PD-ABI-204

Regional Inspector General for Audit
Dakar

AUDIT OF USAID'S GRANT TO LA FINANCIERE INTERNATIONALE UNDER THE AFRICA PRIVATE ENTERPRISE PROJECT (N0. 698-0438.24), FROM SEPTEMBER 15, 1989 TO SEPTEMBER 14, 1992

Audit Report No. 7-698-94-004-N
April 13, 1994

INSPECTOR GENERAL

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

UNITED STATES OF AMERICA
AGENCY FOR INTERNATIONAL DEVELOPMENT
OFFICE OF THE REGIONAL INSPECTOR GENERAL FOR WEST AFRICA

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April 13, 1994

MEMORANDUM

To: Willard Pearson, Director, REDSO/WCA

From: Thomas B. Anklewich, RIG/A/Dakar

Subject: Audit of USAID's Grant to La Financiere Internationale under the Africa Private Enterprise Project (No. 698-0438.24), from September 15, 1989 to September 14, 1992, Audit Report No. 7-698-94-004-N

The attached report, prepared by the non-Federal audit firm, Price Waterhouse of Abidjan, presents the results of a financial audit of the U.S. Agency For International Development's (USAID) grant to La Financiere Internationale (LFI) under the Africa Private Enterprise Project.

In 1989, USAID signed a cooperative agreement granting $300,000 to La Financiere Internationale (LFI), a not-for-profit private sector regional coordinating body for national La Financiere organizations established in several African countries to mobilize members' savings and make investments in the productive private sector. To achieve its coordination objective under the USAID grant, LFI was to recruit personnel and establish an operating office, create and distribute a directory of members, develop a plan for the establishment of a credit union model to be used by national affiliates, help create additional national affiliates, publish a newsletter, and provide training to members.

Price Waterhouse performed a financial audit in accordance with U.S. Government Auditing Standards of the $272,598 in disbursements to determine whether LFI's Fund Accountability Statement for the period September 15, 1989 to September 14, 1992 was fairly presented and whether LFI complied with applicable laws, regulations, and agreements that may have had a material effect on the Fund Accountability Statement. In carrying out this financial audit, the non-Federal auditor obtained an understanding of LFI's internal accounting controls over the USAID funds to plan the audit and to determine the nature, timing and extent of tests to be performed.

Except for ineligible questioned costs of $117,556, Price Waterhouse found that the Fund Accountability Statement fairly presents the expenditures made by LFI under the Cooperative Agreement with USAID. In obtaining an understanding of the internal control structure, the auditors found immaterial weaknesses such as the lack of proper accounting records and controls. Finally, the auditor reported that LFI complied with applicable laws, regulations, and agreements except for those instances of non-compliance which led to the questioned ineligible costs.

In its comments on the draft audit report, REDSO/WCA stated that it agreed with the recommendation to resolve questioned costs and requested clarification on certain issues to which the non-Federal auditor responded in a separate appendix to the report.

The non-Federal audit report contains seven findings and seven recommendations. Since the LFI grant is over and the USAID bilateral assistance program to the Cote d'Ivoire will terminate at the end of FY 1994, we have not included any procedural recommendations. However, the following recommendation is to be included in the Office of Inspector General's recommendation follow up system.

> **Recommendation No. 1: We recommend that REDSO/WCA resolve the $117,556 of ineligible questioned costs.**

Recommendation No. 1 is considered unresolved until REDSO/WCA advises RIG/A/Dakar of its official determination of the sustainability of the questioned costs. For any amounts which REDSO/WCA determines to be not sustained, RIG/A/Dakar will close that portion of the recommendation upon receipt of a written determination and any evidence required to support the position taken. For those amounts which REDSO/WCA determines to be sustained, that portion of the recommendation will be closed when such question costs are billed for collection or recovered by USAID and the evidence therefor is provided to RIG/A/Dakar.

