

Regional Inspector General for Africa
Dakar

**Audit of USAID's Grant to the Directorate of Studies
and Planning of the Ministry of Health, Social Action and Family
under the Burkina Faso Family Health and Health Financing
Project (No. 686-0275) from April 1, 1993 to July 31, 1995**

**Audit Report No. 7-686-96-007-N
April 19, 1996**



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OFFICE OF THE REGIONAL INSPECTOR GENERAL FOR WEST AFRICA

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April 19, 1996

MEMORANDUM

To: Willard Pearson, Director, REDSO/WCA

From: 
Thomas B. Anklewich, RIG/Dakar

Subject: Audit of USAID's Grant to the Directorate of Studies and Planning of the Ministry of Health, Social Action and Family Under the Burkina Faso Family Health and Health Financing Project (No. 686-0275), from April 1, 1993 to July 31, 1995; (Audit Report No. 7-686-96-007-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 Directorate of Studies and Planning (DEP) under the Burkina Faso Family Health and Health Financing Project for the period April 1, 1993 to July 31, 1995.

On May 12, 1990, the U.S. Agency for International Development (USAID) and the Government of Burkina Faso (GOB) signed a grant agreement to implement the Family Health Financing Project. The goal of this project is to improve the health of the people of Burkina Faso, especially women and children, by expanding quality maternal and child services, improving the quality and financing of primary health care, and strengthening the planning capacity of the Ministry of Health, Social Action and Family (MOHSAF). The project activities are organized into three sub-projects: Child Survival and Maternal Health, Health Financing, and Strengthening Health Planning. The DEP manages the local cost portion of the budget for the Diarrheal Diseases Control's activities under the Child Survival and Maternal Health sub-project, and for all field activities under the other two sub-projects. USAID was to provide the following to the DEP: \$114,939 under the Child Survival and Maternal Health sub-project to cover its local costs; \$500,000 under the Health Financing sub-project to cover inputs such as training, social mobilization, commodities renovation, printing of material, and operating costs; and \$430,000 under the Strengthening Health Planning sub-project to cover a declining portion of DEP's annual operating costs budget over a five year period. From April 1, 1993 to July 31, 1995, DEP records showed total expenditures charged to USAID to be FCFA 311,890,479 (\$623,781).

Deloitte and Touche performed a financial audit of the \$623,781 in accordance with U.S. Government Auditing Standards. The purpose of the audit was to determine whether the Fund Accountability Statement for the period April 1, 1993 to July 31, 1995 was fairly presented; to review and evaluate DEP's internal controls over the USAID funds; and to determine whether the DEP complied with applicable laws, regulations, and grant agreement terms 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 the DEP from the USAID grant. In reviewing the internal control structure, the auditor found immaterial weaknesses such as an inappropriate control over suppliers invoices. Finally, the auditor stated that the DEP complied in all material respects with applicable laws, regulations, and agreements.

In its response to the draft audit report, REDSO/WCA provided justification for the \$58,204 in unsupported questioned costs included in the draft audit report. The final report therefore does not include questioned costs.

The non-Federal audit report contains three findings and recommendations, none of which has a monetary effect on the fund accountability statement. Since USAID/Burkina Faso is now closed, RIG/Dakar is not making any recommendation based on the audit report.



**AUDIT OF USAID'S GRANT TO THE
DIRECTORATE OF STUDIES AND PLANNING
OF THE MINISTRY OF HEALTH,
SOCIAL ACTION AND FAMILY
UNDER THE BURKINA FASO FAMILY HEALTH
AND HEALTH FINANCING PROJECT
(No.686-0275)
FROM APRIL 1, 1993 TO JULY 31, 1995**

**AUDIT OF U.S.A.I.D.'S GRANT TO THE DIRECTORATE OF STUDIES
AND PLANNING OF THE MINISTRY OF HEALTH, SOCIAL ACTION AND
FAMILY UNDER THE BURKINA FASO FAMILY HEALTH
AND HEALTH FINANCING PROJECT (NO.686-0275)
FROM APRIL 1, 1993 TO JULY 31, 1995**

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I. TRANSMITTAL LETTER AND SUMMARY

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

Dear Mr. Anklewich,

This report presents the results of our audit of the Fund Accountability Statement of U.S. Agency for International Development (USAID) Grant to the Directorate of Studies and Planning of the Ministry of Health, Social Action and Family (DEP/MOHSAF) under the Burkina Faso Family Health and Health Financing Project No. (686-0275), for the period April 1, 1993 through July 31, 1995.

