found
423	2011.72			2011.72	No PV or documentation found
1230	564.08			564.08	No PV or documentation found
2256	934.45			934.45	No PV or documentation found
1248	772.10			772.10	No PV or documentation found
1474	176.40			176.40	No PV or documentation found
2292	898.42			898.42	No PV or documentation found
2112	1208.65			1208.65	No PV or documentation found
78	148.80			148.80	No PV or documentation found
297	20.00			20.00	No PV or documentation found
1249	47.50			47.50	No PV or documentation found
2417	30.00			30.00	No PV or documentation found
721	25.00			25.00	No PV or documentation found
1418	55.00			55.00	No PV or documentation found
1245	100.00			100.00	No PV or documentation found

APPENDIX III

Cont'd

1222	50.00		50.00	No PV or documentation found
915	99.10		99.10	No PV or documentation found
714	172.89		172.89	No PV or documentation found
751	341.74		341.74	No PV or documentation found
1347	26.00		26.00	No PV or documentation found
1297	36.00		36.00	No PV or documentation found
1243	65.00		65.00	No PV or documentation found
135	101.00		101.00	No PV or documentation found
954	1193.09		1193.09	No PV or documentation found
1594	445.00		445.00	No PV or documentation found
933	26.00		26.00	No PV or documentation found
116	270.00		270.00	No PV or documentation found
2350	65.00		65.00	No PV or documentation found
1578	236.00		236.00	No PV or documentation found
1241	101.00		101.00	No PV or documentation found
2020	442.00		442.00	No PV or documentation found
1453	4818.00	4818.00		No PV or documentation found
1136	2390.09	2390.00		No PV or documentation found
1184	1728.00	1728.00		No PV or documentation found
1109	1326.00	1326.00		No PV or documentation found
1192	2760.00	2760.00		No PV or documentation found
2069	765.00		765.09	No PV or documentation found
2919	60.00		60.00	No PV or documentation found
1778	917.34		917.34	No PV or documentation found
2191	81.08		81.08	No PV or documentation found
2199	225.49		225.40	No PV or documentation found
1888	15.68		15.68	No PV or documentation found
900	72.00		72.00	No PV or documentation found
1781	26.00		26.00	No PV or documentation found
1057	140.00		140.00	No PV or documentation found
2377	124.00		124.00	No PV or documentation found
1797	338.00		338.00	No PV or documentation found
1134	20.00		20.00	No PV or documentation found
1754	43.00		43.00	No PV or documentation found
1416	194.95		194.95	No PV or documentation found
1715	110.00		110.00	No PV or documentation found
1712	239.49		239.40	No PV or documentation found
1715	55.09		55.09	No PV or documentation found
1758	119.70		119.70	No PV or documentation found
1766	269.10		269.10	No PV or documentation found
1767	48.60		48.60	No PV or documentation found
1717	27.50		27.50	No PV or documentation found
2299	27.50		27.50	No PV or documentation found
268	1072.30		1072.30	No PV or documentation found
459	572.77		572.77	No PV or documentation found
74	372.00		372.00	No PV or documentation found
1152	431.11		431.11	No PV or documentation found
1355	196.76		196.76	No PV or documentation found
1874	333.20		333.20	No PV or documentation found
2029	881.69		881.69	No PV or documentation found
2251	758.97		758.97	No PV or documentation found
2252	538.54		538.54	No PV or documentation found
2234	1517.71		1517.71	No PV or documentation found
2283	452.19		452.19	No PV or documentation found
790	5219.39		5219.39	No PV or documentation found
747	34.38		34.38	No PV or documentation found
206	505.12		505.12	No PV or documentation found
77	1008.03		1008.03	No PV or documentation found

