

PD-ABM-367

Regional Inspector General for Audit  
Dakar

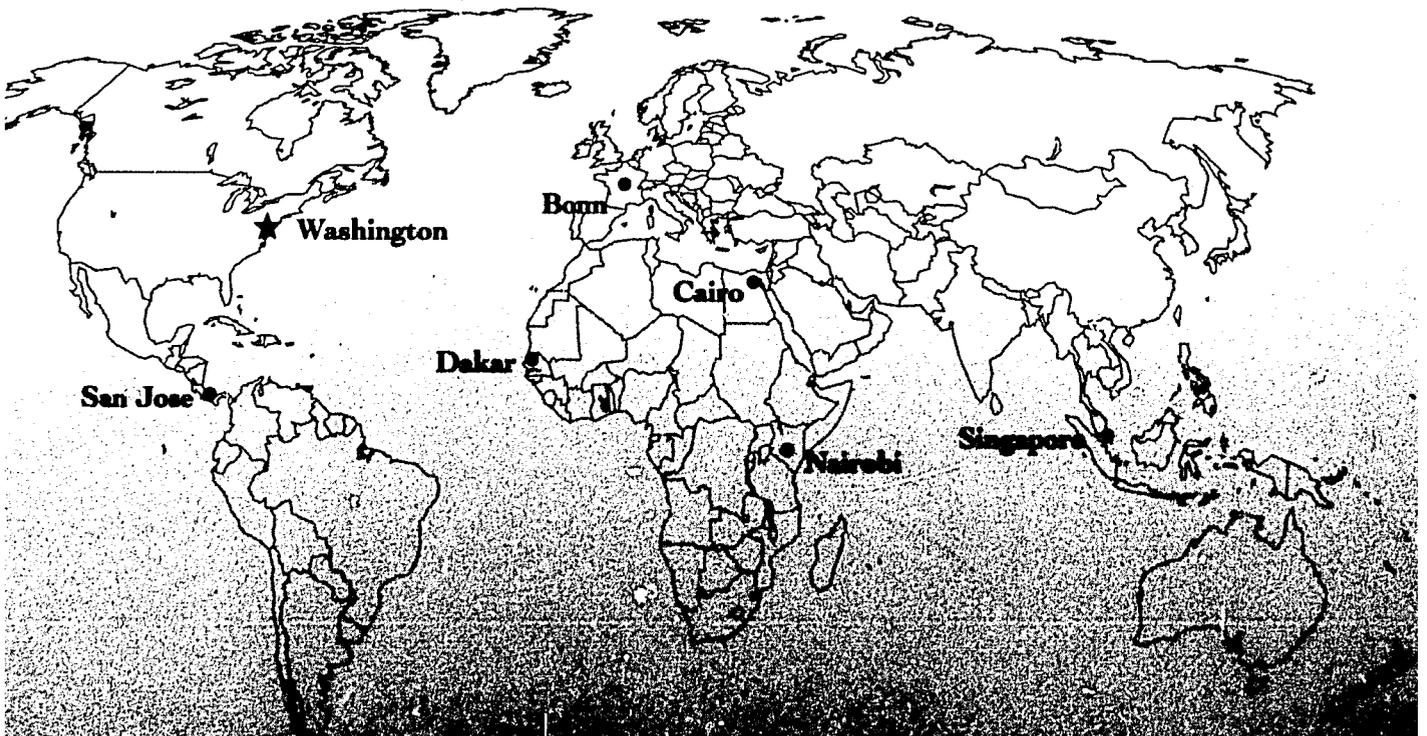
101 10/12

---

**Audit of USAID's Grant to the Government of Chad  
under the Agricultural Trade Policy Reform Program  
(No. 677-0068), from July 1, 1994 to April 30, 1995**

---

**Audit Report No. 7-677-96-004-N  
December 28, 1995**



U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

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

**UNITED STATES ADDRESS**  
RIG / DAKAR  
AGENCY FOR INTERNATIONAL  
DEVELOPMENT  
WASHINGTON, D.C. 20521 - 2130

**INTERNATIONAL ADDRESS**  
RIG / DAKAR  
C/° AMERICAN EMBASSY  
B.P. 49 DAKAR SENEGAL  
WEST AFRICA

December 28, 1995

**MEMORANDUM**

To: Willard Pearson, Director, REDSO/WCA

From: *Walter E. Shepherd* Acting for  
Thomas B. Anklewich, RIG/A/Dakar

Subject: Audit of USAID's Grant to the Government of Chad under the Agricultural Trade Policy Reform Program (No. 677-0068), July 1, 1994 to April 30, 1995; (Audit Report No. 7-677-96-004-N)