A. Background

On May 12, 1990, USAID and the Government of Burkina Faso (GOB) signed a grant agreement to implement the Family Health Financing Project. The goal of this project is to improve the health of the people of Burkina Faso, especially women and children, by expanding quality maternal and child services, improving the quality and financing of primary health care, and strengthening the planning capacity of the Ministry of Health, Social Action and Family (MOHSAF). The total life-of-project funding is to be \$8.65 million by the project's completion date of September 30, 1995, and the GOB contribution is estimated at \$3.1 million.

Inputs to be furnished by USAID under this project include technical assistance, budget support, and commodities. As of March 31, 1994, USAID obligated and disbursed respectively \$8,647,204 and \$6,236,670 for this project. To facilitate implementation, project activities are organized into three sub-projects: Child Survival and Maternal Health, Health Financing, and Strengthening Health Planning. The Directorate of Studies and Planning (DEP) is managing the local cost portion of the budget for the Diarrheal Diseases Control's (DDC) activities under the Child Survival and Maternal Health sub-project, and for all field activities under the other two sub-projects.

The objective of the Diarrheal Diseases Control activities under the Child Survival and Maternal Health sub-project is to promote the appropriate treatment of diarrheal cases in the health facilities and the community, and to improve the supervision of DDC activities at the central and provincial level. These activities are being implemented by the Directorate of Transmissible Diseases of the MOH, but the financial management responsibility is at the DEP/MOHSAP. USAID is to provide \$114,939 to the DEP/MOHSAP to cover local costs. Main activities include the training in DDC of health agents and community primary health care workers, community sensitization activities, strengthening of DDC service delivery and supervision, and operation research and evaluation.

The objective of the Health Financing sub-project is to improve primary health care by establishing a cost recovery program in the health sector by which geographical access to services and drugs, in an economically feasible manner, is enhanced and the quality of services provided is improved and sustained through the partial recovery of recurrent costs at the local level. This sub-project is being implemented by the DEP/MOHSAP. USAID is to provide \$500,000 to cover training, development/printing of materials, social mobilization, supervision, commodities renovation, and operating costs.

The objective of the Strengthening Health Planning sub-project is to develop permanent sources of financing for the recurrent costs of important periodic health planning activities. This sub-project is being implemented by the DEP/MOHSAF. USAID is to provide up to \$430,000 to finance a declining portion of DEP/MOHSAF's annual operating costs budget over a five year period.

B. Audit objectives and scope

We performed a financial and compliance audit of the costs charged by DEP/MOHSAF under the Burkina Faso Family Health and Health Financing Project No.686 0275 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 financial audit requirement 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 audit objectives are threefold:

- (1) determine the reasonableness, propriety and allowability of operating costs incurred by DEP during the period from April 1, 1993 to July 31, 1995 and then express an opinion on whether the Fund Accountability Statement is fairly presented in all material respects in conformity with generally accepted accounting principles.

- (2) obtain a sufficient understanding of DEP's internal control structure related to the costs incurred and then review and evaluate this structure to determine the nature, timing, and extent of tests to be performed in order to form an opinion on the Fund Accountability Statement;
- (3) perform tests of DEP's compliance with applicable laws, regulations, binding policies and procedures, and the grant agreement and report on the results of compliance testing.

The major audit procedures performed during our work consisted of:

- a) reviewing the grant agreement and project implementation letters between USAID and GOB
- b) studying and evaluating DEP'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 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, we found that unliquidated expenditures were understated by FCFA 103,430 (US\$ 207) as a result of arithmetical errors made on certain invoices. This understatement was found immaterial and does not therefore affect our opinion on the accounts.

2. Internal control

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

- a) inappropriate control over suppliers invoices (Finding No.1)
- b) inadequate documentation of the project close out process (Finding No. 2)

3. Compliance

Our testing of transactions and records selected disclosed that the Project does not compute the GOB's contribution to the Project on a continuous basis. This contribution statement was furnished to us much later after completion of field work (page 21).