Please advise RIG/A/Dakar within 30 days of receipt of this report of any actions planned or taken to close the recommendations.

LA FINANCIÈRE INTERNATIONALE (LFI)
COOPERATIVE AGREEMENT: US$ 300 000
AUDIT OF FUND ACCOUNTABILITY
STATEMENT FOR THE PERIOD

SEPTEMBER 15, 1989 TO SEPTEMBER 14, 1992

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APPENDIX II: DISTRIBUTION LIST

Immeuble "COLINA"
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Price Waterhouse

August 23, 1993

Mr Thomas B. Anklewich
Regional Inspector General for Audit
c/o American Embassy
BP 49 Dakar
Senegal

Subject: Non Federal Audit of A.I.D.'s Grant to La Financière Internationale

Dear Mr. Anklewich:

In accordance with your instructions, we are pleased to report to you on the scope and findings of our recent audit of A.I.D.'s grant to La Financiere Internationale under the Africa Private Enterprise Project (N° 698-0438.24), covering disbursements of $ 272,598 for the period September 15, 1989 to September 14, 1992.

The results of our work are contained in the three attached reports:

- Report on fund accountability statement,
- Report on internal control structure,
- Report on compliance with agreement terms and applicable laws.

If you require additional clarification of the matters included in our audit report, please do not hesitate in contacting us.

Yours very truly,

Price Waterhouse

I. EXECUTIVE SUMMARY

A. BACKGROUND

La Financiere Internationale (LFI), based in Abidjan, is a not-for-profitprivate sector regional coordinating body for national La Financiere organizations established in several African countries to mobilize members' savings and make investments in the productive private sector. The General Assembly officially constituting the regional coordinating entity was held in Abidjan from April 28 to May 3, 1989. It gathered representatives from countries where national La Financiere organizations agreed on the creation of such a regional coordinating structure having the following objectives:

a) To encourage jointly financed projects among national La Financiere organizations which can benefit from economies of scale and regional market opportunities;

b) To keep national organizations informed of successful projects, lessons learned and emerging investment opportunities;

c) To take advantage of regional markets' local inputs and joint financing;

d) To provide a link between and among national organizations and outside investors, suppliers and development institutions;

e) To organize regional capital investment, mutual guarantee, credit union, and related funds and insurance programs for national members.

In 1989 a Cooperative Agreement (N° 698-0438-A-00-9045-00) was entered into by A.I.D. granting $300,000 to LFI in furtherance of its objectives over the three-year period through September 14, 1992. During the Cooperative Agreement period, LFI was to recruit personnel and establish an operating office; create and distribute a directory of members; publish a newsletter; develop plans for a computerized data bank on essential economic and financial data and for the establishment of a credit union type model to be used by national affiliates; help create additional national affiliates; and provide training to members.

B. AUDIT OBJECTIVES AND SCOPE

B.1 Objectives

The audit objectives are:

- To determine the reasonableness, propriety and allowability of expenditures made by LFI during the period September 15, 1989 to September 14, 1992 and then express an opinion on whether the fund accountability statement is fairly presented in all material respects, in conformity with generally accepted accounting principles or other comprehensive basis of accounting, including the cash receipts and disbursements basis;

- To obtain a sufficient understanding of LFI's internal control structure so as to form an opinion on the fund accountability statement;

- To determine whether the organization complied in all material respects with agreement terms, applicable laws, binding policies and regulations.

Except as discussed below, the examination was conducted in accordance with generally accepted auditing standards and the standards for financial audits contained in US Government Auditing Standards issued by the Comptroller General of the United States, and accordingly, included such tests of the accounting records and such other auditing procedures considered necessary in the circumstances.

We did not have an external quality control review by an unaffiliated audit organization as required by paragraph 46 of Chapter 3 of Government Auditing Standards since no such quality control review program is offered by professional auditing organizations in the Ivory Coast. We believe that the effect of this departure from the financial auditing requirement of Government Auditing Standards is not material because we participate in the Price Waterhouse worldwide internal quality control program which requires the PW, Abidjan office to undergo a periodic quality control review by partners and managers from other PW offices.