The attached report, prepared by the non-Federal audit firm, Deloitte and Touche of Abidjan, presents the results of a financial audit of USAID's grant to the Government of Chad under the Agricultural Trade Policy Reform Program, from July 1, 1994 to April 30, 1995.

Authorized by the United States Agency for International Development (USAID), in September 1992, the Agricultural Trade Policy Reform Program consists of budget support through a series of cash transfers to the Government of Chad (GOC) which is linked to policy reforms designed to improve the efficiency of the agricultural marketing system for non-industrial crops. The objective of the reforms is to improve the policy environment for formal sector business leading to increased participation in agricultural marketing. The budget support provided under the grant was to be provided in three tranches. The first cash transfer of \$2 million was disbursed in August 1993 and was fully disbursed for salary payments. This \$2 million cash transfer was subject to a financial audit in FY 1995 which resulted in questioned costs totaling \$91,498 and is yet to be resolved. USAID/Chad obligated the second cash transfer of \$2 million in 1993 which was to be disbursed by May 1994. The third cash transfer of \$4 million was obligated by the end of fiscal year 1994 so that it can be fully expended prior to the planned closing of the Mission by September 1995. This audit was to cover the \$6 million second and final cash transfer. As of April 30, 1995, USAID/Chad reported disbursements totaling \$5,130,895 (CFA 2, 565,447,674) in salaries and salary-related charges.

Deloitte and Touche performed the financial audit in accordance with U.S. Government Auditing Standards of the \$5,130,895 in disbursements during the period July 1, 1994 to April 30, 1995 to determine whether the Fund Accountability Statement was fairly presented and whether the GOC 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 GOC'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.

Deloitte and Touche expressed a qualified opinion because proper accounting records were not kept and bank reconciliations were not prepared. Furthermore, the audit did identify questioned costs of \$37,455 which consisted of \$35,861 in interest not received, \$594 in overtime payments charged twice to the program, and \$1,000 in a bank transfer not recorded as received by the bank. In obtaining an understanding of the GOC's internal control structure relating to the USAID funds, the auditor found one material weakness which was the lack of accounting records and bank reconciliation statements. In addition, in testing for compliance with applicable laws, regulations, and agreements, the auditor reported, as a material instance of noncompliance, the failure of the GOC to ensure that interest was paid on the Separate Account.

In its response to the draft audit report, the Mission only commented on the questioned costs. The Mission stated that the uncredited interest, the unidentified bank transfer, and excess overtime payment have been fully reimbursed to the project bank account subsequent to the audit. However, the Mission failed to provide evidence of this recovery.

The non-Federal audit report contains five findings and recommendations. Since the Mission is now closed, only the monetary recommendation will be included in the Office of the Inspector General's recommendation follow-up system.

**Recommendation No. 1:** We recommend that REDSO/WCA resolve the ineligible questioned costs of \$37,455 and recover those costs determined to be unallowable.

Recommendation No. 1 is considered unresolved until REDSO/WCA advises RIG/A/Dakar of its official determination along with supporting evidence of the amounts sustained or not sustained. For any amounts which REDSO/WCA determines to be not sustained, RIG/A/Dakar will close that portion of the recommendation upon receipt of REDSO/WCA's determination and any evidence required to support the position taken. For those amounts which the REDSO/WCA determines to be sustained, that portion of the recommendation will be closed when such questioned costs are recovered by REDSO/WCA and the evidence thereof is provided to RIG/A/Dakar. Such evidence may include a copy of: a bill for collection, a document showing reimbursement, or a document showing that the amount questioned was offset against amounts due USAID.