D. Synopsis of management comments

Regarding arithmetical errors noted on certain invoices, it was decided to clear the matter directly with the suppliers.

Only the questioned costs were addressed by REDSO/WCA as USAID Burkina Faso is now closed.

II. FINANCIAL SECTION

A. Independent auditor's report

We have audited the accompanying Fund Accountability Statement of USAID's Grant to the Directorate of studies and Planning of the Ministry of Health, Social Action and Family (DEP/MOHSAF) under the Burkina Faso Family Health and Health Financing Project No. (686-0275), from April 1, 1993 to July 31, 1995. This Fund Accountability Statement is the responsibility of DEP'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 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 position of the DEP's costs for USAID's Grant under the Burkina Faso Family Health and Health Financing Project in conformity with the basis of accounting described in Note 2 to the Fund Accountability Statement.

Deloitte & Touche
Deloitte & Touche
September 25, 1995

**FUND ACCOUNTABILITY STATEMENT OF USAID's
GRANT TO THE DEP/MOHSAF UNDER THE BURKINA FASO FAMILY HEALTH AND
HEALTH FINANCING PROJECT (No.686-0275)
FOR THE PERIOD APRIL 1, 1993 THROUGH JULY 31, 1995 (Expressed in FCFA)
(Note 2)**

Description	Approved Cumulated Budget	Actual
OPENING CASH BALANCE @ March 31, 1993		1,555,847
ADVANCES RECEIVED		316,386,100
TOTAL CASH		317,941,947
SUB-PROJECT 1 : Child Survival and Maternal Health	62,779,917	39,989,154
SUB-PROJECT 2 : Health Financing	236,059,399	195,953,446
SUB-PROJECT 3 : Strengthening Health Planning	112,972,459	75,947,879
TOTAL DISBURSED (Note 1)	411,811,775	311,890,479
OUTSTANDING BALANCE		6,051,468
Represented by :		
Advances made		13,077,012
Cash in bank		-7,025,544
Actual Outstanding		6,051,468

**Note 1 : SUMMARY OF EXPENDITURES OF USAID's GRANT TO THE DEP/MOHSAF
UNDER THE BURKINA FASO FAMILY HEALTH AND HEALTH FINANCING
PROJECT (No. 686-0275)
FOR THE PERIOD APRIL 1, 1993 THROUGH JULY 31, 1995
(Expressed in FCFA)**

Description	Approved Cumulated Budget	Disbursements
<i>SUB-PROJECT 1 : Child Survival and Maternal Health</i>		
STAFF TRAINING	13,627,450	12,719,597
RETRAINING OF STAFF	2,744,80	2,455,120
SUPERVISION	12,993,300	9,728,571
TRAINING OF NEW STAFF	3,133,200	1,895,495
TRAINING OF ASV/AV	12,978,445	5,323,874
RETRAINING OF ASC	3,853,500	1,563,875
TRAINING OF MEDECINE SALESMAN	1,254,000	777,702
REPRODUCTION OF DOCUMENTS	1,968,000	1,624,000
TRAINING OF ANIMATORS	317,350	0
THEATRICAL COMPANY	282,000	0
FOURNITURES	7,093,672	2,020,450
EVALUATION	1,322,400	1,322,400
OTHER ACTIVITIES	1,211,800	558,070
TOTAL	62,779,917	39,989,154
<i>SUB-PROJECT 2 : Health Financing</i>		
PERSONNEL	7,622,885	5,217,131
TECHNICAL ASSISTANCE	1,261,324	1,261,324
TRAINING	30,960,076	28,608,666
SUPERVISION -MONOTORING	6,394,133	8,725,550
SOCIAL MOBILISATION	42,330,000	33,359,785
DEVELOPMENT OF REVISED MATERIALS	1,352,395	1,261,260
RESEARCH -EVALUATION	21,500,000	21,192,089
FUTURES EQUIPEMENTS	34,003,682	16,771,617
OTHER COSTS	30,856,874	28,421,184
RENOVATION	59,778,030	51,134,840
TOTAL	236,059,399	195,953,446
<i>SUB-PROJECT 3 : Strengthening Health Planning</i>		
PERSONNEL	6,330,778	3,497,605
TRAINING	2,852,915	2,142,415
COMMODITIES	10,769,388	9,891,888
CONFERENCES	40,447,491	29,026,993
OPERATIONAL RESARCH	1,622,225	800,000
OPERATING COSTS	51,388,662	30,588,978
TOTAL	112,972,459	75,947,879
TOTAL DISBURSEMENTS	411,811,775	311,890,479

