

Regional Inspector General for Audit
Nairobi, Kenya

Audit of
the Mauritius Industrial Diversification
Project No. 642-0010

Report No. 3-642-94-011-N
July 18, 1994



**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.**

**INSPECTOR
GENERAL**

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

July 18, 1994

Memorandum

To: Director REDSO/ESA, Fred C. Eischer
From: Acting RIG/A/Nairobi,  David M. Conner
Subject: Audit of the Mauritius Industrial Diversification
Project No. 642-0010, A.R. No. 3-642-94-011-N

*Regional
Inspector General
for Audit/Nairobi*

Attached are five copies of an Agency-contracted Audit of the Mauritius Industrial Diversification Project (MIDP) No. 642-0010. The non-Federal accounting firm of Bellhouse Mwangi Ernst & Young, Nairobi, Kenya performed the audit.

The Regional Economic Development Services Office for East and Southern Africa (REDSO/ESA) signed a project grant agreement on August 30, 1988 with the Government of Mauritius to initiate the Mauritius Industrial Diversification Project. The estimated completion date of the agreement has been extended to September 30, 1996 and it has been incrementally funded to a total of \$5.35 million. The purpose of the project was to assist the private sector and the Government of Mauritius to: (a) identify and evaluate strategies and opportunities for the diversification and expansion of the industrial and service sectors of the Mauritius economy and identify any opportunities for related new trade; (b) to assist the private sector in its efforts to further the development of the industrial service sector; and (c) to provide short-term, offshore training for various economic development aspects. Project inputs included technical assistance and the provision of equipment. The project is being implemented in Mauritius by the Ministry of Economic Planning and Development (MEPD).

The objective of the audit was to examine the MIDP Fund Accountability Statement (Statement) and to express an opinion as to whether the Statement presented fairly the use of funds in accordance with the grant agreement. To answer the objective, the auditors were asked to consider MEPD's internal control structure to determine the auditing procedures necessary to express an opinion on the Statement, and to report on significant internal control weaknesses. As part of obtaining reasonable assurance the Statement was free of material misstatement, the auditors were required to test MEPD's compliance with terms of the grant agreement and to report any identified material instances of non-compliance.

The audit covered all USAID funds received and disbursed through the MIDP for the period August 30, 1988 through December 17, 1991. MIDP disbursements during this time period totalled \$522,803.

The auditors issued an unqualified opinion on the Fund Accountability Statement and the audit report disclosed no material instances of non-compliance with the terms of the grant agreement. The audit did note one material internal control weakness concerning the lack of reconciliation between USAID-generated information to MEPD financial records.

The draft audit report was submitted to the Government of Mauritius and to REDSO/ESA for comments and REDSO/ESA's comments were taken into consideration in the preparation of the final report. REDSO/ESA comments are included in the final report as Appendix I. The Government of Mauritius did not comment on the contents of the draft report. REDSO/ESA provided certain editorial suggestions and certified that certain costs that were originally considered unsupported were in fact legitimate expenditures for which REDSO/ESA had received the original supporting documentation. Also, REDSO/ESA provided evidence that the Mauritius private sector had contributed the equivalent of \$40,000 as required in a special provision of the grant agreement.

The report contains one recommendation and it is REDSO/ESA's responsibility to ensure appropriate action is taken on the recommendation. We are not, however, including the recommendation in the Office of the Inspector General's audit recommendation follow-up system.

Thank you for the cooperation extended to Bellhouse Mwangi Ernst & Young auditors and the Regional Inspector General for Audit representatives during the audit.

Attachments: a/s.

