Regional Inspector General for Audit
Dakar

Audit of USAID's Grant to the Agricultural Research Institute (INERA) under the Burkina Faso Agricultural Research and Training Support Project (No. 686-0270) from May 1, 1993 to July 31, 1995

Audit Report No. 7-686-96-006-N
March 7, 1996

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

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

March 7, 1996

INTERNATIONAL ADDRESS
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MEMORANDUM

To: Willard Pearson, Director, REDSO/WCA

Walter E Shepherd

From: Walter E. Shepherd, Acting RIG/A/Dakar

Subject: Audit of USAID's Grant to the Agricultural Research Institute (INERA) under the Burkina Faso Agricultural Research and Training Support Project (No. 686-0270), from May 1, 1993 to July 31, 1995; (Audit Report No. 7-686-96-006-N)

The attached report, prepared by the non-Federal audit firm, Deloitte and Touche of Abidjan, presents the results of a financial audit of the expenditures made by the Agricultural Research Institute (INERA) under the Burkina Faso Agricultural Research and Training Support Project for the period May 1, 1993 to July 31, 1995.

On July 28, 1989, the U.S. Agency for International Development (USAID) and the Government of Burkina Faso (GOB) signed a grant agreement to implement the Agricultural Research and Training Support Project. The purpose of this project was to identify and address constraints to agricultural sector growth through the development of research capabilities for a national farming system with links to key policy makers and related non-agricultural agencies. INERA, the national entity responsible for directing all agricultural research in Burkina Faso, is the implementing agency for this project. The project supports the Production Systems Research Program (RSP) within INERA and provides essential farm-level information for INERA's other research programs. For the period between May 1, 1993 and July 31, 1995, INERA's records show a total of $267,381 in expenditures made from the USAID grant.

Deloitte and Touche performed a financial audit of the $267,381 in accordance with U.S. Government Auditing Standards. The purpose of the audit was to determine whether the Fund Accountability Statement for the period May 1, 1993 to July 31, 1995 was fairly presented; to review and evaluate INERA's internal controls over the USAID funds; and to determine whether INERA complied with applicable laws, regulations, and agreements that may have had a material effect on the Fund Accountability Statement.

Deloitte and Touche found that the Fund Accountability Statement fairly presents the disbursements made by INERA from the USAID grant. The audit did, however, identify a total of $2,354 in questioned costs which consisted of $545 in unsupported expenditures and $1,809 in various ineligible expenditures. In reviewing the internal control structure, the auditor found minor weaknesses such as the lack of sufficient monitoring over vehicle usage and fuel consumption. Finally, in testing for compliance with applicable laws, regulations and agreements, the auditor stated that INERA complied in all material respects.

In its comments to the audit report, REDSO/WCA sustained $1,238 of the $1,809 questioned as ineligible costs, and provided acceptable justification for not sustaining the remaining $571. REDSO/WCA also sustained the $545 questioned as unsupported costs.

The non-Federal audit report contains ten findings and recommendations. Since USAID/Burkina Faso is now closed, only the following 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 questioned costs of $2,354 ($545 unsupported) and recover those costs determined to be unallowable or unsupported.**

Recommendation No. 1 is considered resolved based on REDSO/WCA's determination to sustain $1,783 and not to sustain $571. The recommendation will be closed when the $1,783 sustained 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 above recommendation.

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AUDIT OF USAID'S GRANT TO THE AGRICULTURAL RESEARCH INSTITUTE (INERA) UNDER THE BURKINA FASO AGRICULTURAL AND TRAINING SUPPORT PROJECT NO. 686-0270)

From May 01, 1993 through July 31, 1995

Audit of USAID's Grant to the Agricultural Research Institute (INERA) under Burkina Faso Agricultural and Training Support Project No.686-0270)
From may 01, 1993 through July 31, 1995

Table of Contents

		Page
I.	**TRANSMITTAL LETTER AND SUMMARY**	
A.	Background	2
B.	Audit objectives, scope and methodology	4
C.	Summary of audit results	6
	1. Financial	7
	2. Internal Control	7
	3. Compliance	8
D.	Synopsis of Management Comments	
II.	**FINANCIAL SECTION**	
A.	Independent Auditor's Report	9
B.	Fund Accountability Statement	11
C.	Notes to the Fund Accountability Statement	12
D.	Schedule of local currency counterpart contributions	14
III.	**INTERNAL CONTROL STRUCTURE**	
A.	Independent Auditor's Report	15
B.	Findings	18
IV.	**COMPLIANCE WITH AGREEMENT TERMS AND APPLICABLE LAWS**	
A.	Independent Auditor's Report	23
B.	Findings	25
V.	APPENDIX	
A.	MISSION'S COMMENTS	

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TRANSMITTAL LETTER AND SUMMARY

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 the Fund Accountability Statement of US Agency for International Development (USAID) Grant to the Agricultural Research Institute (INERA) under the Burkina Faso Agricultural and Training Support Project (No.686-0270), from May 1, 1993 through July 31, 1995.