We did not fully meet the continuing education auditing standard. During the last two years we did not meet the requirement to have 24 hours in subjects related to the Government due to the lack of available training courses in West Africa. However, we are taking appropriate steps to implement a continuing education program that fully satisfies the requirement set forth in Chapter 3, par. 6 of U.S. Government Auditing Standards.

B.2. Audit procedures

Our audit procedures included the following:

i) Reading and familiarizing ourselves with the grant agreement and related documents between A.I.D. and LFI;

ii) Holding entrance conference with LFI and REDSO/WCA officials;

iii) Obtaining from LFI a fund accountability statement for the period September 15, 1989 to September 15, 1992;

iv) Reviewing LFI's internal control structure;

v) Performing validation tests to the extent of 88 % of actual cumulative disbursements from September 15, 1989 to September 14, 1992;

vi) Carrying out tests to ascertain the exhaustivity of reported disbursements;

vii) Verifying LFI's compliance with agreement terms and applicable laws and binding regulations.

C. SUMMARY OF AUDIT RESULTS

C.1. Financial

We examined the fund accountability statement for the period September 15, 1989 to September 14, 1992 disclosing disbursements amounting to US$ 272,598.12 of which we identified US$ 117,555.59 of questioned costs.

C.2. Internal control

Our review and evaluation of the project's internal control structure revealed two reportable conditions relating to:

- The absence of a specific register to record the project's transactions (Finding III.B.I.)

- The lack of a clear distinction between the management of LFI and that of La Financiere Cote d'Ivoire (LFCI) (Finding III.B.2.).

We believe that none of the reportable conditions is a material weakness.

C.3. Compliance with agreement terms and applicable laws

Our study of the terms of the Cooperative Agreement and other applicable laws and regulations revealed the following :

- contrary to the terms of the Cooperative Agreement LFI's staff salaries amounting to US$ 41,417.67 were paid out of the project's fund (Finding IV.B.1).

- a reimbursement of US$ 14,027.25 was granted to LFI without sufficient assurance that the related acquisitions were chargeable to LFI(Finding IV.B.2)

We also noted that LFI's officials did not seek prior approval of AID before undertaking purchases or entering contracts of US$ 5,000 and above and did not conform to the stipulations of the Fly America Act.

D. SYNOPSIS OF MANAGEMENT COMMENTS

The management of LFI generally agreed with the audit findings presented at the exit conference. He however pointed out the fact that except for rent and rates, all expenditures charged to the USAID funds are prefinanced by LFI and reimbursed by USAID on submission of supporting documents to REDSO officials. He therefore believes that LFI can't be reproached with charging ineligible or unsupported costs to the project's fund.

II. FINANCIAL SECTION

A. INDEPENDENT AUDITOR'S OPINION

We have audited the fund accountability statement of La Financiere Internationale (LFI) for the period September 15, 1989 to September 14, 1992 presented on page 6. This fund accountability statement is the responsibility of LFI's management. Our responsibility is to express an opinion on this fund accountability statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and U.S. Government Auditing Standards issued by the Comptroller General of the United States, except that we did not have an external quality control review by an unaffiliated organization nor did our audit staff complete the minimum continuing education as required by Sections 3.46 and 3.6, respectively, of the aforementioned 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 amounts and disclosures in the fund accountability statement. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall fund accountability statement. We believe that our audit provides a reasonable basis for our opinion.

As described in the Notes to the Fund Accountability Statement (page 6), 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.

As part of our examination, and as detailed in finding nos. IV.B1, 3, 4, and 5 of this report we found that LFI was reimbursed by REDSO for costs totalling US$ 117,555.59 which were ineligible under the terms of the cooperative agreement. These costs are to be resolved by REDSO/WCA.