**Audit of
the Mauritius Industrial
Diversification Project No. 642-0010**

A.R. No. 3-642-94-011-N

ATTACHMENTS

Audit of
the Mauritius Industrial Diversification

Project No. 642-0010

**THE AGENCY-CONTRACTED
AUDIT OF MAURITIUS
INDUSTRIAL DIVERSIFICATION
PROJECT NO. 642-0010**

**MAURITIUS INDUSTRIAL DIVERSIFICATION
PROJECT NO. 642-0010**

TABLE OF CONTENTS

GLOSSARY OF TERMS

SECTION	PAGE
1. INTRODUCTION	1
1.1 Background	1
1.2 Audit Objectives and Scope	1
1.2.1 Objectives	1
1.2.2 Scope	2
1.2.3 Methodology	2
1.3 Summary of Audit Results	2
1.3.1 Fund Accountability Statement	2
1.3.2 Internal Control Structure	3
1.3.3 Compliance with Grant provisions and Applicable Laws and Regulations	3
1.4 Summary of Auditee's comments	3
1.5 Summary of REDSO/ESA comments	3
1.5.1 Fund Accountability Statement	3
1.5.2 Internal Control Structure	3
1.5.3 Compliance with Grant provisions and Applicable Laws and Regulations	3
2. FUND ACCOUNTABILITY STATEMENT	4
2.1 Independent Auditor's Report	4
Fund Accountability Statement	6
2.2 Findings and Recommendations	7
2.2.1 Introduction	7
2.2.2 Audit Results	7
3. INTERNAL CONTROL STRUCTURE	8
3.1 Independent Auditor's Report	8
3.2 Work Performed	11
3.3 Findings and Recommendations	11

4. COMPLIANCE WITH GRANT PROVISIONS AND APPLICABLE LAWS AND REGULATIONS	12
4.1 Independent Auditor's Report	12
4.2 Work Performed	13
4.3 Findings and Recommendations	13

APPENDICES

Appendix I	REDSO/ESA Comments
Appendix II	Accepted Costs Supported by Advice of Charge
Appendix III	Accepted Costs Supported by Photocopies and REDSO/ESA's representations

**MAURITIUS INDUSTRIAL DIVERSIFICATION
PROJECT NO. 642-0010**

GLOSSARY OF TERMS

USAID	:	UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
US	:	UNITED STATES OF AMERICA
\$:	US DOLLARS
MR	:	MAURITIAN RUPEES
PILs	:	PROJECT IMPLEMENTATION LETTERS
MEPD	:	MINISTRY OF ECONOMIC PLANNING AND DEVELOPMENT
GOM	:	GOVERNMENT OF MAURITIUS
REDSO/ESA	:	REGIONAL ECONOMIC DEVELOPMENT SERVICES OFFICE FOR EAST & SOUTHERN AFRICA
MIDP	:	MAURITIUS INDUSTRIAL DIVERSIFICATION PROJECT
RFMC	:	REGIONAL FINANCIAL MANAGEMENT CENTER
RIG/A/N	:	REGIONAL INSPECTOR GENERAL FOR AUDIT/NAIROBI
MACS	:	MISSION ACCOUNTING CONTROL SYSTEM

**MAURITIUS INDUSTRIAL DIVERSIFICATION
PROJECT NO. 642-0010**

1. INTRODUCTION

1.1 Background

The purpose of the Mauritius Industrial Diversification Project (MIDP) was to assist the private sector and the Government of Mauritius to:

- a. identify and evaluate all strategies and opportunities for the diversification and expansion of the industrial and service sectors of the Mauritius economy and identify any opportunities for related new trade; and
- b. to assist the private sector directly in its efforts to further the development of the industrial service sector.
- c. to provide short term, non-degree off-shore training for various economic development aspects.

In order to achieve these objectives the project provided technical assistance and equipment. The project is being implemented in Mauritius by the Ministry of Economic Planning and Development (MEPD).

The project was authorized on August 30, 1988 by the United States Agency for International Development (USAID) with an estimated completion date of August 31, 1990 and funding of \$850,000. The grant was incrementally funded to a total of \$5.35 million and the completion date extended to September 30, 1996. As of December 17, 1991, project disbursements amounted to US\$522,803.