115

APPENDIX III

Cont'd

1375	20.00			20.00	No PV or documentation found
2286	40.00			40.00	No PV or documentation found
	-----	-----	-----	-----	
	44264.35	13022.00	2184.34	29058.01	
	-----	-----	-----	-----	
1896	22930.00	0.00	0.00	22930.00	Only photocopy of handwritten invoice on plain paper seen
	-----	-----	-----	-----	
TOTAL	79419.95	16078.00	2184.34	60157.62	
	=====	=====	=====	=====	
AT US\$1=MK2.6198	29933.57	6137.11	933.78	22962.68	
	=====	=====	=====	=====	

QUESTIONED COSTS-ADVANCES NOT SIGNED FOR

1665	425.00			425.00	Not signed for by recipient
1656	65.00			65.00	Not signed for by recipient
1821	36.00			36.00	Not signed for by recipient
1920	13.00			13.00	Not signed for by recipient
1849	153.00			153.00	Not signed for by recipient
1845	91.00			91.00	Not signed for by recipient
1837	54.00			54.00	Not signed for by recipient
1912	13.00			13.00	Not signed for by recipient
1829	109.00			109.00	Not signed for by recipient
1936	54.00			54.00	Not signed for by recipient
964	39.00			39.00	Not signed for by recipient
771	861.00			861.00	Not signed for by recipient
753	208.00			208.00	Not signed for by recipient
1654	65.00			65.00	Not signed for by recipient
1664	48.00			48.00	Not signed for by recipient
1738	103.00			103.00	Not signed for by recipient
1758	582.00			582.00	Not signed for by recipient
	-----	-----	-----	-----	
	2918.00	0.00	0.00	2918.00	
	-----	-----	-----	-----	
AT US\$1=MK2.6198	1113.83	0.00	0.00	1113.83	
	=====	=====	=====	=====	

2/16

GOM/NOV PHICS - PROJECT

QUESTIONED COSTS - USAID 1034 VOUCHER NO.612-12039 PREPARED JUN 10, 1991

QUESTIONED COSTS-UNSUPPORTED BY VOUCHERS

NOV VOUCHER NUMBER	TOTAL MK	TRAINING MK	COMMODITIES MK	OPERATING EXPENSES MK	NARRATIVE
151	2296.84			2296.84	No PV or documentation found
96	55.00	65.00			No PV or documentation found
19	38.00			38.00	No PV or documentation found
55	66.70			66.70	No PV or documentation found
54	78.00			78.00	No PV or documentation found
149	1395.30			1395.30	No PV or documentation found
150	118.30			118.30	No PV or documentation found
154	592.71			592.71	No PV or documentation found
142	894.14			894.14	No PV or documentation found
560	256.08			256.08	No PV or documentation found
1039	198.00			198.00	No PV or documentation found
1059	92.30			92.00	No PV or documentation found
1055	688.46			688.46	No PV or documentation found
1036	187.00			187.00	No PV or documentation found
1044	57.90			57.90	No PV or documentation found
1283	198.00			198.00	No PV or documentation found
1034	272.45			272.45	No PV or documentation found
599	25.08			25.08	No PV or documentation found
1206	92.40			92.40	No PV or documentation found
1047	40.00			40.00	No PV or documentation found
1277	15.00			15.00	No PV or documentation found
1291	100.00			100.00	No PV or documentation found
1150	7.15			7.15	No PV or documentation found
141	386.73			386.73	No PV or documentation found
544	855.65			855.65	No PV or documentation found
372	27.50			27.50	No PV or documentation found
573	32.00			32.00	No PV or documentation found
1049	27.50			27.00	No PV or documentation found
1134	2492.01		2492.01		No PV or documentation found
24	2136.70		2136.70		No PV or documentation found
527	190.00			190.00	No PV or documentation found
	13922.60	65.00	4628.71	9228.89	
1015	11314.16	0.30	11314.16	0.00	Only photocopy of Manica invoices seen for importation, storage, etc of UPVC pipes from RSA.
TOTAL	25236.76	65.00	15942.97	9228.89	
AT US\$1=MK2.849	8859.11	22.92	5595.95	3239.34	