C. Notes to Fund Accountability Statement

Note 2: Accounting Principles

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

In this report, an average exchange rate of US\$1 for FCFA 500 was used for translation purposes

III. INTERNAL CONTROL STRUCTURE

A. Independent auditor's report

We have audited the Fund Accountability Statement of the USAID's Grant to the Directorate of Studies and Planning of the Ministry of Health, Social Action and Family under the Burkina Faso Family Health and Health Financing Project (No.686-0275) for the period April 1, 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 control review by an unaffiliated organization as required by 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 the DEP Fund Accountability Statement of the Project No.686-0275 for the period April 1, 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 Project is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from

unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of a Fund Accountability Statement in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

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

- Control environment
- Accounting and information system
- Receipt and disbursement procedures

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:

- inappropriate control over suppliers invoices
- inadequate documentation of the project close out process

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 function.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended for the information of the management of DEP 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, 1995

B. Findings and recommendations

Finding No.1: Arithmetical errors noted on certain invoices

Observation

We noted some arithmetical errors on 6 invoices all of which are related to renovation costs of pharmacies in Gourma. The net impact on DEP financial position is that the entrepreneurs were under paid by FCFA 103,430.

Arrea	Entrepreneurs	Total on invoice	Total per Audit	Difference
Boulgou	ECBLOR	785,540	920,540	-135,000
Tombarga	Thombiano Bernard	742,020	740,850	1,170
Tonkwarou	Thombiano Bernard	770,250	769,750	500
Fada No.2	ETYF	841,250	811,250	30,000
Fada No.1	ETYF	828,150	827,250	900
Tigba	ETYF	841,250	842,250	-1,000
		4,808,460	4,911,890	-103,430

Criteria

Supplier's invoices should be properly checked before processing

Risk

A supplier may claim the difference after the project closing date.

Recommendation

- Clear the issue with the entrepreneurs involved in the matter.
- Record the difference of FCFA 101,430 as unliquidated expenditures.

Management comments

No comment was received from management concerning this point.

Finding No. 2: Documentation of the project close out procedures.

Observation

No written instructions was prepared by management or USAID to govern the project close out process. At the end of our field work, only unliquidated expenditures had been addressed by USAID but no consideration was given to the following matters:

- Advances made by DEP to regional directors
- Outstanding cash balances
- GOB's contribution (This was subsequently computed and sent to us; but we did not have an opportunity to audit the amounts having left field work)

Effect

Project management is not aware of how the outstanding engagements are going to be settled

Recommendation

Formalize with GOB the project closing out arrangements with respect to the three issues raised above

Management comment

This point was not addressed by project management.

IV. COMPLIANCE WITH AGREEMENT TERMS AND APPLICABLE LAWS AND REGULATIONS

A. Independent auditor's report

We have audited the Fund Accountability Statement of the USAID's Grant to the Directorate of Studies and Planning of the Ministry of Health, Social Action and Family under the Burkina Faso Family Health and Health Financing Project No.686-0275 for the period April 1, 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 standards for financial audits contained in 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 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 misstatements.

Compliance with laws, regulations contracts and grants applicable to DEP is the responsibility of Project management. As part of obtaining reasonable assurance about whether the Fund Accountability Statement is free of material misstatement, we performed tests of DEP'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 one instance of noncompliance with those laws and regulations. The instance of noncompliance that we found is identified in the accompanying findings section.

We were to review the adequacy of GOB's contribution as required by our terms of reference. The statement of GOB's contribution reached us when we were about to send our draft report to RIG/A/D for review. Consequently, we did not audit this statement and do not express any opinion on it.