1.2 AUDIT OBJECTIVES AND SCOPE

1.2.1 Objectives

Bellhouse Mwangi Ernst & Young (BMEY) were appointed under Contract No. 623-0000-I-00-2006-00 to perform an agency-contracted audit of Mauritius Industrial Diversification Project No. 642-0010. Our audit covered all USAID funds disbursed on behalf of MIDP amounting to US\$522,803, for the period August 30, 1988 through December 17, 1991.

The objectives of this engagement were:

- a. Audit the MIDP 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 agreement;
- b. Consider the MEPD'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; and

- c. Test MEPD's compliance with the terms of the grant agreement 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.

The audit was undertaken in accordance with generally accepted auditing standards and the Government Auditing Standards issued by the US Comptroller General (1988 Revision). We were required to adhere to guidelines contained in the "Guide for Financial Audits Contracted by AID" and "Guidelines for Audit of Federal awards to Non-Profit Institutions".

1.2.2 Scope

Our audit covered all REDSO/ESA funds disbursed under Project No 642-0010 amounting to \$522,803, for the period August 30, 1988 through December 17, 1991.

The scope of our audit was limited by the following:

- i. We relied on USAID-generated Advice of Charge (AOCs) for expenditures amounting to \$61,954. These were direct payments by USAID/Washington whose supporting documents were retained in Washington.
- ii. We relied on REDSO/ESA's representations and photocopies of supporting documentation for expenditures amounting to \$26,355 relating to technical services.

In carrying out our audit we did not comply with Government Auditing Standard Sections 3.46 and 3.6 regarding External Quality Control Reviews and Continuing Professional Education respectively. It is our opinion that non-compliance with those standards did not impair our ability to perform the audit.

1.2.3 Methodology

A review of the project's documentation and financial reports (MACS P07B & P07D) was performed on January 30, 1992 at the offices of REDSO/ESA in Nairobi. In view of the fact that most original documents supporting disbursements were retained at the USAID offices in Washington D.C., we relied on certified copies provided by RFMC. We visited Mauritius to examine the internal control structure at MEPD, which is the implementing agent. The audit was delayed for over a year because of an investigation conducted by USAID into the Mauritius Industrial Diversification Project.

We held meetings with REDSO/ESA and RIG/A/N personnel and discussed various matters relating to the audit and to the project.

1.3 SUMMARY OF AUDIT RESULTS

1.3.1 Fund Accountability Statement

Our audit determined that the Fund Accountability Statement for the period August 30, 1988 through December 17, 1991, presented fairly all the revenues and expenditures of the project.

1.3.2 Internal Control Structure

In our examination of internal controls at MEPD, we noted that no reconciliations are prepared between MEPD records and REDSO/ESA records on the project funds.

1.3.3 Compliance with Grant Provisions and Applicable Laws and Regulations

In our review of compliance issues there were no findings which we considered reportable.

1.4 SUMMARY OF AUDITEE'S COMMENTS

We did not receive comments on the draft report from the Ministry of Economic Planning and Development.

1.5 SUMMARY OF REDSO/ESA COMMENTS

1.5.1 Fund Accountability Statement

Costs amounting to \$26,355 classified as unsupported in the draft report were certified by REDSO/ESA as legitimate and allowable and should therefore be accepted.

The auditors have complied and made a note of the matter in the report (see section 1.2.2).

1.5.2 Internal Control Structure

There were no comments on this section

1.5.3 Compliance with Grant Provisions and Applicable Laws and Regulations

As of October 30, 1993 the balance in the Private Sectors contributions bank account was \$47,566.56 (MR 863,333.65). The finding in the draft that the special provision of the grant agreement requiring contribution in Mauritian Rupees (MR) equivalent of \$40,000 had not been complied should therefore be deleted.

The auditors have complied with this.

**MAURITIUS INDUSTRIAL DIVERSIFICATION
PROJECT NO. 642-0010**

2. FUND ACCOUNTABILITY STATEMENT

2.1 Independent Auditor's Report.

We have audited the Fund Accountability Statement of the Mauritius Industrial Diversification Project No. 642-0010 for the period August 30, 1988 through December 17, 1991. This statement is the responsibility of the Government of Mauritius. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards issued by the U.S. Comptroller General of the (1988 Revision) with the exception that we did not comply with sections 3.46 and 3.6 on External Quality Control Reviews and Continuing Professional Education. 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. Our audit included examining, on a test basis, evidence supporting the amounts and disclosures in the statement.