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



**AUDIT OF USAID GRANT TO THE GOVERNMENT  
OF CHAD UNDER THE AGRICULTURAL TRADE  
POLICY REFORM PROGRAM  
(NO. 677-0068)  
FROM JULY 1, 1994 TO APRIL 30, 1995**

**Audit of USAID Grant to the Government  
of Chad under the Agricultural Trade  
Policy Reform Program (No. 677-0068)  
From July 1, 1994 to April 30, 1995**

**TABLE OF CONTENTS**

	Page
<b>I. TRANSMITTAL LETTER AND SUMMARY</b>	
A. Introduction	2
B. Audit objectives and scope	3
C. Summary of past findings and actions taken	5
D. Summary of audit results	
1. Financial	7
2. Internal Control	8
3. Compliance	8
E. Synopsis of Management Comments	9
<b>II. FINANCIAL SECTION</b>	
A. Independent Auditor's Report	10
B. Fund Accountability Statement	12
C. Notes to Fund Accountability Statement	13
<b>III. INTERNAL CONTROL STRUCTURE</b>	
A. Independent Auditor's Report	15
B. Findings	18
<b>IV. COMPLIANCE WITH AGREEMENT TERMS AND APPLICABLE LAWS</b>	
A. Independent Auditor's Report	23
B. Findings	25
<b>V. APPENDIX</b>	28



## **I. TRANSMITTAL LETTER AND SUMMARY**

June 30, 1995

Mr. Thomas B. Anklewich  
Regional Inspector General for Audit  
USAID/A/Dakar  
Senegal

Dear Mr. Anklewich,

This report presents the results of our audit of USAID Grant to the Government of Chad under the Agricultural Trade Policy Reform Program (No. 677-0068) from July 1, 1994 to April 30, 1995.

### **A. INTRODUCTION**

#### **a) Background**

Authorized by the United States Agency for International Development (USAID) in September 1992, the Agricultural Trade Policy Reform Program consists of budget support through a series of cash transfers to the Government of Chad (GOC) which is linked to policy reforms designed to improve the efficiency of the agricultural marketing system for non-industrial crops. The objective of the reforms is to improve the policy environment for formal sector businesses leading to increased participation in agricultural marketing.

The budget support provided under the grant was to be provided in three tranches upon completion of specified conditions precedent to disbursement. The cash transfers and any interest earned thereon were to be used for payroll expenses of the Ministry of Agriculture and the Environment (MAE), the Ministry of Economy and Tourism (MOET), the Ministry of Finance and Data Processing (MOFDP) and the Ministry of Plan and Co-operation (MOPC).

The financial audit planned under this scope of work was meant to cover the period from July 1994 to May 1995. However we could not obtain relevant bank documents necessary for the preparation of the Fund Accountability Statement for the month of May 1995. Consequently, this audit covered only the period from July 1, 1994 to April 30, 1995.

## **B. Audit Objectives and Scope**

We performed a financial and compliance audit of USAID's Grant to GOC under the Agricultural Trade Policy Reform Program (No. 677-0068) from July 1, 1994 to April 30, 1995 in accordance with generally accepted auditing standards, US Government Auditing Standards as set forth in the Comptroller General's Government Auditing Standards, and guidelines contained in the Office of the Inspector General's Guide for Financial Audits Contracted by the Agency for International Development, except that we did not have an external quality review by an unaffiliated audit organisation as required by paragraph 46 of chapter 3 of Government Auditing Standards since no such quality review program is offered by professional auditing organisations in Côte d'Ivoire. We believe that the effect of this departure is not material because we participate in the Deloitte Touche Tohmatsu International internal quality control program which requires Deloitte & Touche in Côte d'Ivoire to undergo a periodic quality control review by partners and managers from other Deloitte & Touche offices.

The objective of this engagement was to conduct a financial audit of USAID's Grant to the Government of Chad under the Agricultural Trade Policy Reform Program from July 1, 1994 to May 31, 1995. However, as mentioned in the Introduction section under Background, we could not obtain documentation necessary for the preparation of the Fund Accountability Statement for the month of May 1995. As a result, the audit covered only the period from July 1, 1994 to April 30, 1995.

The financial audit shall be performed in accordance with U.S. Government Auditing Standards and guidelines contained in the Office of the Inspector General's Guide for Financial Audits Contracted by the Agency for International Development and accordingly include such tests of the accounting records as deemed necessary under the circumstances.