The results of our tests indicate that with respect to the items tested, the DEP 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 DEP had not complied, in all material respects, with those provisions.

This report is intended for the information of the management of DEP 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

3. GOB's contribution not timeously calculated

Condition

The project does not appears to maintain accounting records which enables it determine easily the actual level of GOB's contribution in a timely manner. The lack of documentation on site did not permit to determine such contribution at the end of field work. In addition, project's actions consisting of development activities with a view to generating additional resources do not appear to be performing well.

Criteria

As per PIL No.15 of June 12 1992, steps should be taken by DEP to develop sources of revenue from DEP activities and to increase the MOHASF's contribution to the DEP budget.

Cause

Financial data cannot be easily obtained from the financial department of MOHSAF when source information is initiated by national budget department. DEP is an official entity of the government of Burkina Faso and its ability to generate funds from services it may provide appears to be limited.

Risk/Effect

There is a risk that the Project may not be self sufficient when USAID ceases to provide funding and, that GOB's contribution may not be estimated accurately at the end of the project as required by the grant agreement.

Recommendation

Action should be taken to adequately monitor and timely determine GOB's contribution. The project management and USAID/Burkina Faso should strive to obtain as much cooperation as possible from the Department of Finance of the Ministry of Health in this regards.

Management comments

No comments was received from project management concerning this point.

**STATEMENT OF GOVERNMENT OF BURKINA FASO's CONTRIBUTION TO THE DEP/MOHSAF UNDER
THE BURKINA FASO FAMILY HEALTH AND HEALTH FINANCING
PROJECT (No. 686-0275)
FOR THE PERIOD APRIL 1, 1993 THROUGH JULY 31, 1995.
(Amounts are expressed in FCFA)**

(Unaudited)

Description	Amount
Financial contribution	29,467,000
Maintenance of vehicles	4,093,623
Fuel	3,056,320
Office supplies	11,692,175
Personnel	452,150,454
Telephone	16,819,200
Electricity	14,959,320
Water	10,500,000
TOTAL	542,738,092



UNITED STATES OF AMERICA
AGENCY FOR INTERNATIONAL DEVELOPMENT
REGIONAL ECONOMIC DEVELOPMENT SERVICES OFFICE WEST AND CENTRAL AFRICA

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INTERNATIONAL ADDRESS
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MEMORANDUM

DATE: February 12, 1996
FROM: *William J. Pearson*, Regional Director, REDSO/WCA
SUBJECT: Draft report on the Audit of USAID's Grant to the Directorate of Studies and Planning of the Ministry of Health, Social Action and Family under the Burkina Faso Family Health and Health Financing Project (686-0275), from April 1, 1993 to July 31, 1995
TO: Thomas B. Anklewich, RIG/A/Dakar

We have reviewed the subject draft audit report which we received on November 13, 1995. Our comments provided below are intended to respond to the RIG draft recommendation contained in your memorandum dated November 8, 1995.

The sole recommendation contained in your memorandum relates to the two phases of renovation of pharmacies in two locations, the Gourma and Bazega Provinces.

Recommendation no. 1: We recommend that REDSO/WCA resolve the \$58,204 in unsupported questioned costs and recover those costs determined to be unallowable.

According to page 5 of the Draft Report, contracts for renovation work and delivery certificates for work completed constitute the required supporting documentation for these questioned costs. REDSO/WCA has made the following determinations pertaining to the cited unsupported questioned costs of \$58,204 (FCFA 29,101,838):

- I. **First Phase of the Renovation**
 - a. **Gourma Province - 6,106,452 FCFA**

REDSO/WCA made several phone calls to the Burkina "Ministère de la Santé/Departement d'Etudes et Planification" (MOH/DEP). The MOH/DEP was only able to provide REDSO

with photocopies of the various receipts issued by the contractors which carried out the renovation work. According to the Director of MOH/DEP, Dr. Arlette Sanou, the department's only copies of contracts for the first phase of the renovation were given to the Deloitte and Touche auditors in August 1995, and that no other copies can be found in the offices of the MOH/DEP. REDSO is unclear as to the exact reason why the only available copies were given up by the MOH/DEP, or why the auditors did not, according to Dr. Sanou, return the contracts.