A. Background

1. Background

In July 28, 1989, the United States of America, acting through the United States Agency for International Development (USAID), and the Government of Burkina Faso signed a grant agreement to implement the Agricultural Research and Training Support project (No.686-0270). The purpose of this project was to identify and address constraints to agricultural sector growth through the development of a national farming system research capability with links to key policy makers and related non-agricultural agencies. To achieve this purpose, the project was to:

1) collect and analyze farm-level data in order to make recommendations and,

2) develop linkages between the farming system research and Production Systems Research Program (RSP) of the Agricultural Research Institute (INERA) and other ministries and agencies involved in agricultural policy making.

INERA, the national entity responsible for directing all agricultural research in Burkina Faso, is the implementing agency for this project. The RSP, supported by this project is INERA's priority program and proves essential farm-level information for INERA's priority program and proves essential farm-level information for INERA's other research programs.

Inputs to be provided by USAID under this project included long-term technical assistance in such areas as agronomy and agricultural economics; short-term technical assistance in such areas as data analysis and natural resources management; in-country workshops; seminars; in-service training programs; and a portion of the operational costs for field research teams.

The project assistance completion date is September 30, 1995. As of April 30, 1995, USAID/Burkina Faso's records indicate that it had disbursed a total of $532,205.31 to INERA.

2. *Summary of past findings and actions taken*

A financial audit of the expenditures made by the Agricultural Research Institute (INERA) under the Burkina Faso Agricultural and Training Support Project for the period July 28, 1989 to April 30, 1993 was performed by the non-federal audit firm, Deloitte & Touche-Abidjan. This audit through audit report No.7-686-95-013-N of April 24, 1995 covered a total disbursement of $248,368.

The following recommendation was made:

USAID/Burkina Faso should resolve the questioned costs of $10,884 ($2,755 unsupported) and recover those costs determined to be unallowable or unsupported. However, the mission provided acceptable justification to support $8,181 questioned costs not initially sustained, and the remaining amount of $2,703 was considered sustained.

On June 30, 1995, INERA gave a check payable to USAID/Burkina Faso for FCFA 765,920, (the equivalent amount of $2,703 at the rate of 283 US$ to the the FCFA used in the audit report) and provided adequate evidence to RIG/A/Dakar. Consequently, the recommendation is closed.

B. Audit objectives, scope and methodology

We performed a financial audit of the costs incurred by INERA from USAID funding under the Burkina Faso Agricultural Research and Training Support Project (No.686-0270) from May 01, 1993 through July 31, 1995 in accordance with generally accepted auditing standards, US Government Audit 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 organization as required by paragraph 46 of chapter 3 of Government Auditing Standards since no such quality review program is offered by professional auditing organizations in Côte d'Ivoire. We believe that the effect of this departure from the financial audit requirements of Government Auditing Standards 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 is to conduct a financial audit of USAID's funding to INERA under the Burkina Faso Agricultural Research and Training Support project from May 01, 1993 through July 31, 1995.

The financial audit shall be performed in accordance with US 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:

- Express an opinion on whether INERA's Fund Accountability Statement for the period May 01, 1993 through July 31, 1995, presents fairly, in all material respects, INERA's received reimbursements and disbursements made for the audit period in conformity with generally accepted accounting principles or other comprehensive basis of accounting (including the cash receipts and disbursements basis and modifications of the cash basis).

- Evaluate and obtain a sufficient understanding of INERA's internal control structure related to the above mentioned contract, assess control risk, and identify reportable conditions, including material internal control structure weaknesses.

- Perform tests to determine whether INERA complied, in all material respects, with agreement terms and applicable laws and regulations related to the above mentioned contract and express positive assurance on those items tested and negative assurance on those items not tested. All material instances of non compliance and all indications of illegal acts should be identified.

The major audit procedures during our work consisted of:

(a) reviewing the grant agreement and project implementation letters between USAID and INERA.

(b) studying and evaluating INERA's internal control structure relative to 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, allowability 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 project has complied with applicable laws and regulations, the grant agreement terms and being alert to situations or transactions that could be indicative of fraud, abuse and illegal expenditures.

C. Summary of audit results

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

1. *Financial*

We found that the Fund Accountability Statement was presented fairly. However, our financial audit raised questioned costs amounting to FCFA 1,176,815 ($2,354) of which FCFA 904,238 ($1,808) were considered ineligible. These questioned costs are detailed as follows:

Ineligible Costs	FCFA
Taxes paid by the project	578,211
Coffee break in excess of authorized rate	130,350
Other purchases considered as ineligible	195,677
Total	**904,238**

Unsupported costs

Purchase of office bags without the mission approval	162,515
Understatement of the bank account	110,062
Total	**272,577**

All questioned costs were discussed at the exit conference. Moreover, INERA's management was provided with a detail listing of all questioned costs.

2. *Internal Control*

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

(a) Encumbrances improperly monitored
(b) Insufficient analysis of vehicle usage and fuel consumption

3. *Compliance*

Our testing of transactions and records selected, disclosed instances of non compliance in the following areas:

Payroll taxes and social security charges were not withheld on cashier's bonus and responsibility allowances nor were payroll taxes withheld on staff overtime and paid to the relevant GOB authorities. The total outstanding liability of INERA in this respect as of July 31, 1995 was estimated at FCFA 300, 000 ($600).
The host country was to contribute $2,668,000, or FCFA 1,334,000,000 over the project life span. The GOB determined its contributions to the project at FCFA 472,203,843 ($944,408) as at July 31, 1995.