The specific objectives of the audit are to:

- (1) Express an opinion on whether GOC's Fund Accountability Statement presents fairly, in all material respects, recurrent costs incurred for the audit period in conformity with the cash basis of accounting,
- (2) Evaluate and obtain a sufficient understanding of GOC's internal control structure related to the USAID funded program, assess control risk, and identify reportable conditions, including material internal control structure weaknesses,
- (3) perform tests of GOC's compliance with applicable laws, regulations, binding policies and procedures, and the grant agreement and express positive assurance on those items tested and report on the results of compliance testing.

The major audit procedures during our work consisted of:

- (a) reviewing Program Implementation Letters and the grant agreement signed by USAID and GOC,
- (b) studying and evaluating GOC's internal control structure relative to the USAID's grant in order to assess the control risks and to determine our audit procedures,
- (c) examining supporting documentation for selected expenditures incurred and performing tests for reasonableness, validity and propriety in compliance with the terms of the grant agreement, applicable laws and regulations,
- (d) reviewing bank statements, reporting and reconciliation procedures,
- (e) determining whether the program has complied with applicable laws and regulations, terms of the grant agreement, and to be alert to situations or transactions that could be indicative of fraud, abuse or illegal expenditures.

## **C. Summary of past findings and actions taken**

A prior audit of the ATPRP (N° 677-0068) was undertaken by the firm Deloitte and Touche, Abidjan. This audit report dated September 26, 1994, sent to RIG/A/Dakar and still in draft form, made the following recommendations:

- (1) Proper accounting records should be maintained and bank reconciliation statements prepared on a monthly basis.

- (2) An unreconciled bank difference of FCFA 26,220,887 (\$ 47,674) should be investigated and resolved. An amount of FCFA 40,000,000 incorrectly credited by the bank should be refunded to the bank or necessary adjustment be made.
- (3) Personnel listings issued by the GOC Treasury should be supported by a global certificate of service signed by the head of personnel services acknowledging the existence of said personnel; such listings should be verified by the program officials.
- (4) The program must comply with the agreement terms and the various Program Implementation Letters. Amount paid for overtime payments and window repairs, totalling FCFA 441,442 and classified as ineligible, should be reimbursed to the program.
- (5) Social charges withheld from personnel salaries, of FCFA 8,193,860 (\$29,263), should be regularised. The program should update the position of GOC employees with the relevant authorities. Bills of collection should be issued so as to recover the tax from the concerned individuals.
- (6) Estimated interest of FF. 207,053 (\$37,646), earned but not credited to the program account, should be resolved with the bank and corrective action taken.
- (7) Ineligible cost relating to the undue payment of Chad taxes - FCFA 71,381 (\$192) - should be reimbursed to the program.

Although the previous audit report is yet to be finalized by RIG/A/Dakar and that no official response has been received from the program, the following comments may be applicable to the above recommendations:

### Recommendation No. 2

The amount of FCFA 40,000,000 representing a wrong bank entry, has been refunded to the bank.

The bank difference of FCFA 26,220,887 has not yet been resolved and still stands in the current Fund Accountability Statement.

### Recommendation No. 4

Program Implementation Letter n° 10 was issued in October 1994 authorising the overtime payments and the cost of the broken window.

### Recommendation No. 6

In its response to the issue of interest earned and not credited to the program account at the time of our field work, USAID Chad sustains that the matter was subsequently cleared by the bank but no supporting documentation were provided to us to prove it. Consequently, we maintain this point.

## **D. Summary of audit results**

We summarise below our key conclusions which are fully detailed in the relevant sections of the present audit report.

### 1. Financial

We have qualified our opinion on the Fund Accountability Statement because proper accounting records were not kept and bank reconciliation statements not prepared. Furthermore, we are questioning expenditures of FCFA 18,727,327 (\$37,454.65). These questioned costs are attributable to the following items:

	<u>FCFA</u>	<u>Finding N°</u>
<i>Ineligible expenditures</i>		
Uncredited interest earnings	17,930,328	5
Excess overtime payment	296,999	4
Unidentified bank transfer	<u>500,000</u>	1
Sub/Total	<u>18,727,327</u>	

## 2. Internal control

Our review and evaluation of the internal control system disclosed the following weaknesses:

- (a) Lack of adequate accounting records and bank reconciliation statements.
- (B) Inadequate control over unclaimed wages; lack of follow up procedures concerning bulk salary payments. These were not considered to be material weaknesses.