Our audit also included assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall Fund Accountability Statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note I to the Fund Accountability Statement, this statement was prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

The scope of our audit was limited by the following:

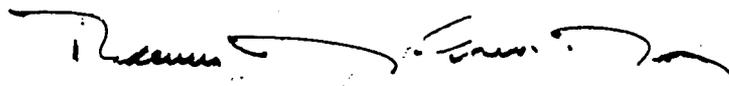
- i. We relied on USAID-generated Advice of Charge (AOCs) for expenditure amounting to \$61,954. These were direct payments by USAID Washington whose supporting documents were retained in Washington.
- ii. We relied on REDSO/ESA's representations and photocopies of supporting documentation for expenditure amounting to \$26,355 relating to technical services.

Subject to the foregoing, in our opinion the Fund Accountability Statement presents fairly in all material respects and in conformity with the basis of accounting described in the fourth paragraph above, the expenditures of the Mauritius Industrial Diversification project for the period August 30, 1988 through December 17, 1991.

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 use of the Government of Mauritius and the United States Agency for International Development but this is not intended to limit distribution of the report if it is a matter of public record.

**BELLHOUSE MWANGI ERNST & YOUNG
NAIROBI.**



November 9, 1993

**FUND ACCOUNTABILITY STATEMENT OF
MAURITIUS INDUSTRIAL DIVERSIFICATION
PROJECT NO 642-0010
FOR THE PERIOD FROM AUGUST 30, 1988
THROUGH DECEMBER 17, 1991**

	US\$
Total Revenue	522,803
Expenditures:	
Technical Assistance	58,915
Technical Services	<u>463,888</u>
Total expenditures	522,803
	<hr/>
Balance on hand	NIL

Notes to the Fund Accountability Statement

1. Basis of Accounting

The Fund Accountability Statement is prepared on the basis of cash receipts and disbursements which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

2. Costs Supported by USAID-generated Advice of Charge (AOCs)

Included under Technical Services are accepted costs amounting to \$61,954. These were direct payments by USAID Washington that were only supported by USAID-generated AOCs. (See Appendix II)

3. Costs supported by photocopies and REDSO/ESA's representations

Included under Technical Services are accepted cost amounting to \$26,355 which were supported by photocopies and REDSO/ESA's representations (see Appendix III).

**AUDIT OF MAURITIUS INDUSTRIAL DIVERSIFICATION
PROJECT NO. 642-0010**

2.2 FINDINGS AND RECOMMENDATIONS

2.2.1 Introduction

We extracted the Fund Accountability Statement from the MACS PO7B4 and PO7D pay track reports maintained by RFMC, showing the detailed project revenues and expenditures. The scope of audit included all the expenditures which were contracted under MIDP for the period August 30, 1988 to December 17, 1991.

In view of the few transactions and the amount already expended in relation to the obligated amount, all transactions for the period August 30, 1988 to December 17, 1991 were vouched.

2.2.2 Audit Results

There were no revenues or expenditures which were considered questioned under the audit.

**MAURITIUS INDUSTRIAL DIVERSIFICATION
PROJECT NO. 642-0010**

3. INTERNAL CONTROL STRUCTURE

3.1 Independent Auditor's Report

We have audited the Fund Accountability Statement for the Mauritius Industrial Diversification Project No. 642-0010 for the period from August 30, 1988 to December 17, 1991 and have issued our report thereon dated November 9, 1993.

We conducted our audit in accordance with generally accepted auditing standards, and Government Auditing Standards issued by the U.S. Comptroller General (1988 Revision). 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.