Ineligible taxes were unduly charged to the project for FCFA 578,211 ($1,156).

D. Synopsis of management comments

INERA's management and USAID/Burkina Faso concur with the audit findings.

II. FINANCIAL SECTION

A. Independent Auditor's Report

We have audited the accompanying Fund Accountability statement of USAID's Grant to the Agricultural Research Institute (INERA) under the Burkina Faso Agricultural and Training Support Project (N°686-0270), from May 01, 1993 through July 31, 1995. This Fund Accountability Statement is the responsibility of INERA'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 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.

In our opinion, the Fund Accountability Statement referred to above presents fairly, in all material respects, the financial position of USAID's Grant to INERA under the Burkina Faso Agricultural and Training support Project in conformity with the basis of accounting described in Note 1 to the Fund Accountability Statement.

Deloitte & Touche

Deloitte & Touche
September 25, 1995

B. Fund Accountability Statement

The Agricultural Research Institute (INERA) under the Burkina Faso Agricultural and Training support Project No. 686-270

May 01, 1993 through July 31, 1995:

Receipts	Receipts/ Disburse-ments Actual	Questioned Costs Ineligible	Unsupported	Note
April 30, 1993 Cash & Bank balance	6,039,267			
Recovery of outstanding advances	110,000			
Advances	127,676,705			
Total Receipts	133,825,972			
Disbursements				
Personnel	18,837,680			
Fuel	14,020,295			
Training	50,680,357	257,414		2
Maintenance & Repairs	21,319,581	20,311		3
Operating costs	28,832,657	626,513	162,515	4
Contingencies	0			
Total disbursements	133,690,570	904,238	162,515	
Outstanding balance as at July 31, 1995				
Bank and Cash	25,340			
Outstanding amount	110,062		110,062	5
Total outstanding balance	135,402			
Total disbursement and outstanding balance	133,825,972	904,238	272,577	

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 convenience purpose, we have used an exchange rate of US$1 for FCFA 500.

Note 2: Questioned costs under Training caption concern the following expenditure

Ineligible Costs	Amount in FCFA	Finding
Tax on gas purchases	101,049	6
Coffee break in excess of authorized rate	130,350	7
Tax on various purchases	19,565	6
Double payment for meals	6,450	4
Total	257,414	

Note 3: Questioned costs under Maintenance and Repairs caption concern the following expenditure

Ineligible costs	Amount in FCFA	Finding
Tax on vehicle repairs	20,311	6

Note 4: Questioned Operating Costs concern the following expenditure

Ineligible costs	Amount in FCFA	Finding
Payment of insurance beyond the project life span	189,227	8
Tax on insurance	429,788	6
Tax on sundry purchases	7,498	6
Total	626,513	

Unsupported Costs	Amount in FCFA	Finding
Purchase of office bags without the mission approval	162,515	3

Note 5

The amount of FCFA 110,062 ($220) represents an understatement of the bank account. (See Finding 1).

Note 6: Contingent tax liabilities

The project does not assess any salary or social security taxes on sundry income such as overtime, seniority bonus and cashier's bonus (See Finding 9).

D. Schedule of local currency counterpart contributions from April 1989 through July 31, 1995 (GOB's contribution)

Description	Amount in FCFA
Temporary workers	89,767,296
Full time personnel	140,878,506
PNRA contribution	69,895,000
Transportation (6 motor bikes)	10,500,000
Office equipment	16,326,320
Civil Engineering	87,086,721
Electricity	57,750,000
Total	472,203,843

See Finding 10 for comments

III. INTERNAL CONTROL STRUCTURE

A. Independent Auditor's Report

We have audited the Fund Accountability Statement of USAID's Grant to the Agricultural Research Institute (INERA) under the Burkina Faso Agricultural and Training Support project (No.686-0270), from May 01, 1993 through July 31, 1995 and have issued our report thereon dated September 25, 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 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 Statement is free of material misstatement.

In planning and performing our audit of INERA's Fund Accountability Statement under the Burkina Faso Agricultural and Training Support Project for the period from May 01, 1993 through July 31, 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 management of the INERA 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 to provide management with reasonable, but not absolute, assurance that 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 in 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
- Fuel coupons management
- Bank and cash management
- Repairs and maintenance of the vehicle fleet

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

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

These reportable conditions include the following weaknesses:

- Insufficient analysis of vehicle usage and fuel consumption
- Encumbrances improperly monitored

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 rejected within a timely period by employees in the normal course of performing their assigned function.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be 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 the management, and USAID. The restriction is not intended to limit the distribution of this report which is a matter of public record.

Deloitte & Touche

Deloitte & Touche
September 25, 1994

B. Findings

1. *Insufficient documentation of certain expenses*

Condition

We noted that the following expense was not adequately documented:

- At the year end, there was an unexplained understatement of the bank account for FCFA 110,062 ($300).