## 3. Compliance

Our testing of transactions and records selected disclosed the following material instance of non-compliance:

- (a) Failure of the bank to credit the program account with interest earned. The total loss of interest is estimated to be FF179,303.28 (including an accrued interest estimated at FF32,370.73).

## **E. Synopsis of management comments**

USAID/Chad sustains that the uncredited interest, the unidentified bank transfer, and the excess overtime payment have been fully credited to project bank account subsequently to our field work and that the corresponding points should therefore be removed from the final report. However no justification was provided by USAID Chad to enable us to verify these information.

No comments were made by USAID Chad on our findings relating to internal control and compliance aspects.

## **II. FINANCIAL SECTION**

### **A. Independent auditor's report**

We have audited the accompanying Fund Accountability Statement of USAID's Grant to the Government of Chad under the Agricultural Trade Policy Reform Program (No. 677-0068) from July 1, 1994 to April 30, 1995. This Fund Accountability Statement is the responsibility of the program 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 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 as required by Section 3.46 of the aforementioned standards. Those standards require that we plan and perform the audit to obtain reasonable assurance on whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall Fund Accountability Statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described in the notes to the accounts, the Fund Accountability Statement was prepared on a cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Proper accounting records were not kept during the period under review neither were bank reconciliation statements prepared. As a result, we were not able to determine the extent of possible unrecorded expenditure.

In our opinion, except for the effect if any, of the point described in the forth paragraph above, the Fund Accountability Statement referred to above presents fairly, in all material respects, the position of the USAID Grant under the Agricultural Trade Policy Reform Program in conformity with the basis of accounting described in Note 1 to the Fund Accountability Statement.

*Deloitte & Touche*  
Deloitte & Touche  
June 16, 1995

## B. FUND ACCOUNTABILITY STATEMENT

For the period from July 1, 1994 to April 30, 1995  
 Figures are stated in FCFA

	Receipts/ Disbursement <u>Actual</u>	Questioned costs		<u>Notes</u>
		<u>Ineligible</u>	<u>Unsupported</u>	
<b>RECEIPTS</b>				
Total outstanding balance as at June 30, 1994	114,926,456			
Adjustment (correction of prior audit finding)	- 40,000,000			2
Advances received (in French Francs)	2,822,988,932			
Interest earned	17,930,328	17,930,328		3
<b>Total Receipts</b>	<u>2,915,845,716</u>			
<b>EXPENDITURES</b>				
Salaries	2,415,586,485			
Bank Charges	9,932,016			
Overtime to bank employees	1,179,448	296,999		3
Sundry bank debits	99,056			
Social Charges and Taxes	138,150,669			
Unidentified Bank Transfer	<u>500,000</u>	500,000		3
<b>Total Expenditures</b>	<u>2,565,447,674</u>			
<b>TOTAL OUTSTANDING BALANCE</b>	<u>350,398,042</u> =====			
<b>Represented By:</b>				
<b>Bank Balances -</b>				
Ndjamena	11,267,029			
Sarh	- 2,607,274			
Moundou	5,578,140			
Special Account (French Francs)	<u>292,008,932</u>			
Interest earned not credited	306,246,827 17,930,328			3
Unreconciled Difference	<u>26,220,887</u> <u>350,398,042</u>			4
<b>TOTAL QUESTIONED COSTS</b>		<u>18,727,327</u>		

## C. Notes to the Fund Accountability Statement

### Note 1: Accounting Principles

The Fund Accountability Statement is prepared on the basis of cash receipts and disbursements.

In this report, for the purpose of convenience, an average exchange rate of FCFA 500 to US\$ 1 was used.

### Note 2 :

The adjustment of FCFA 40,000,000 (US\$80,000) represents the correction of a wrong bank entry raised in the previous audit report.