In planning and performing our audit of the Fund Accountability Statement we considered the internal control structure of the Government of Mauritius, Ministry of Economic Planning and Development 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 the Ministry of Economic Planning and Development (MEPD) is responsible for establishing and maintaining the internal control structure. In fulfilling this responsibility, estimates and judgement are required to assess the expected benefits and related costs of internal control 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 authorization procedures and recorded properly to permit the preparation of the 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, projections 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:

Control Environment

- Custody of documents
- Written procedures

Accounting System

- Accounting records and reporting
- Reconciliation to independently generated information

Control Procedures

- Selection and approval procedures

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

We noted certain matters involving the control structure and its operations that we consider to be reportable conditions under the 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 organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the Fund Accountability Statement.

The following reportable condition was observed:

- Lack of reconciliation between USAID-generated information (P04 report) to their records on the MIDP.

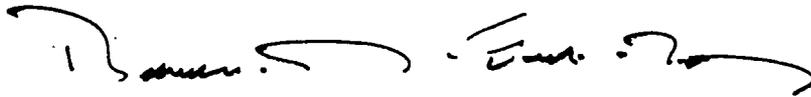
A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level, the risk that errors or irregularities in amounts that would be material in relation to the Fund Accountability Statement being 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 the reportable condition described above constitutes a material weakness.

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 use of the Government of Mauritius and the United States Agency for International Development but this is not intended to limit the distribution of the report if it is a matter of public record.

**BELLHOUSE MWANGI ERNST & YOUNG
NAIROBI**

A handwritten signature in black ink, appearing to be "D. Mwangi", written in a cursive style.

November 9, 1993

**MAURITIUS INDUSTRIAL DIVERSIFICATION
PROJECT NO. 642-0010**

3.2 Work Performed

We reviewed the Internal Control Structure of the MEPD in relation to those elements which concerned the receipts and disbursements of the grant funds. We obtained an understanding of the design of relevant procedures and assessed control risk. Our review considered the significant internal control structure policies and procedures, categorized as follows:

Control Environment

- Written procedures
- Financial Management Capabilities

Accounting System

- Accounting records and reporting
- Reconciliation to independently generated information

Control Procedures

- Selection and approval procedures

3.3 Findings and Recommendations

Our review indicated that documents relating to the project were properly maintained at MEDP. Selection and approval procedures for various project activities were proper and adhered to.

Our finding and recommendation on the internal control structure is as set out below:

(a) Finding: Lack of Reconciliation between MEPD and RFMC records

The Ministry of Economic Planning and Development (MEPD) does not prepare any reconciliations between its records on the project and those of RFMC. Lack of such reconciliations could result in errors in project's financial records going undetected for a significant amount of time.

Recommendation No. 1

We recommend that MEPD obtains the MACS reports from RFMC and regularly reconcile these to MEPD's records on the project.

**MAURITIUS INDUSTRIAL DIVERSIFICATION
PROJECT NO. 642-0010**

**4. COMPLIANCE WITH GRANT AGREEMENT AND APPLICABLE
LAWS AND REGULATIONS.**

4.1 Independent Auditor's Report.

We have audited the Fund Accountability Statement of the Mauritius Industrial Diversification Project No. 642-0010 for the period August 30, 1988 to December 17, 1991, and issued our report thereon dated November 9, 1993.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards issued by the U.S. Comptroller General (1988 Revision). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Fund Accountability Statement is free of material misstatement.

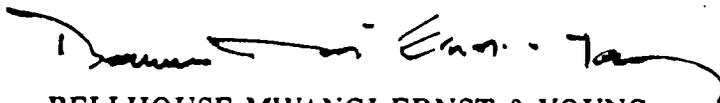
Compliance with the terms of the grant agreement and applicable laws and regulations is the responsibility of the Government of Mauritius through the Ministry of Economic Planning and Development (MEPD). As part of obtaining reasonable assurance about whether the Fund Accountability Statement is free of material misstatement we performed tests of MEPD's compliance with provisions of agreement terms, applicable laws and regulations. However, our objective was not to provide an opinion on overall compliance with such provisions.