However, as stated in her letter to REDSO/WCA (see attachment A), Dr. Sanou insisted that contracts were issued for the first phase of the renovation. In addition, she indicated that the renovation work was successfully completed.

Furthermore, REDSO/WCA contacted Ms. Perle Combarry, the then USAID Project Manager for the Health Financing Project, to comment on these issues (see attachment B). In her memo dated 1/9/96, she stated "Upon Minister's approval, the DEP issued work orders [contracts] to the selected suppliers. I did not sign on it but I saw it [sic]". In addition, the completed work was inspected by the Health Committees and the MOH/DEP. Perle Combarry also stated that she visited several pharmacies to verify the quality of work, and the work appeared satisfactory.

Conclusion: Based upon the representations made by the Dr. Sanou and Ms. Combarry, it appears that contracts were issued in the ordinary course of business and that the work was completed satisfactorily. Moreover, the 6,106,452 FCFA represents only approximately 2% of the overall Project budget for the period April 1, 1993 through July 31, 1995, arguably an immaterial portion of total costs. REDSO/WCA therefore recommends that this amount not be sustained.

II. Second Phase of the Renovation

The MOH/DEP informed REDSO/WCA (see attachment A) that contracts were not issued for the second phase of the renovation due to time constraints: (1) The renovation was supposed to have been completed before the official close-out of the USAID/Burkina Mission, and; (2) the fast approaching rainy season. In view of this, the Provincial Health Offices in Bazega and Gourma were asked to forward proforma invoices of at least three firms capable of carrying out the renovation work. Only the Bazega province reacted swiftly and provided the proforma invoices of three firms. The MOH/Project Coordination Office made the final selection. The Gourma province did not respond as quickly. Because the deadline for the completion of the renovation work was fast approaching, the Gourma Provincial Director and his staff selected three firms to carry out the renovation of fifteen pharmacies. These firms were selected based on their positive previous performance and track record.

Based on the above, the MOH/DEP prepared a memorandum (see attachment C) requesting the allocation of funds for the renovation work. This memorandum was reviewed by Ms.

Perle Combarry and approved by Dr. Arlette Sanou. The clearance of the memorandum by USAID indicates that the MOH/DEP had USAID authorization to proceed with the renovation. Please refer to the USAID Project Manager's fax (see attachment B) confirming that the work was done.

a. Gourma Province - 12,881,482 FCFA

As explained earlier, contracts were not issued for the second phase of the renovation. However, REDSO/WCA would like to draw your attention to the fifteen (15) delivery certificates contained in attachment D. This attachment includes delivery certificates for each renovated pharmacy in the Gourma Province. These delivery certificates signify that the renovation was carried out satisfactorily and the completed work was accepted by the MOH/DEP.

Conclusion: REDSO/WCA recommends that this amount not be sustained.

b. Kombissiri/Bazega Province - 10,113,904 FCFA

As was the case with the Gourma second phase of renovation, contracts were also not issued for the Bazega second phase. However, according to the delivery certificate signed by the Bazega Provincial Director (see attachment E), he confirms that the second phase of the renovation was carried out in seventeen districts. This written statement clearly shows that the renovation work was completed and accepted by the Bazega Province.

Conclusion: REDSO/WCA recommends that this amount not be sustained.

Summary: From the above discussion, it is difficult to ascertain the whereabouts of the contracts for the first phase of renovation in the two provinces. The auditors claim that they never saw the contracts. At the same time, the MOH/DEP claims that the contracts were provided to the auditors in August 1995. Based on the USAID Project Manager's assertion, REDSO/WCA believes that contracts were probably issued for the first phase of the renovation, but were somehow misplaced (see attachment B). Apart from the missing contracts, the other documents attached to this memorandum, especially the delivery certificates issued by the MOH/DEP, indicate that the two phases of the renovation were actually carried out and the work accepted by the MOH/DEP. No contracts were issued for the second phase, but there is sufficient evidence which demonstrates that the work was actually completed. Finally, the USAID Project Manager for the Health Financing Project corroborated the completion of the renovation in her fax (see attachment B).

In conclusion, REDSO/WCA recommends that 29,101,838 FCFA not be sustained, and requests that the recommendation be closed.