### Note 3: Ineligible questioned costs

The following costs were questioned as ineligible expenditures under the Program:

	<u>FCFA</u>	<u>Finding N°</u>	<u>US\$</u>
Uncredited interest earnings	17,930,328	5	35,861
Excess overtime payment	296,999	4	594
Unidentified bank transfer	<u>500,000</u>	1	<u>1,000</u>
	<u>18,727,327</u>		<u>37,455</u>

#### **Note 4: Unsupported questioned costs**

The unsupported cost of FCFA 26,220,887 (US\$ 52,442) represents the difference between the theoretical bank balance and the actual bank balance raised in the previous audit report. This difference has still not been cleared at the date of this report. We are not questioning it again since it does not relate to fund movements of the period under review.

### **III. INTERNAL CONTROL STRUCTURE**

#### **A. Independent auditor's report**

We have audited the Fund Accountability Statement of USAID's Grant to the Government of Chad under the Agricultural Trade Policy Reform Program (No. 677-0068) from July 1, 1994 to April 30, 1995 and have issued our report thereon dated June 16, 1995.

We conducted our audit in accordance with generally accepted auditing standards and the Government Auditing Standards issued by the Comptroller General of the United States except that we did not have an external quality review by an unaffiliated organisation as required by section 3.46 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 GOC's Fund Accountability Statement under the Agricultural Trade Policy Reform Program (No. 677-0068) from July 1, 1994 to April 30, 1995, 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 program management is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorised use or disposition, and that transactions are executed in accordance with management's authorisation 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.

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

- Accounting procedures
- Salary preparation and disbursement

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

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgement, could adversely affect the entity's ability to record, process, summarise, and report financial data consistent with the assertions of management in the Fund Accountability Statement.

These reportable conditions include the need to strengthen internal control procedures such as:

- the maintenance of accounting records and the preparation of monthly bank reconciliation statements
- improving supervisory reviews of accounting and administrative functions.

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. The material weaknesses noted in the internal control structure were the lack of proper accounting records and bank reconciliation statements.

This report is intended for the information of the program management and USAID. However, this report is a matter of public record and its distribution is not limited upon acceptance by RIG/A/Dakar.

*Deloitte & Touche*  
Deloitte & Touche  
June 16, 1995

## **B. Findings**

### **1. Lack of proper accounting records and bank reconciliation statements**

#### **Condition**

We noted, during the course of our audit, that proper accounting records are not maintained. Specifically, bank cash books are not kept for each of the program accounts.

Our review of the bank statements revealed the following major discrepancies:

- An unreconciled item of FCFA 26,220,887 (\$52,442) was questioned as unsupported. This item is part of the difference between the theoretical bank balance and the actual bank balance as at April 30, 1995. This same item was questioned in the previous audit report.
- Instructions were given to transfer the FCFA equivalent of FF655,000 from account n° 36700001-N to accounts 36280135-W (Sarh) and 36280411-H (Ndjamen). Only a combined sum of FF650,000 was received by the two disbursement accounts, leaving an outstanding balance of FF5 000 yet to be transferred.

#### **Criteria**

Section 6.4 of the grant agreement indicates the procedures that the grantee shall observe in accordance with generally accepted accounting principles. In particular, "a special ledger shall be maintained to reflect, in a single entry, the summary payment vouchers ("bordereaux") and ordres de paiement that correspond with the amount of each check or transfer drawn on the Disbursement account".

A sound internal control system would require that accounting records be maintained, transactions recorded promptly and bank reconciliation statements prepared monthly.

Cause

Inadequate appreciation of the fundamental accounting procedures and the elements of control regarding the prevention/detection of errors. Inadequate management supervision.

Risk/Effect

There is a significant risk that the Fund Accountability Statement does not reflect an accurate position of program related expenditures.

The lack of accounting records does not enable the preparation of proper bank reconciliation statements, core elements of internal control.

Errors could be unnoticed for long periods, with possible financial loss incurred. There exists the risk of monetary loss of FF 5,000 (\$1000).

Recommendation

As stated in the previous audit report, we recommend that proper accounting records be established. Management supervision should be increased to ensure the smooth operation of such accounting records.

The amount of FCFA 26,220,887 (\$52,442) should be investigated and appropriate corrective action taken. The sum of FF5,000 (\$1,000) should be reimbursed to the program.

### Management comments

We have just received USAID Chad's comments regarding our last year audit report. Those comments states that « the unreconciled bank difference of 26,220,887 FCFA is due to outstanding checks issued but not presented for payment, at the time of the audit. The bank reconciliation was completed in January 1995. This part of the recommendation is resolved and closed, it should be removed from the final report ».