Criteria

All transactions and events should be clearly documented, and documentation should be readily available for examination (GAO specific standards).

Cause

Internal control as it relates to documentation appears poor.

Risk/Effect

The project was charged with FCFA 110,062 ($220) which was not properly supported.

Recommendation

Project expenditure must be properly documented. Itemized purchase orders and invoices, and a delivery receipt must support expenditures. Project expenditure must be authorized before they are paid as a matter of internal control.

We recommend that the project should obtain justification for or reimburses FCFA 110,062 ($220) to USAID.

2. *Insufficient analysis of vehicle usage*

Condition

Vehicle logs maintained by the project are not used to provide an analysis of total consumption, mileage, consumption per kilometer, and repairs incurred so as to allow proper monitoring of vehicle usage.

Criteria

Information regarding vehicle usage should be analyzed periodically to prevent unauthorized usage of disposition. Any fuel coupon usage should be documented and the utilization of the fuel should be analyzed as well.

Cause

The Project officials were not aware that granting fuel coupons with no basis was an internal control deficiency that can be questioned.

Risk/Effect

Fuel could be misused and abuses and misappropriations could remain unnoticed.

Recommendation

We recommend that any fuel coupon usage be documented and the information be centralized by the head of the project vehicles fleet and a logistician or an accountant should be made responsible for analyzing the data with a view to drawing relevant conclusions and allow decisions making.

3. *Lack of USAID's authorization for unusual purchases*

Condition

The project purchased office bags as gifts for the technical assistants who were returning back home. Later on, all remaining staff requested for the same bags and the total disbursement for employees who were not relocating amounted to FCFA 162,515 ($325).

Criteria

Only expenditure which were budgeted or authorized by USAID should be made.

Cause

The proper authorization channel was not followed by the employees who acquired the office bags and had the supplier to bill the project direct. Consequently, the purchase was not officially approved.

Risk/Effect

Unbudgeted and unapproved expenditures for FCFA 162,515 ($325) are questioned as unsupported expenditure.

Recommendation

We recommend that INERA follows the approved budget when spending the grant money. In case of doubt, INERA should request a formal advice from USAID. If USAID Burkina Faso does not approve the expense, we recommend that the project reimburses the amount to the program.

4. ***All invoices should be double checked and the verification materialized***

Condition

The project paid for a consultant's hotel bill which included meals cost amounting to FCFA 6,450 ($13). We noted another instance where the supplier's invoice was overstated by FCFA 18,000 ($36) and corrected during our audit.

Criteria

A good internal control system requires all invoices to be checked and agreed to the purchase order before payment.

Cause

The project accountant did not detect these errors because she was busy preparing a seminar and was not careful enough.

Risk/Effect

The total amount of FCFA 6,450 ($13) is questioned as ineligible.

Recommendation

The project should check all invoices before payment and agree items on the invoice to the purchase order. Questioned costs of FCFA 6,450 ($13) must be reimbursed to USAID.

5. *Improper monitoring of encumbrances*

Condition

During the course of our audit, we noted that two purchases of fuel coupons that were used in 1992 were paid in 1994 inclusive of taxes. The accountant was not aware of these purchases until the invoices were submitted for payment in 1994.

Criteria

All purchases should be communicated to the accountant when the purchase orders are issued.

Cause

Poor communication system between the Kamboinse station and INERA headquarters where the accounting department is located.

Risk/Effect

As the project paid fuel in 1992, tax inclusive, a total amount of paid taxes of FCFA 790,200 ($1,580) was initially questioned as ineligible expenditure.

Recommendation

The Kamboinse station should communicate all purchase orders issued to the accounting department at the headquarters so that the accountant can commit and earmark required fund.

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 the Agricultural Research Institute (INERA) under the Burkina Faso Agricultural and Training Support project (No.686-0270), from May 01, 1993 through July 01, 1995 and have issued our report thereon dated September 25, 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 Statement is free of material misstatement.

Compliance with laws, regulations contracts and grants applicable to INERA is the responsibility of INERA's management. As part of obtaining reasonable assurance about whether the Fund Accountability Statement is free of material misstatement, we performed tests of INERA's compliance with certain provisions of laws, regulations, contracts and grants. However, our objective was not to provide an opinion on overall compliance with such provisions.

Our testing of transactions and records selected disclosed no material instances of noncompliance with those laws and regulations. All instances of noncompliance that we found are identified in the accompanying findings. The results of our tests indicate that with respect to the items tested, the INERA 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 INERA had not complied, in all material respects, with those provisions.

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

Deloitte &Touche
Deloitte & Touche
September 25, 1995

B. Findings

6. Fees, taxes and penalties unduly charged to the Project

Condition

We noted that the project paid taxes on the following transactions in spite of its tax exempt status.

Payments unduly made were as follows:

- Tax on insurance for FCFA 429,788 ($860)
- Tax on vehicle repairs for FCFA 20,311 ($41)
- Tax on gasoline purchases for FCFA 891,249 ($1,782)
- Tax on sundry purchases FCFA 27,063 ($54)

Criteria

The Grant Agreement stipulates that the project will be free from any taxation or fees imposed under laws in effect in the territory of the host government.