GOM/MOM: ANALYSIS OF PHICS PIPE RECEIPTS AND USAGE

APPENDIX IV

(a) Size of Pipe	(b) No of Pipes Purchased by USAID	(c) Difference between purch'd and received (d)-(a)	(d) Rec'd on site from Lilongwe	(e) Transit Losses/Gains between sites	(f) Borrowed from other projects	(g) Lent to other projects	(h) Total available For use (d)-(e)+(f)-(g)	(i) USAGE	(j) BALANCE; In stores (h)-(i)	(k) VERIFIED; In stores	(l) Diff. between stores records and stock- check (j)-(k)
PVC PIPES											
16/10	1,030	-	1,000	(25)	-	-	975	45	330	330	-
20/10	7,650	38	7,683	-	-	400	7,283	213	7,069	7,125	56
25/10	7,000	(127)	6,873	-	300	330	6,843	234	6,549	6,664	115
32/10	2,500	22	2,322	(5)	300	24	2,293	301	1,992	1,961	(31)
40/10	2,000	58	2,058	-	200	-	2,258	686	1,572	1,563	(9)
50/10	2,000	(148)	1,852	-	93	-	1,945	705	1,240	1,242	2
63/16&10	1,530	(337)	1,193	203	825	231	1,900	581	1,319	1,398	(79)
75/16&10	1,500	19	1,519	(11)	95	145	1,459	1,207	252	252	-
30/10	250	(1)	249	-	839	-	1,088	977	111	101	(10)
110/10	1,700	205	1,905	(3)	-	384	1,519	1,362	157	152	(5)
125/10	-	-	-	-	68	-	68	59	9	9	-
140/10	670	(177)	493	-	-	482	1	-	1	11	10
160/10	840	7	847	-	70	-	917	770	147	151	4
200/10	840	(4)	739	-	271	1,067	3	-	3	3	-
30/6	-	-	-	-	121	-	121	121	-	-	-
110/6	-	-	-	8	530	-	538	326	212	213	1
125/6	-	-	-	-	315	-	315	314	1	6	5
140/6	-	-	-	-	31	-	31	-	31	31	-
160/6	-	-	-	-	62	-	62	35	27	27	-
250/12	5,000	-	5,000	-	-	-	5,000	5,000	-	-	-
SALV. ST. PIPES											
0.5"	200	-	230	(10)	36	66	220	45	174	175	1
0.75"	100	(7)	93	2	12	23	84	-	84	84	-
1.0"	60	6	66	-	30	-	96	44	52	52	-
1.25"	100	(26)	74	5	-	-	79	27	52	50	(2)
1.5"	100	(22)	78	-	75	24	129	51	78	94	16
2.0"	100	12	112	3	75	-	193	64	109	112	3
2.5"	110	(30)	80	(5)	45	-	120	25	35	35	-
3.0"	-	-	-	-	113	7	105	75	27	27	-
3.0" flanged	20	75	35	-	82	-	177	52	125	127	2
4.0"	-	-	-	-	111	-	111	96	15	15	-
4.0" flanged	30	-	30	-	-	-	30	20	10	10	-
5.0"	40	-	40	-	-	2	38	35	3	2	(1)
6.0"	40	-	40	(10)	-	1	29	29	-	3	3
8.0"	20	-	20	-	-	14	6	-	6	6	-
TOTAL	34,870	(533)	34,337	152	4,763	3,200	36,052	13,690	22,362	22,438	76

GOM/MOM: ANALYSIS OF PHICS PIPES RECEIPTS AND USAGE

APPENDIX IV

Notes: Column (b) agreed to USAID records, Column (e) represents unrecconciled differences between receipt and issue documents, Column (i) includes pipes on ground awaiting installation, and column (l) numbers physically counted by Peat Marwick and GOM/MOM staff.