Material instances of noncompliance are failures to follow requirements, violations of agreement terms and applicable laws and regulations that cause us to conclude that the aggregation of misstatements resulting from those failures or violations are material to the Fund Accountability Statement. The results of our tests of compliance disclosed no material instances of noncompliance.

The results of our tests of compliance indicate that with respect to the items tested, MEPD complied in all material aspects, 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 MEPD 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 for the information of the Government of Mauritius and the United States Agency for International Development but this is not intended to limit the distribution of the report if it is a matter of public record.



**BELLHOUSE MWANGI ERNST & YOUNG
NAIROBI.**

November 9, 1993

**MAURITIUS INDUSTRIAL DIVERSIFICATION
PROJECT NO. 642-0010**

4.2 Work Performed

Our audit of the MIDP included obtaining assurances that GOM through MEPD, complied with the grant provisions and applicable laws and U.S. government regulations.

Procedures performed to test such compliance included:

- a. a review of the grant agreement and related regulations to identify those provisions and regulations which would have material effects on the Fund Accountability Statement; and
- b. audit procedures including detailed testing to confirm GOM's compliance with those provisions and regulations.

4.3 Findings and Recommendations

There were no findings on compliance issues which we considered reportable.

APPENDIX I

REDSO/ESA COMMENTS

UNITED STATES OF AMERICA
AGENCY FOR INTERNATIONAL DEVELOPMENT

REGIONAL ECONOMIC DEVELOPMENT SERVICES OFFICE
FOR EAST AND SOUTHERN AFRICA (REDSO/ESA)

United States Postal Address
U.S.A.I.D./REDSO/ESA
UNIT 64102
APO AE 09831-4102

International Postal Address

POST OFFICE BOX 30261
NAIROBI, KENYA

BY HAND



JUNE 10, 1994.

Bellhouse Mwangi Ernst & Young,
P. O. Box 44286,
NAIROBI.

Dear Sir,

Re: Mauritius Industrial Diversification Project No.642-0010.
Draft audit report for the period Aug. 30, '88 thru Dec. 17, '91

REDSO/ESA has reviewed the subject draft report. Following are REDSO's comments:

A. Section 1, para 1.1

In addition to two project goals and objectives mentioned in the 'Background', per grant amendment three annex 1B para VI 6.01A, short-term, non-degree off shore training for various economic development aspects was included as an additional project objective. Therefore, the audit report should also include this objective.

B. Section 1, para 1.3.3 and Section 4, 4.1 fifth para

Please note that the private sector has complied with the special provisions of the grant agreement requiring contribution in Mauritian Rupees (MR) equivalent of \$40,000.00. In fact the contribution has exceeded this level.

Attachment I is the copy of bank statement from The Mauritius Commercial Bank Ltd showing the balance as MR863,333.65 as of October 30, 1993. This balance is equivalent of \$47,566.56 at the exchange rate of MR18.15 to \$1.

In addition, please note that the country representation of International Executive Service Corps (IESC) was provided office space in Mauritius Chamber of Commerce (MCC) offices for the duration of the IESC grant (approximately 2-3 years) and that under the terms of the IESC program a variety of Private Sector firms were required to contribute support funding for the technical advisors provided by IESC under that program.

Therefore, you are requested to delete all references and recommendations related to non-compliance.

C. Section 2, para 2.2.3 - unsupported cost of \$26,355

Payment of \$2,240 to International Executive Service Corps.

This payment is in respect to excess expenditures over the advance of funds and is supported by 'Certified Project Report Balance Sheet'. See Attachment II.

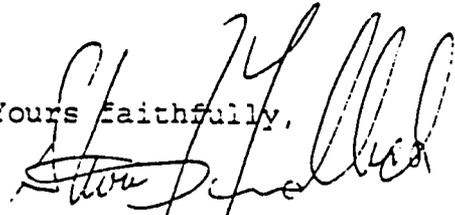
Payment of \$24,115 to Ministry of Economic Planning and Development (MEPD).