Cause

Most of the ineligible purchases occurred during the post audit period, that is before INERA receives our first audit report. Moreover, included in the tax on gasoline purchases are FCFA 790,200 ($1,580) of fuel used in 1992 for which the invoice was paid in 1994.

Risk/Effect

USAID funds have been wasted as a result of INERA's management failure of being conversant enough with the grant agreement terms.

Recommendation

We concur with the explanation furnished by USAID/Burkina Faso and INERA Management and no longer request reimbursement to USAID. However, the project should enforce its tax exempt status for significant purchases in the future.

7. *Non compliance with USAID instructions on coffee break*

Condition

The project paid FCFA 130,350 ($261) in excess of the allowed coffee break rate which is FCFA 500 ($1) per participant, at a seminar on Scientific writing in Koudougou in March 1995.

Criteria

USAID /Burkina concurred with an official GOB letter stating that for seminars, the coffee break is FCFA 500 per day ($1).

Cause

The accountant failed to carefully check the invoice which included other expense items related to said seminar.

Risk/Effect

The total amount FCFA 130,350 ($261) is questioned as ineligible.

Recommendation

We recommend that INERA should carefully verify seminar and workshop invoices before payment as they may include several expense components related to payment. The questioned costs of FCFA 130,350 ($261) should be reimbursed to USAID.

8. *Non compliance with PIL 34 instructions*

Condition

Through PIL 34, dated March 21, 1995 USAID instructed the project officially that the PACD (Project Assistance completion Date) will be June 30, 1995 for all activities financed under the project grant activities with a few exceptions.

Notwithstanding these instructions, the project insured the vehicle fleet from April 01, 1995 through march 31, 1996. The questioned portion of the payment is FCFA 189,227 ($378).

Criteria

Section 3.3 of the grant agreement stipulates that:

a) ***The « Project Assistance completion Date » (PACD), is the date by which the Parties estimate that all services financed under the Grant will have been performed and all goods financed under the Grant will have been furnished for the Project as contemplated in this Agreement.***

Cause

The project assumed that it will require too much paper work to transfer a portion of the insurance cost on another source of financing.

Risk/Effect

Non compliance with the grant agreement and PIL 34.

Recommendation

The Project should comply with USAID's instructions and reimburse to USAID the ineligible cost of FCFA 189,227 ($378).

9. Non payment of payroll taxes

Condition

We noted that INERA does not assess any salary tax or social security charge on sundry staff income such as overtime, seniority bonus and cashier's bonus generating an estimated liability of FCFA 300,000 ($600)

Criteria

Tax regulations in Burkina Faso require that income tax and social security charge should be withheld from salaries and other income paid to employees and remitted to the tax authorities.

Cause

The project still believes that no taxes should be paid on these earnings. However, they have not requested a lawyer's advice.

Risk/Effect

The estimated total tax liability is FCFA 300,000 ($600), not including penalties chargeable for late payment.

Recommendation

The Project should contact a lawyer or preferably a tax expert in order to obtain his advice on the tax treatment of these sundry incomes that the auditors believe are taxable.

10. Non compliance with the required host country contribution

Condition

INERA determined that the contribution of the Government of Burkina Faso to the project is FCFA 472,203,843 ($944,408) which is less than the $2,668,000 (FCFA 1,334,000,000) required by the agreement.

Criteria

Section 3,2 b of amendment 7 to the grant agreement states that « The resources provided by the government for the project over its life span will be not less than $2,668,000 including costs borne on an in-kind basis ».

Cause

The devaluation of the local currency in 1994 coupled with the increasing deterioration of the subsahara African countries led to not fulfilling this requirement.

Risk/Effect

Non compliance with the grant agreement

Recommendation

USAID should seek for a waiver to this condition because of the economic conditions prevailing in Burkina Faso.

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

DISTRIBUTION: RIG
CHARGE: RIG

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RR RUEHDK
DE RUEHAB #1117/01 0261329
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FM AMEMBASSY ABIDJAN
TO AMEMBASSY DAKAR 3231
BT
UNCLAS SECTION 01 OF 03 ABIDJAN 001117

AIDAC

FOR RIG/A/DAKAR

E.O. 12958: N/A
SUBJECT: AUDIT FOR AGRICULTURAL TRAINING AND SUPPORT PROJECT COVERING PERIOD MAY 1, 1993 TO JULY 31, 1995

REFS: (A) DAKAR 010743 (B) DRAFT AUDIT REPORT DATED OCTOBER 31, 1995 FOR THE BURKINA FASO AGRICULTURAL TRAINING AND SUPPORT PROJECT (686-0270) (C) LETTER, DIRECTOR OF INERA (BURKINA FASO) TO DIRECTOR OF USAID, BURKINA FASO, DATED OCTOBER 9, 1995

1. REDSO/WCA HAS STUDIED THE DRAFT AUDIT REPORT FOR THE BURKINA FASO AGRICULTURAL TRAINING AND SUPPORT PROJECT (686-0270. REDSO HAS ALSO RECEIVED A LETTER FROM THE DIRECTOR OF INERA DATED OCTOBER 9, 1995, IN WHICH THE DIRECTOR RESPONDS TO CERTAIN QUESTIONED COSTS. IN ADDITION, JOHN SCHAMPER, REDSO/PSD ATTENDED THE EXIT INTERVIEW HELD IN OUAGADOUGOU AUGUST 21, 1995.