In our opinion, except for the matter noted in the preceding paragraph, the Fund Accountability Statement referred to in the first paragraph is fairly presented in all material respects in accordance with the cash basis of accounting.

PRICE WATERHOUSE

Abidjan, July 21, 1993

Price Waterhouse

B. Fund Accountability Statement

September 15, 1989 to September 14, 1992
(Expressed in US$)

	Disbursements		Questioned costs
	Budget	Actual	Ineligible
Receipts			
Reimbursements	-	272,714.09	117,559.59
Total receipts	-	272,714.09	117,559.59
Disbursements			
Commodities	130,000	127,357.61	60,253.50
Operational support	110,000	122,810.62	41,417.67
Technical assistance	5,000	-	-
Travel/Training and conferences	20,000	19,330.56	15,884.42
Audit and financial review	30,000	-	-
Other direct costs	5,000	3,099.33	-
Total disbursements	300,000	272,598.12	117,555.59
Outstanding balance		115.97	

C. NOTES TO THE FUND ACCOUNTABILITY STATEMENT

C.1 Accounting policies and practices

The fund accountability statement was prepared on the cash basis of accounting.

No specific accounting record is kept for the project related transactions.

Expenditures submitted to A.I.D. for reimbursement are accounted for in suspense accounts in LFI's financial accounting system. The suspense account is set against a grant account on receipt of reimbursement from A.I.D..

The granted reimbursements are classified as income for the portion relating to operating expenses or as equipment grant. This latter equipment grant account is the contra account for fixed assets financed by the grant. It is amortized to the extent of the depreciation charge over the expected useful life of the related fixed assets.

Expenditures are incurred in local currency or US dollars. The disbursements in local currency are converted to US dollars using the exchange rate in effect at the date of reimbursement by A.I.D..

C.2 Commodities

Disbursements for commodities are analyzed as follows

	US$
Office and computer equipment	28,054.50
Equipment and supplies for membership cards	26,604.00
Fixtures and fittings	50,615.05
Other office equipment	22,084.06
	127,357.61

C.3 Operational support costs

These costs are mainly composed of salaries and rent. They are analyzed as follows :

	US$
LFI's Permanent staff salaries	41,417.67
Consultancy fees	17,156.42
Rent	47,894.03
Other operational expense	16,342.50
	122,810.62

C.3.1. Consultancy fees

This item relates to fees paid to LFI's freelance accountant at a monthly rate of FCFA 500,000 (US$ 1,736.17).

C.4 Travel/Training and conferences

These expenses are mainly composed of air fares and per diem reimbursed to the LFI acting president for his attendance at conferences, for development trips and establishing contacts abroad to set up new national La Financiere organizations.

	US$
President's fares	10,276.61
Per-diem to President	5,607.81
Others	3,445.91
	19,330.33

C.5 Subsequent events

Disbursements amounting to US$ 22,755.34 have been made out of the project's fund after September 14, 1992. This brings the cumulative disbursement to US$ 295,353.46 as of the date of our examination. These subsequent reimbursements are analyzed as follows:

	US$
Audit fee	20,440.50
Electricity bills and DHL Services	2,314.84
	22,755.34

III. INTERNAL CONTROL STRUCTURE

A. Independent Auditor's report on internal control procedures

We have audited the fund accountability statement of La Financiere Internationale (LFI) for the period from September 14, 1989 to September 15, 1992 and have issued our report thereon dated July 21, 1993.

We conducted our audit in accordance with generally accepted standards and U.S. Government Auditing Standards issued by the Comptroller General of the United States, except that we did not have an external quality control review by an unaffiliated organization nor did our audit staff complete the minimum continuing education as required by Sections 3.46 and 3.6, respectively, of the aforementioned Standards. 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 LFI 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 LFI 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 a 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.