The questioned amount of 500,000 FCFA has been identified and returned to the account No. 362B0411H. This recommendation is resolved and closed, it should be removed from the final report.

### Auditors' rebuttal

As shown on the Fund Accountability Statement the unreconciled difference of FCFA 26,220,887 remains unchanged. As for the FCFA 500,000 questioned amount, no supporting documentation were provided to us in order to enable us verify that the questioned amount has been cleared by the bank.

## **2. Inadequate control over unclaimed wages**

### **Condition**

The program does not maintain a register of Unclaimed Wages.

### **Criteria**

A proper follow up system of unclaimed wages should include such a register to ensure proper control and to minimise the risk of error.

### **Cause**

Inadequate management involvement and supervision over the internal control system.

### **Risk/Effect**

Misappropriation of funds. Unclaimed salaries may be allocated to ineligible persons.

### **Recommendation**

The program should maintain a detailed register of unclaimed wage to be updated after each salary payment process. This register should be approved by both USAID and the appropriate GOC official and should form part of a periodic salary reconciliation statement.

### **3. Insufficient control over bulk salary payments**

#### **Condition**

We noted the lack of established procedures regarding the follow up and adequate justification of bulk amounts withdrawn and advanced to a GOC treasurer for salary payments. Our tests revealed that a total sum of FCFA 109,391,174 (\$218,782) representing advances made in February 1995 has not been justified four months after disbursement.

#### **Criteria**

Payments made should be justified on a timely basis. Program Implementation Letter n° 11 indicates that salaries should be paid directly to employees, by bank transfer, except for those receiving their first pay cheque.

#### **Risk/Effect**

Misuse or misappropriation of program funds, thus defeating laid down program objectives.

#### **Recommendation**

The requirements of PIL n° 11 should be strictly adhered to .

## **IV. COMPLIANCE WITH AGREEMENT TERMS AND APPLICABLE LAWS**

### **A. Independent auditor's report**

We have audited the Fund Accountability Statement of USAID's Grant to GOC under the Agricultural Trade Policy Reform Program (No. 677-0068) from July 1, 1994 to April 30, 1995 and have issued our report thereon dated June 16, 1995.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States, except that we did not have an external quality review by an unaffiliated organization as required by section 3.46 of the aforementioned standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Fund Accountability Statements is free of material misstatement.

Compliance with applicable laws and regulations, under the Agricultural Trade Policy Reform Program, is GOC's responsibility. As part of obtaining reasonable assurance about whether the Fund Accountability Statement is free of material misstatement, we performed tests of GOC's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our audit 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 failure 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 those failures or violations is material to the Fund Accountability Statement. The results of our tests of compliance disclosed the following material instance of non-compliance, the effects of which have been shown in the Fund Accountability Statement of USAID's Grant under the Agricultural Trade Policy Reform (No. 677-0068) to the GOC for the period July 1, 1994 to April 30, 1995.

The Bank failed to credit the Program with interest earned contrary to the terms of an agreement whereby interest earned will be credited to a Separate Account. The amount involved is FCFA 17,930,328 (\$35,861).

We considered this material instance of non-compliance in forming our opinion on whether the Fund Accountability Statement of USAID's Grant to the GOC under the Agricultural Trade Policy Reform Program from July 1, 1994 to April 30, 1995 is presented fairly, in all material respects, in conformity with the basis of accounting described in note 1 to the Fund Accountability Statement, and this report does not affect our report dated June 16, 1995 on the Fund Accountability Statement.

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

This report is intended for the information of the program management and USAID. However, this report is a matter of public record and its distribution is not limited upon acceptance by RIG/A/Dakar.

*Deloitte & Touche*  
Deloitte & Touche  
June 16, 1995

## **B. Findings**

### **4. Unrelated Program payment financed under the grant**

#### Condition

We noted that overtime charges concerning Sarh and Moundou bank employees were debited twice to the program bank account.

#### Criteria

Costs incurred should be reasonable, justifiable and program related.

#### Cause

A certain correspondence between the bank and the USAID/ Chad wrongly duplicated the overtime charges.

#### Risk/Effect

This duplication of charges resulted in ineligible costs of FCFA 296,999 (\$594).