2. INELIGIBLE COSTS: INELIGIBLE COSTS ARE SPLIT INTO TWO CATEGORIES, TAXES AND OTHER INELIGIBLE EXPENSES, WITH TAXES REPRESENTING A TOTAL OF CFA 1,368,411, AND OTHER INELIGIBLE EXPENSES CFA 326,027.

4.WAAC:MHUNTER, 5.PDE:JWALSH UNCLASSIFIED

A. WITHIN THE CATEGORY OF TAXES, THE LARGEST ITEM BY FAR IS FOR CFA 790,200 FOR TAXES FOR FUEL PAID UNDER THE FUEL BUDGET LINE ITEM. THE DIRECTOR OF INERA HAS COMMENTED ON THIS ITEM IN HIS LETTER OF OCTOBER 9 (REF. C). THE AMOUNT REPRESENTS TAXES PAID ON FUEL DELIVERED DURING 1992 AND JANUARY 1993, AND FOR WHICH THE SUPPLIER, QUOTE BP UNQUOTE NEGLECTED TO BILL INERA. THE ENCUMBRANCE REPRESENTED BY THE DELIVERY WAS DISCOVERED DURING THE PREVIOUS PROJECT AUDIT, COVERING THE PERIOD

JULY 28, 1989 TO APRIL 30, 1993. ACCORDING TO THE DIRECTOR OF INERA (REF C), PROCEDURES AT INERA WERE SUBSEQUENTLY TIGHTENED, AS RECOMMENDED BY THE AUDIT. INERA ALSO REQUESTED THE SUPPLIER TO PROCESS A TAX EXONERATION FOR THE FUEL IN QUESTION. HOWEVER, THE SUPPLIER WAS NOT RESPONSIVE TO THE REQUEST APPARENTLY BECAUSE OF THE LONG PERIOD OF TIME WHICH HAD ELAPSED SINCE DELIVERY OF THE FUEL. SINCE INERA FOLLOWED THE RECOMMENDATIONS OF THE PREVIOUS AUDIT FOR TIGHTENING OF PROCUREMENT PROCEDURES AND ACCOUNTING OF ENCUMBANCES, AND SINCE INERA MADE AN EFFORT, THOUGH UNSUCCESSFUL, TO RECOVER THE FUNDS IN QUESTION, REDSO RECOMMENDS THAT THE INELIGIBLE COST OF CFA 790,200 NOT BE SUSTAINED.

B. THE SECOND LARGEST ITEM INCLUDED IN THE TAXES PORTION OF INELIGIBLE COSTS IS FOR CFA 429,788 FOR TAXES PAID ON INSURANCE. THE DIRECTOR OF INERA HAS NOT RESPONDED TO THIS ITEM IN HIS LETTER, AND REDSO BELIEVES THE AMOUNT COULD BE RECOVERED BY INERA. CONSEQUENTLY, REDSO RECOMMENDS THAT THE AMOUNT BE SUSTAINED.

C. THE THIRD LARGEST ITEM INCLUDED IN INELIGIBLE TAXES IS FOR CFA 101,049 FOR TAXES ON FUEL UNDER THE TRAINING LINE ITEM. THIS ITEM WAS DISCUSSED DURING THE EXIT INTERVIEW FOR THE AUDIT. AS DESCRIBED, THE PROBLEM AROSE BECAUSE TRAINING WAS CONDUCTED AT REMOTE SITES IN RURAL BURKINA FASO WHERE TAX EXEMPT FUEL COUPONS WERE NOT HONORED BY FUEL SUPPLIERS. CONSEQUENTLY, THE ONLY PRACTICAL ALTERNATIVE WAS PURCHASING TAXED FUEL, IN CASH. SINCE ALTERNATIVES TO PURCHASING TAXED FUEL WOULD HAVE EITHER INVOLVED HIGH COSTS, SUCH AS TRANSPORTING FUEL TO THE REMOTE LOCATION, OR HAVE BEEN HAZARDOUS, SUCH AS CARRYING JERRYCANS IN PASSENGER VEHICLES, AND SINCE THE ONLY MEANS IN BURKINA FASO FOR OBTAINING TAX EXEMPT FUEL IS BY USING COUPONS,
REDSO RECOMMENDS THAT

THE AMOUNT OF CFA 101,049 WHICH REPRESENTS TAXES ON FUEL PURCHASED UNDER THE TRAINING LINE ITEM NOT BE SUSTAINED.