Significant areas of internal control tested by ourselves were as follows :

- financial statement preparation,
- transactions' approval and recording procedures.

For all of 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 risks.

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.

These reportable conditions are described in the accompanying findings presented on pages 11 and 12.

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 is a material weakness.

This report is intended for the information of LFI's management, and A.I.D.. This restriction is not intended to limit the distribution of this report which is a matter of public record.

PRICE WATERHOUSE

Price Waterhouse

July 21, 1993

III.B. Findings

III.B.1. Lack of Proper Accounting Records for Project Activities

Condition

No specific procedure is set out by LFI for the recording of items financed by the project's fund. Expenses submitted for reimbursement are accounted for using suspense receivable and payable accounts which are set off against each other as reimbursements effectively take place.

The manually numbered reimbursement requests are filed in a folder set aside to this effect.

Criteria

LFI should maintain a register so as to enable a satisfactory follow up of the project related transactions.

Cause

Due care is not taken to implement adequate control procedures.

Effect

The current filing system can not provide summarized information of the project transaction at any point in time unless the reimbursement requests amounts are manually and exhaustively summed up.

Moreover the system does not enable the detection of any missing voucher or supporting document.

Recommendation III.B.1

We recommend that a register should be maintained to achieve a satisfactory follow up of project transactions.

III.B.2. Lack of controls to ensure that Project funds are used for intended purposes

Condition

LFI had insufficient controls to assure that the grant funds A.I.D. provided for rent and purchase of commodities were properly used. LFI and La Financiere Côte d'Ivoire - both managed by one individual - are located in the same building. During the audit, we noted that:

(a) The office lease agreement between LFCI and LFI commenced as of September 1989 whereas the notarized agreement for the purchase of the property by LFCI is dated as of June 1991. Although management have indicated to us that LFCI ownership of the property precedes the LFI period of occupancy and that the June 1991 agreement was merely formalizing the matter, an uncertainty exists concerning the propriety of the rental payments made for the period from September 1989 through June 1991.

(b) The reimbursement received for the purchase of carpeting relates to a total floor space of 450 sq.m. whilst LFI only occupies 300 sq.m. According to management, the additional carpeting purchased (additional cost of some US$ 1,715) includes that required for the office entrance and for future repairs.

Thus LFI was unable to demonstrate to us convincingly that the grant funds used to pay for rent and certain commodities were used solely for project activities.

Criteria

Management should redefine LFI and LFCI's functioning structure and internal control procedures so as to provide a clear distinction between the two entities' activities.

Cause

Probably results from lack of sufficient attention to the matter by LFI management.

Effect

A lack of clearly distinguishing between the two entities' activities may lead to some confusion with regards to the ownership of assets.

Recommendation III.B.2

We recommend that formal internal control procedures should be designed for both entities. We also believe that part of the acting president's current assignments should be delegated to achieve an adequate and smooth day to day running of both entities.

IV. COMPLIANCE WITH AGREEMENT TERMS AND APPLICABLE LAWS

A. Independent Auditor's report on compliance with agreement and applicable laws and regulations

We have audited the fund accountability statement of La Financiere Internationale (LFI) for the period from September 14, 1989 to September 15, 1992 and have issued our report thereon dated July 21, 1993.

We conducted our audit in accordance with generally accepted auditing standards and US Government Auditing Standards issued by the Comptroller General of the United States, except that we did not have an external quality control review by an unaffiliated organization nor did our audit staff fully meet the continuing education requirements. 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 and binding policies and procedures applicable to LFI is the responsibility of LFI's management. As part of obtaining reasonable assurance about whether the fund accountability statement is free of material misstatement, we performed tests of LFI's compliance with certain provisions of laws, regulations and binding policies and procedures. However, our objective was not to provide an opinion on compliance with such provisions.

Material instances of noncompliance are violations of laws, regulations 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 been disclosed as questioned costs in LFI's fund accountability statement for the period ended September 14, 1992.