GOM/MOW: ANALYSIS OF PIPE BORROWING/LENDING BY SOURCE

APPENDIX V

Size of Pipe	TOTAL BORROWED	SOURCE				SWS Karonga	Nachl-mango	Zomba-Songani	Source unknown	Govt Stores	TOTAL LEND-INGS	SOURCE		
		Phalomba	Balaka	Zomba Local	Karonga							Balaka		
PVC PIPES														
20/10	-	-	-	-	-	-	-	-	-	-	400	400	-	-
25/10	300	300	-	-	-	-	-	-	-	-	330	330	-	-
32/10	300	300	-	-	-	-	-	-	-	-	24	24	-	-
40/10	200	200	-	-	-	-	-	-	-	-	-	-	-	-
50/10	93	-	-	-	93	-	-	-	-	-	-	-	-	-
63/16&10	825	109	590	-	-	126	-	-	-	-	231	231	-	-
75/16&10	96	96	-	-	-	-	-	-	-	-	145	145	-	-
90/10	839	98	-	-	3	-	-	738	-	-	-	-	-	-
110/10	-	-	-	-	-	-	-	-	-	384	50	334	-	-
125/10	68	-	-	-	-	-	-	-	-	-	-	-	-	-
140/10	-	-	-	-	-	-	68	-	-	-	-	-	-	-
160/10	70	70	-	-	-	-	-	-	-	482	482	-	-	-
200/10	271	271	-	-	-	-	-	-	-	1067	1049	-	-	18
90/6	121	121	-	-	-	-	-	-	-	-	-	-	-	-
110/6	530	-	-	-	530	-	-	-	-	-	-	-	-	-
125/6	315	21	-	-	-	-	-	-	-	-	-	-	-	-
140/6	31	-	-	-	-	-	294	-	-	-	-	-	-	-
160/6	62	-	-	-	-	-	31	-	-	-	-	-	-	-
							62	-	-	-	-	-	-	-
GALV. ST. PIPES														
0.5"	96	-	-	-	-	-	-	66	30	66	6	-	-	60
0.75"	12	-	-	-	-	-	-	12	-	23	23	-	-	-
1.0"	30	30	-	-	-	-	-	-	-	-	-	-	-	-
1.5"	75	60	-	-	-	-	-	-	15	24	24	-	-	-
2.0"	78	76	-	-	2	-	-	-	-	-	-	-	-	-
2.5"	45	-	-	-	-	-	-	-	45	-	-	-	-	-
3.0"	113	-	-	-	2	-	-	-	-	7	-	-	-	7
3.0" flanged	82	-	-	-	-	-	-	111	-	82	-	-	-	-
4.0"	111	-	-	-	-	-	-	111	-	-	-	-	-	-
5.0"	-	-	-	-	-	-	-	-	-	2	-	-	-	2
6.0"	-	-	-	-	-	-	-	-	-	1	-	-	-	1
8.0"	-	-	-	-	-	-	-	-	-	14	14	-	-	-
TOTAL	4763	1752	590	630	126	455	1120	90	3200	2778	334	88		

GOM/MOW: ANALYSIS OF PIPE BORROWING/LENDING BY SOURCE

APPENDIX V

ATTACHMENT II

REPORT DISTRIBUTION

U.S. Ambassador to Malawi	1
Mission Director, USAID/Malawi	5
AA/AFR	2
AFR/SA/ZSSM	1
AFR/CONT	1
FHA/PPE	1
XA/PR	1
LEG	1
GC	1
AA/FA	1
AA/OPS	1
FA/FM	1
POL/CDIE/DI	1
FA/MCS	2
REDSO/ESA	1
REDSO/RCO	1
REDSO/RFMC	1
REDSO/Library	1
IG	1
AIG/A	1
D/AIG/A	1
IG/A/PPO	2
IG/LC	1
IG/RM/C&R	5
IG/RM/GS (Unbound)	1
AIG/I & S	1
IG/I/NFO	1
IG/A/PSA	1
IG/A/FA	1
RIG/A/Cairo	1
RIG/A/Dakar	1
RIG/A/EUR/W	1
RAO/Manila	1
RIG/A/Singapore	1
RIG/A/Tegucigalpa	1
RIG/A/Bonn	1