D. IN ADDITION TO THE ABOVE, THE AUDIT REPORT IDENTIFIES INELIGIBLE TAXES CFA 19,565 FOR TAX ON VARIOUS PURCHASES, CFA 20,311 FOR TAX ON VEHICLE MAINTENANCE, AND CFA 7,498 FOR TAX ON SUNDRY PURCHASES. REDSO RECOMMENDS THESE AMOUNTS NOT BE SUSTAINED SINCE: (I) THE LEVEL OF MATERIALITY IS VERY LOW, UNDER USD 40 IN EACH CASE; (II) REDSO BELIEVES INERA MADE EVERY GOOD FAITH EFFORT TO AVOID PAYING TAXES, AND THAT THE AMOUNTS IN QUESTION WERE INCIDENTAL TO OPERATIONS IN RESPONSE TO URGENT PROCUREMENT SITUATIONS WHERE TAX EXONERATION WAS SIMPLY NOT FEASIBLE; AND, (III) THE ITEMS DO NOT REFLECT ANY PATTERN BY INERA IN NEGLECTING

ITS RESPONSIBILITY TO NOT PAY TAXES USING U.S. DOLLAR FUNDS.

3. OTHER INELIGIBLE EXPENSES: OTHER INELIGIBLE EXPENSES IDENTIFIED IN THE AUDIT CONSIST OF A TOTAL CFA 326,027. THE LARGEST ITEM CONSISTS OF CFA 189,227 FOR INSURANCE BEYOND THE LIFE SPAN OF THE PROJECT. REDSO RECOMMENDS THAT THIS AMOUNT BE SUSTAINED SINCE INERA IS, IN FACT, BENEFITTING FROM DELIVERY OF THE SERVICE POST-PACD. THE SECOND LARGEST ITEM CFA 130,350 FOR A

COFFEE BREAK IN EXCESS OF AUTHORIZED RATES, AND CFA 6,450 FOR DOUBLE PAYMENT OF MEALS. THE COFFEE BREAK ITEM WAS DISCUSSED AT THE EXIT CONFERENCE. APPARENTLY IT OCCURRED WHEN AN ANOUNT (CFA 500 PER PERSON) WAS BUDGETED FOR THE COFFEE BREAK AT A CONFERENCE AS PER AN AGREEMENT BETWEEN USAID/BURKINA AND INERA WAS EXCEEDED. HOWEVER THERE WERE FEWER PARTICIPANTS AT THE CONFERENCE THAN FORESEEN, AND THE ENTIRE AMOUNT PROGRAMMED FOR THE COFFEE BREAK WAS NONETHELESS SPENT. IT WAS NOT CLEAR WHETHER PROJECT MANAGEMENT WOULD HAVE HAD THE OPTION OF REDUCING THE EXPENSE, OR WAS CONSTRAINED TO SPEND THE AMOUNT BECAUSE OF PRIOR ARRANGEMENTS WITH SUPPLIERS. THE CFA 6,450 REPRESENTED AN APPARENT INADVERTENT OVERPAYMENT TO AN INDIVIDUAL FOR MEALS. REDSO RECOMMENDS THAT THESE AMOUNTS NOT BE SUSTAINED SINCE: (I) THERE WAS NO CONSISTENT PATTERN WHICH WOULD INDICATE INERA WAS NOT RESPECTING PROJECT IMPLEMENTATION AGREEMENTS WITH USAID/BURKINA; FURTHER,

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IN THE CASE OF THE COFFEE BREAK, IT IS NOT CLEAR WHETHER PROJECT MANAGEMENT HAD THE PRACTICAL OPTION OF REDUCING THE EXPENSE ON SHORT NOTICE; AND (II) THE EXPENSES WERE INCIDENTAL TO PROJECT OPERATIONS, AND, ESPECIALLY IN THE CASE OF THE OVERPAYMENT FOR MEALS, APPEAR TO BE CAUSED BY INADVERTENT ERROR AND ARE OF LOW MATERIALITY.

4. UNSUPPORTED COSTS: UNSUPPORTED COSTS CONSIST OF A TOTAL OF CFA 2,169,033, SPLIT BETWEEN FIVE CATEGORIES: UNSUPPORTED FUEL ALLOWANCE, PURCHASE OF OFFICE BAGS WITHOUT MISSION APPROVAL, UNDERSTATEMENT OF BANK ACCOUNT, PER DIEM FOR DAYS NOT WORKED, AND OTHER EXPENSES INSUFFICIENTLY DOCUMENTED.

(A) UNSUPPORTED FUEL ALLOWANCE: APPROXIMATELY THREE-FOURTHS OF UNSUPPORTED COSTS, CFA 1,780,922, CONSISTS OF FUEL ALLOCATED TO ONE VEHICLE AND TWO MOBYLETTES BY INERA MANAGEMENT TO THE KAMBOINSE INERA STATION. THE DIRECTOR OF INERA RESPONDED TO THIS ITEM IN HIS LETTER