> Our examination indicated that LFI's permanent staff salaries amounting to US$ 41,417.67 were paid out of the funds provided under the Cooperative Agreement whereas they ought to have been financed by members' contributions. We also noted the lack of sufficient payment evidence of an invoice US$ 56,109 of which only 50% was imputable to LFI.
>
> We considered these material instances of noncompliance in forming our opinion on whether LFI'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 July 21, 1993 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 are identified in the accompanying schedule of findings (see pages 15-19) and questioned costs (see page 6).

Except as described above, the results of our tests of compliance indicate that with respect to the items tested, LFI 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 LFI had not complied, in all material respects, with those provisions.

This report is intended for the information of the management of LFI and A.I.D.. This restriction is not intended to limit the distribution of this report which is a matter of public record.

Price Waterhouse

Price Waterhouse

July 21, 1993

IV.B. Findings

IV.B.1. LFI was reimbursed for salary expenses which were not eligible for reimbursement under the agreement.

Condition

The LFI's permanent staff salaries amounting to FCFA 10,717,740 (US$ 41,417.67) have been paid out of the project's funds.

Criteria

The cooperative grant agreement stipulates that LFI's staff salaries should be paid out of members' contributions.

Cause

Neither LFI's management nor A.I.D.'s project officers paid adequate attention to this particular term of the cooperative agreement.

Effect

Ineligible costs have been financed by the project's funds.

Recommendation IV.B.1

We recommend that both LFI's management and A.I.D. officers should pay particular attention to the stipulations of the cooperative agreement and other binding regulations. The amount of $ 41,418 should be reimbursed by LFI to A.I.D..

IV.B.2. Lack of Appropriate Supporting Documentation

Condition

A reimbursement of US$ 28,054.50 was made to LFI by A.I.D. on the basis of a supplier's receipt of payment for US$ 29,000 relating to an invoice for the importation of furniture from Brazil totalling US$ 56,109.00. This invoice was imputable to both LFI and La Financière Côte d'Ivoire at a respective share of 50 %. Proof of payment was produced only for the portion of the invoice amount chargeable to LFI.

Criteria

Reimbursement should be made only on the basis of valid proof of payment together with the invoice and other supporting documents, including a detailed analysis of furniture received and how individual items were allocated as between LFI and LFCI.

Cause

LFI was unable to provide evidence of payment of the other half of the invoice at the time of our review.

Effect

The payment receipt may relate to the total invoiced amount which is only 50% chargeable to LFI. In the absence of a supplementary payment receipt we consider that half of the reimbursed amount (US$ 14,027.25) was unduly charged to LFI.

Recommendation IV.B.2

We recommend that LFI provide supporting documentation of the total invoice that ascertains that the 50/50 split between LFI and LFCI is accurate and which shows that the other half of the $ 56,109 invoice was indeed paid by La Financière Côte d'Ivoire.

IV.B.3. Lack of Compliance with Procurement Procedures

Condition

LFI purchased furniture and other equipment for an amount of US$ 60,253.50 from Brazil without seeking prior approval from A.I.D (the amount of US$ 28,054.50 mentioned on finding IV.B.2. is included).

Criteria

According to the Cooperative Agreement LFI had to seek A.I.D.'s prior review and approval for purchases or contracts exceeding US$ 5,000.

Cause

Due care was not taken to comply with the terms of the cooperative agreement and other binding regulations.

Effect

Ineligible costs have been financed by the project's funds.

Recommendation IV.B.3

We recommend that the amount of US$ 60,253.50 should be reimbursed by LFI to A.I.D..

IV.B.4. Noncompliance with Fly America Act

Condition

LFI's officials did not use a US airlines for three transatlantic trips for which a reimbursement of F.CFA 3,050,040 (US$ 13,555) was made over the project fund. Moreover there is no supporting document attesting that the selected options were the most competitive.