This was a reimbursement to MEPD for procurement of services authorized by REDSO/ESA under Project Implementation Letter No.04 dated September 13, 1989. REDSO/ESA reimbursed MEPD based on original SF-1034 submitted under cover letter and supported by copies of paid receipts. In addition to this, REDSO staff has knowledge that services have been provided and are being utilized by MEPD.

Consequently, REDSO/ESA certifies that above costs are legitimate and allowable and that the recommendation related to this payment should be deleted from the report.

Should you have any questions related to the above, please do not hesitate to contact Mr. Robert Leonard, Director, Regional Financial Management Center.

Yours faithfully,



Steven J. Freundlich,
Acting Director, REDSO/ESA

Attachments: a/s

24

ATTACHMENT I



STATEMENT OF ACCOUNT WITH
The Mauritius Commercial Bank Ltd.
 CITY BRANCH, PORT LOUIS

270703861

INTERNATIONAL EXECUTIVE SERVICE CORPS
 C/O MR GUY DAVID
 MAITIUS CHAMBER OF COMMERCE
 3, ROYAL STREET
 PORT LOUIS

ALL ENTRIES TO
 30/10/93
 INCLUSIVE ARE
 COMPLETE

01/07/93 30/10/93 0 00

DATE	PARTICULARS	DEBIT	CREDIT	BALANCE
1993	Opening balance			899138 09
01 OCT		0065042	15466 27	
06 OCT		0065043	1020 00	883671 82
15 OCT		0065046	4125 00	882651 82
13 OCT		0065044	1965 00	878526 82
18 OCT		0065045	530 00	
19 OCT	SUNDRY CREDIT	0000000		876031 82
29 OCT		0065049	15698 17	879031 82
			3000 00	863333 65

ATTACHMENT II

INTERNATIONAL EXECUTIVE SERVICE CORPS
STATEMENT OF RECEIPTS REPORT BALANCE SHEET
USAID GRANT: 621-0710-G-003-00 (MIDP)

ADVANCE USAID CONTRIBUTIONS

DATE: FEBRUARY 20, 1991

DATE: 8/8/90 CHECK NUMBER: 6207-06172495 AMOUNT: \$ 18,890 .00
 DATE: 11/1/90 CHECK NUMBER: 6207-06197373 AMOUNT: \$ 28,350 .00
 DATE: _____ CHECK NUMBER: _____ AMOUNT: \$ _____
 TOTAL AMOUNT OF ADVANCES: AS OF 2/20/91 \$ 47,250 .00

PROJECT FUNDING APPLIED AGAINST ADVANCES:

PROJECT NUMBER: A0919 TYPE: ABLE COMPLETION: 2/20/91
 AMOUNT: \$ 1,500 .00
 PROJECT NUMBER: _____ TYPE: _____ COMPLETION: _____
 AMOUNT: \$ _____
 PROJECT NUMBER: _____ TYPE: _____ COMPLETION: _____
 AMOUNT: \$ _____
 PROJECT NUMBER: _____ TYPE: _____ COMPLETION: _____
 AMOUNT: \$ _____
 PROJECT NUMBER: _____ TYPE: _____ COMPLETION: _____
 AMOUNT: \$ _____
 TOTAL AGAINST ADVANCES: \$ 1,500 .00

CALCULATION SUMMARY:

BALANCE CARRIED FORWARD AFTER 12/31/90
~~XXXXXXXXXXXXXXXXXXXX~~ (\$ 740 (X))
 TOTAL AGAINST ADVANCES: (LESS) (\$ 1,500 00)
 BALANCE + (-): (\$ 2,240 (X))

THE UNDERSIGNED HEREBY CERTIFIES THAT THE ABOVE COMPUTATIONS, RECORDING OF ADVANCES, PROJECT COMPLETIONS AND BALANCE ARE IN LINE WITH GRANT AND CORRECT AS STATED.