OF OCTOBER 9TH (REF C). IT WAS ALSO DISCUSSED AT THE AUDIT EXIT CONFERENCE. THE LARGEST PART OF THE QUESTIONED FUEL ALLOWANCE WAS FOR A VEHICLE USED BY THE PROGRAM MANAGER FOR THE PROJECT TO TRAVEL BETWEEN THE KAMBOINSE STATION AND INERA HEADQUARTERS IN OUAGADOUGOU, WHERE HE ALSO HAD RESPONSIBILITIES. THE REMAINING ALLOWANCES WERE FOR ADMINISTRATIVE PROJECT PERSONNEL WHO NEEDED TO WORK OUTSIDE OF NORMAL GOVERNMENT OF BURKINA FASO HOURS TO CONDUCT PROJECT BUSINESS. THIS, IN TURN, NECESSITATED THE PAYMENT OF OVERTIME HOURS TO THEM, AS WELL AS TO A CHAUFFEUR. THE OVERTIME HOURS REQUIRED WERE IN EXCESS OF LIMITS AUTHORIZED BY THE GOVERNMENT OF BURKINA FASO. SUBSEQUENTLY, THE DIRECTOR OF INERA MADE A MANAGEMENT JUDGEMENT THAT THE BEST AND LOWES
T COST
ALTERNATIVE WOULD BE ALLOCATION OF FUEL TO THE ONE VEHICLE AND TWO MOBYLETTES. BY DOING SO, HE ELIMINATED THE NEED TO PAY OVERTIME TO THE ADMINISTRATIVE PERSONNEL, TO PAY A CHAUFFEUR OVERTIME, AND SUBSTITUTED THE MUCH LOWER COST OF PAYING FUEL FOR TWO MOBYLETTES TO THAT OF OPERATING A VEHICLE. REDSO BELIEVES THE SECRETARY GENERAL MADE AN APPROPRIATE MANAGEMENT DECISION UNDER THE CIRCUMSTANCES, AND THAT THE AMOUNT IN QUESTION, CFA 1,780,922, SHOULD NOT BE SUSTAINED.

(B) PURCHASE OF OFFICE BAGS WITHOUT MISSION APPROVAL: THIS AMOUNT, CFA 162,505, AROSE WHEN INERA OFFICE STAFF

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PURCHASED SEVERAL OFFICE BAGS AS FAREWELL PRESENTS FOR DEPARTING TECHNICAL ASSISTANTS, AND WHEN, INEXPLICABLY, A DECISION WAS MADE TO PURCHASE THE SAME BAGS FROM PROJECT FUNDS FOR THE ENTIRE OFFICE STAFF. APPARENTLY NO MISSION APPROVAL FOR THE PURCHASE WAS OBTAINED AS REQUIRED UNDER PROJECT AGREEMENTS. REDSO RECOMMENDS THAT THE AMOUNT, CFA 162,505, BE SUSTAINED AS AN UNSUPPORTED EXPENDITURE.

(C) THE AUDIT REPORT IDENTIFIES CFA 110,062 AS UNDERSTATEMENT IN THE PROJECT BANK ACCOUNT, AND RECOMMENDS THAT THIS AMOUNT BE SUSTAINED.

(D) PER DIEM PAID FOR DAYS NOT WORKED: CFA 40,000 IS IDENTIFIED IN THE AUDIT REPORT AS A PAYMENT OF PER DIEM FOR DAYS WHICH WERE NOT WORKED. APPARENTLY AN INDIVIDUAL, AN INSTRUCTOR, WAS PAID FOR SIX DAYS OF PER DIEM WHEN HE ACTUALLY WORKED ONLY TWO. HOWEVER, ALL THE CIRCUMSTANCES OF THE PAYMENT ARE NOT DESCRIBED. FOR EXAMPLE, WHETHER THE INSTRUCTOR REQUIRED PER DIEM IN ORDER PREPARE AND ASSEMBLE COURSE MATERIALS. BECAUSE OF THE ABSENCE OF ANY PATTERN BY INERA IN MAKING INAPPROPRIATE PER DIEM PAYMENTS, LOW MATERIALITY, AND INSUFFICIENT DESCRIPTION OF THE CIRCUMSTANCES, REDSO

RECOMMENDS THE AMOUNT NOT BE SUSTAINED.

(E) OTHER EXPENSES INSUFFICIENTLY DOCUMENTED: THESE TOTAL CFA 75,544, AND CONSIST OF CFA 44,000 IN UNITEMIZED MISCELLANEOUS PURCHASES, CFA 16,544 FOR AN UNSPECIFIED MEDICINE PURCHASE, THE OVERSTATEMENT OF A LODGING BILL BY CFA 7,500, AND CFA 7,500 FOR AN UNSPECIFIED TELEPHONE BILL. REDSO RECOMMENDS THESE AMOUNTS NOT BE SUSTAINED SINCE THEY REPRESENT MINOR, INADVERTENT EFFORTS INCIDENTAL TO PROJECT OPERATIONS, AND SINCE THEY INDIVIDUALLY REPRESENT LOW MATERIALITY.

5. SUMMARY: REDSO RECOMMENDS THAT INELIGIBLE COSTS FOR AN AMOUNT OF CFA 619,015 AND UNSUPPORTED COSTS FOR CFA 272,567 BE SUSTAINED IN THE FINAL AUDIT REPORT. THE USD EQUIVALENT WOULD BE TOTAL SUSTAINED COSTS OF DOLS 1,783 OF WHICH DOLS 1,238 ARE INELIGIBLE. WALKER
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