Criteria

The standard regulations for non US grantees stipulates that any transatlantic trip financed by granted funds should be on board a US airline.

Cause

Inadequate understanding of the terms of the cooperative agreement and other related binding rules and regulations.

Recommendation IV.B.4

We recommend that sufficient evidential matter be produced by LFI to support the allowability of these costs by the Cooperative Agreement.

IV.B.5. Unauthorized Travel

Condition

LFI officials did not seek prior approval from A.I.D before undertaking business trips charged to the granted funds to the extent of US$ 15,884.42 (including US$ 13,555 of transcontinental trip).

Criteria

According to the terms of the cooperative agreement prior approval of the project officer should have been sought before undertaking any business trip under the grant.

Cause

Insufficient knowledge of the terms of the cooperative agreement.

Effect

Non compliance with the terms of the cooperative agreement and other binding regulations.

Recommendation IV.B.5

We recommend that sufficient evidential matter be produced by LFI to support the allowability of these costs by the Cooperative Agreement.

MEMORANDUM

Date: March 18, 1994

From: Willard J. Pearson, Director, REDSO/WCA

To: Thomas B. Anklewich, RIG/A/Dakar

Subject: Mission Comments on Draft Audit of La Financiere International (LFI)

We have reviewed the subject draft audit report by Price Waterhouse of USAID's Cooperative Agreement with La Financiere Internationale, as well as the attached draft transmittal memorandum.

We agree with the recommendation of the audit that $117,556 be questioned. REDSO will resolve these ineligible questioned costs as required.

REDSO does have some corrections, observations and recommendations which, if incorporated into the audit report, would clarify the findings and assist REDSO/WCA in resolving the audit recommendation. These are as follows:

a. The effective date of the Cooperative Agreement is Sept. 15, 1989 and its Completion Date is Sept. 14, 1992. Therefore, the audit should cover expenditures between these dates, rather than between Sept. 14, 1989 and Sept. 30, 1992. There were no expenditures incurred between Sept. 14 and Sept. 30, 1992 and no payments made during that period, so the change in dates should not substantively affect the audit findings. The dates should be changed throughout the text of the audit report.

b. Page 8, Section C.5, of the audit indicates that payments of $22,856.63 were made after 9/30/92. (As noted above, the date should be changed to 9/14/92). Nevertheless, REDSO's records indicate that three vouchers were processed after 9/30/92, for a combined total of $22,755.34. The audit report should detail the basis for its calculations and reconcile its total with REDSO's records. At the same time, a footnote should be added to the Fund Accountability Statement table on page 6 specifying the total paid after 9/30/92, and noting that $20,440.50 of this amount was for audit and financial review (since these two vouchers constitute the entirety of one of the line items in the agreement). Alternatively, the Fund Accountability Statement Table could be changed to reflect cumulative disbursements, as we suggest in item d., below.

c. On page 6, the audit specifies $272,598.12 as "actual disbursements", but on page 8 states that cumulative disbursements were $295,454.75 (this latter amount includes payments made after 9/30/92). This latter figure should be adjusted to reflect the changes made per item a., above.

d. On page 3 (Section B.2, Audit procedures) it indicates that validation tests were performed on 88 percent of reported disbursements. The audit should specify whether this is "actual disbursements" or "cumulative disbursements". REDSO feels that two different disbursement amounts is confusing and suggests that the percentage be based on cumulative disbursements. REDSO further recommends that the Fund Accountability Table (on page 6) be modified to reflect cumulative disbursements (i.e. including those made after Sept. 14, 1992.

e. Finding IV.B. 2. contains the statement, "this invoice was imputable to both LFI and La Financière Côte d'Ivoire at a respective share of 50%". In addition to the question of lack of supporting documentation, which is the main criticism in this finding, the audit should clearly specify whether it finds this 50/50 split to be a proper allocation of costs and whether this split corresponds to the actual allocation of the goods purchased between LFI and LFCI.