BY: PETER W. CROSS: *Peter W. Cross*

TITLE: MANAGER OF OPERATIONS

INTERNATIONAL EXECUTIVE SERVICE CORPS
CERTIFIED PROJECT REPORT BALANCE SHEET
USAID GRANT: G-1-(91)D-G-002-(R) (MIDI)

ADVANCE USAID CONTRIBUTIONS

DATE: DECEMBER 31, 1990

DATE: 8/8/90 CHECK NUMBER: 6207-06172495 AMOUNT: \$ 18,880.00
DATE: 11/1/90 CHECK NUMBER: 6207-06197373 AMOUNT: \$ 28,380.00
DATE: _____ CHECK NUMBER: _____ AMOUNT: \$.
TOTAL AMOUNT OF ADVANCES: AS OF 12/31/90 \$ 47,260.00

PROJECT FUNDING APPLIED AGAINST ADVANCES: (ADDITIONAL COMPLETION SINCE 12/15/90)

PROJECT NUMBER: A0906 TYPE: ABLE COMPLETION: 12/31/90
AMOUNT: \$ 1,500.00
PROJECT NUMBER: _____ TYPE: _____ COMPLETION: _____
AMOUNT: \$.
PROJECT NUMBER: _____ TYPE: _____ COMPLETION: _____
AMOUNT: \$.
PROJECT NUMBER: _____ TYPE: _____ COMPLETION: _____
AMOUNT: \$.
PROJECT NUMBER: _____ TYPE: _____ COMPLETION: _____
AMOUNT: \$.
TOTAL AGAINST ADVANCES: \$ 1,500.00

CALCULATION SUMMARY:

BALANCE CARRIED FORWARD AFTER 12/15/31.

APPENDIX II

**ACCEPTED COSTS SUPPORTED
BY ADVICE OF CHARGE**

APPENDIX II

TECHNICAL SERVICES

We accepted expenditure amounting to US\$ 61,954 which were incurred directly by USAID - Washington and were only supported by Advice of Charge (AOC) from Washington.

Vendor	Purpose	Date	Amount US\$
Seebaluck Bigneswaree	Water & Sanitation for Health	12/18/89	22,730
	"	1/26/90	13,605
	"	3/15/90	25,844
	"	7/30/90	58
	"	3/8/90	738
	"	3/11/91	22
	"	5/9/91	<u>(1,043)</u>
			61,954
			===

APPENDIX III

**ACCEPTED COSTS SUPPORTED BY
PHOTOCOPIES AND REDSO/ESA'S REPRESENTATIONS**

APPENDIX III

**EXPENDITURES SUPPORTED BY PHOTOCOPIES
AND REDSO/ESA'S REPRESENTATIONS**

During the audit we noted the following Technical Services costs amounting to US\$26,355 supported by photocopies which we have considered as accepted on the basis of REDSO/ESA's representation.

Vendor/Contractor	Purpose	Date	Amount US\$
1. International Executive Service Corps	Technical and management assistance to firms		2,240
2. MEPD	On line data base system	8/21/90	<u>24,115</u>
Total			26,355 =====

ATTACHMENT II

Report Distribution

U.S. Ambassador to Mauritius	1
Director, REDSO/ESA	5
AA/AFR	2
AA/FA	1
LPA/PR	1
M/FM	1
LPA	1
GC	1
IOS/Djibouti/REDSO/Seychelles/Comoros & Mauritius Desk	1
PPC/CDIE/DI, Acquisitions	2
M/MPI	1
REDSO/ESA/RCO	1
REDSO/ESA/RFMC	1
REDSO/ESA/Library	1
IG	1
AIG/A	1
D/AIG/A	3
IG/A/FA	1
IG/A/PSA	1
IG/LC	1
IG/RM/C&R	5
IG/RM/GS (Unbound)	1
AIG/I&S	1
IG/I/NFO	1
RIG/A/Bonn	1
RIG/A/Cairo	1
RIG/A/Dakar	1
RIG/A/EUR/W	1
RIG/A/Singapore	1
RIG/A/San Jose	1