#### Recommendation

USAID/Chad should review the relevant correspondence, isolate the error and ensure that the bank reimburses the amount overcharged.

#### Management comment

The excess overtime payment has been fully reimbursed to account No. 36280411H on the June 1995 bank statement. This recommendation is resolved and closed, it should be removed from the final report.

#### Auditors' rebuttal

We could not verify this representation since the above mentioned bank statement was not provided to us.

## **5. No interest credited on the Special Account**

### **Condition**

We noted that interest earned for the period July 15, 1993 to November 30, 1994 was not credited to the program bank accounts.

### **Criteria**

Interest earnings, as stated in the contract agreement should be credited to the program account and should be used solely for the agreed purposes of the program.

### **Cause**

The Bank awaited for instructions from the Program management before crediting its Bank account as opposed to crediting it systematically in conformity with normal banking practice.

### **Risk/Effect**

The program was temporarily denied with interest income of FF 179,303.28 (\$35,861). This potential loss has been questioned as ineligible. The sum includes an estimate, based on available information and correspondences, of interest earned for the period July 27, 1994 to April 30, 1995.

### **Recommendation**

Management should carry out necessary investigations, and instructions should be given to the bank to transfer all interest earned (to April 30, 1995) to the program account.

**Management comments**

The uncredited interest of 17,930,328 FCFA has been fully credited to account No. 36700001N on the June 1995 bank statement. This recommendation is resolved and closed, it should be removed from the final report.

**Auditors' rebuttal**

We were unable to verify these information in the absence of corresponding supporting documentation.

## **APPENDIX**

UNCLAS AIDAC NDJAMENA 04648

ACTION: AID-1  
INFO: RIG-1 ECON-1 DCM-1 AMB-1

DISTRIBUTION: AID  
CHARGE: AID

VZCZCDKO397  
PP RUEHDK  
DE RUEHNJ #4648 2571146  
ZNR UUUUU ZZH  
P 141146Z SEP 95  
FM AMEMBASSY NDJAMENA  
TO RUEHDK/AMEMBASSY DAKAR PRIORITY 0125  
INFO RUEHAB/AMEMBASSY ABIDJAN 1153  
RUEHC/SECSTATE WASHDC 3725  
BT  
UNCLAS NDJAMENA 004648

AIDAC FOR RIG/A/DAKAR, AFR/DP/OEFM, RBDSO/WCA/WAAC

E.O. 12356: N/A  
SUBJECT: NFA DRAFT AUDIT REPORT OF USAID GRANT TO THE  
GOVERNMENT OF CHAD UNDER THE AGRICULTURAL TRADE POLICY  
REFORM PROGRAM (677-0068) FROM JULY 1, 1994 TO APRIL  
30, 1995

REF: A) DRAFT AUDIT REPORT B) DAKAR 8943

CORRECTED COPY OF NDJAMENA 004636

1. RECOMMENDATION NO. 1(A) - THE UNCREDITED INTEREST OF 17,930,328 FCFA HAS BEEN FULLY CREDITED TO ACCOUNT NO. 36700001N ON THE JUNE 1995 BANK STATEMENT. THIS RECOMMENDATION IS RESOLVED AND CLOSED, IT SHOULD BE REMOVED FROM THE FINAL REPORT.
2. RECOMMENDATION NO. 1(B) - EXCESS OVERTIME PAYMENT HAS BEEN FULLY REIMBURSED TO ACCOUNT NO. 36280411H ON THE JUNE 1995 BANK STATEMENT. THIS RECOMMENDATION IS RESOLVED AND CLOSED, IT SHOULD BE REMOVED FROM THE FINAL REPORT.
3. RECOMMENDATION NO. 1 (C) - THE QUESTIONED AMOUNT OF 500,000 FCFA HAS BEEN IDENTIFIED AND RETURNED TO THE ACCOUNT NO. 362B0411H. THIS RECOMMENDATION IS RESOLVED AND CLOSED, IT SHOULD BE REMOVED FROM THE FINAL REPORT.
4. ALL FUTURE AUDIT CORRESPONDENCE IS TO BE ADDRESSED TO REDSO/WCA/WAAC.

POPE  
BT  
#1548

UNCLAS AIDAC NDJAMENA 04648