f. On page 14, Section IV-A, reference is made (in the second to last paragraph) to "lack of sufficient payment evidence of an invoice [for] US$60,253.50 of which only 50% was imputable to LFI". The amount of the invoice was actually $28,054, and this figure should be substituted for that used. (The $60,253.50 figure is the total amount of commodities questioned).

g. The audit reports $15,884.42 in ineligible questioned costs for travel/training and conferences (page 6). The basis for this figure is not evident from the audit report itself. (Based on our review of the vouchers and discussions with Price Waterhouse, this amount corresponds to a single voucher covering five international trips). The audit report should clarify the basis for questioning these travel costs. In particular, the findings in sections IV.B.4. and IV.B.5 should include a dollar amount of costs to be questioned. It is not now clear how much of the $15,884.42 is covered by section IV.B.4 (Noncompliance with Fly America Act), and how much by section IV.B.5, (Unauthorized Travel).

h. On page 7. Section C.2 there is an addition error, the total should be $127,357.61.

i. In order to facilitate the resolution of the recommendation, REDSO/WCA's Office of Procurement requests copies of the working papers used by Price Waterhouse in determining the amounts questioned.

REDSO appreciate's RIG/Dakar's assistance in carrying out this non-federal audit. We believe that the audit's findings justify REDSO's decision to include this non-federal audit in our Audit Management Plan for FY 1993. REDSO will do its best to resolve the audit recommendation to the satisfaction of RIG/Dakar in a timely fashion.

Drafted:	PSD:PCrawford	PRC
	OP:OYeandel	In draft - PRC for OY
Clearances:	WAAC:APlitt	
	WAAC:TFallon	
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	D/DIR:DMutchler	

LA FINANCIERE INTERNATIONALE

AUDITORS' REPORT

Follow up of REDSO/WCA comments

Auditors' reply to comment a

Period to be covered as per audit scope of work is September 14, 1989 to September 15, 1992.
As the examined reimbursements included vouchers dated September 29, 1992, we purposely shifted the end of period date to September 30, 1992.

Action : Dates have been amended

Auditors' reply to comment b

The difference of $ 101.29 between subsequent payments as per auditors'report and those per REDSO's records is part of an unexplained gap of $ 115.97 that we came across when we compared REDSO's figures to those of La Financière Internationale (LFI).

Action : Previous amount changed and breakdown of subsequent reimbursements provided at note C.5

Auditors' reply to comment c

Total disbursements'figure corrected according to changes mentioned per point b.

Auditors' reply to comment d

"Reported disbursements" means actual disbursements which is the cumulative actual disbursement for the period from September 15, 1989 to September 15, 1992 as mentioned per fund accountability statement.

Action : Precisions relating to audit sample basis provided on section B2

Auditors' reply to comment e

We pointed out a lack of clear cut between LFI and La Financière Côte d'Ivoire activities at finding III.B.2. Thus we are unable to ascertain whether the 50/50 split is an accurate allocation of questioned invoice.

Action: None

LFI
Page 2

Auditors' reply to comment f

The amount of the questioned invoice is $ 56,109.00 as mentioned per finding IV.B.2.

Action: $ 60,253.50 changed to $ 56,109.00

Auditors' reply to comment g

We had tested F.CFA 4,050,529 (US$ 15,884.42) out of F.CFA 4,919,360 (US$ 19291.60) of the voucher covering travel, training and conference. We did not have evidence of REDSO prior approval for any of the selected trip. We thefore consider all the related disbursements as questionable. Moreover, we did not receive any document stating reasons for the use any particular airline in case of transatlantic trip for which US airlines were not avalaible.

Action: Condition of finding IV.B.4 and IV.B.5 have been modified to precise amount questioned per each finding

Auditors' reply to comment h

Typing error corrected; $ 127,357.67 instead of $ 127,351.61

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