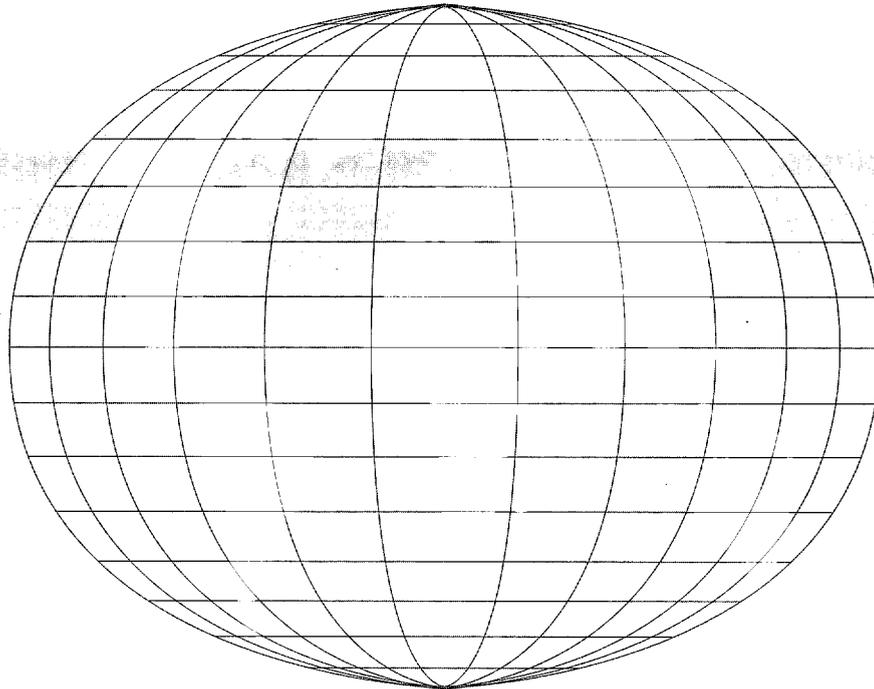


Report of Audit

Agricultural Transport Assistance
Program Non-Project Assistance Component
Program No. 621-0166

Report No. 3-621-96-007-N
August 29, 1996



**OFFICE OF INSPECTOR GENERAL
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT**



August 29, 1996

U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

Memorandum

TO: Director, USAID/Tanzania, Mark G. Wentling
FROM: Acting RIG/A/Nairobi, Sheldon Schwartz
SUBJECT: Agency-contracted Audit of the Agricultural Transport Assistance Program Non-Project Assistance Component Project No. 621-0166

*Regional
Inspector General
for Audit/Nairobi*

Attached are three copies of an Agency-contracted Audit of the Agricultural Transport Assistance Program Non-Project Assistance (ATAP-NPA) Component, performed by the accounting firm of Deloitte & Touche, Nairobi.

The Agricultural Transport Assistance Program was established in 1988, pursuant to an agreement with the United States Government and the Government of Tanzania to provide support for alleviating constraints in the agricultural transport sector. The program involves cash disbursements into two separate, non-commingled special U. S. dollar accounts. These funds are used to pay suppliers of eligible commodities. Unused funds in the special dollar accounts should earn interest which is credited to the respective accounts.

The grant agreement for ATAP-NPA was signed on August 31, 1988. The grant's completion date is December 31, 1997. The grant provides about \$46.0 million to be used to import road construction equipment, spares and other items. As of February 29, 1996, about \$39.7 million had been disbursed by USAID. Funds disbursed had earned interest of about \$1.5 million which is included in the Fund Accountability Statement as income.

Although the Ministry of Finance has the overall responsibility over ATAP-NPA, the Co-operative and Rural Development Bank and the Standard Chartered Bank Tanzania Limited are responsible for the management of the two U.S. dollar special accounts.

The objectives of the audit were to:

- audit the Fund Accountability Statement and express an opinion as to whether the Statement presents fairly, in all material respects and in conformity with the basis of accounting described in the report, the use of funds in accordance with the grant agreement;

- consider the auditee's internal control structure in order to determine the auditing procedures for the purposes of expressing an opinion on the Fund Accountability Statement and to report on significant internal control deficiencies and material weaknesses; and
- test the auditee's compliance with the terms of the grant agreement as part of obtaining reasonable assurance about whether the Fund Accountability Statement is free of material misstatement, and report on any identified material instances of noncompliance;

The audit covered obligations of about \$46.0 million, cash transfers of about \$41.1 million (including interest income of about \$1.5 million), and disbursements of \$37.8 million for the period August 31, 1988, to February 29, 1996.

The auditors issued a qualified opinion on the Fund Accountability Statement. Their report identified questioned ineligible costs of \$273,884 and unsupported costs of \$479,351. The ineligible amount included payments against letters of credit which did not relate to the ATAP-NPA project of \$131,080 and another \$142,804 in bank charges.

The auditors identified no material internal control weaknesses. In regard to compliance, the audit report stated that the grantee did not maintain books of accounts in accordance with generally accepted accounting principles and practices formally prescribed by the International Accounting Standards Committee or a comparable body acceptable to USAID. Instead most of the accounting work was being done by USAID/Tanzania. In addition, the audit report stated that disbursements were made from the ATAP-NPA U.S. dollar special account for activities which were not related to grant activities. This resulted in questioned costs of \$131,080 mentioned above. Other noncompliance issues relate to bank charges included as questioned costs of \$142,804 mentioned above.

Based on our review, we are including the following recommendations in the Office of the Inspector General's audit recommendation follow-up system.

Recommendation No. 1: We recommend that USAID/Tanzania determine the allowability and recover, as appropriate, questioned ineligible costs of \$273,884 from the Co-operative and Rural Development Bank.

Recommendation No. 2: We recommend that USAID/Tanzania determine the allowability and recover, as appropriate, questioned unsupported costs of \$479,351 from the Co-operative and Rural Development Bank.

Recommendation No. 3: We recommend that, USAID/Tanzania obtain a plan from the grantee for improving compliance with the provisions of the grant agreement by ensuring that:

- 3.1 the grantee maintains books and records as required by the grant agreement; and**
- 3.2 disbursements are only made for authorized activities and that charges made are allowable under the grant agreement.**

We consider the recommendations to be unresolved. Recommendations 1 and 2 may be resolved when the Mission makes a final determination concerning the allowability of the questioned amounts. The recommendations may be closed when the Mission takes action appropriate to the determinations. Recommendation No. 3 may be resolved when the Mission requests for a plan of action from the grantee for complying with the grant provisions. The recommendation may be closed when the plan is in place. Please advice me within 30 days of actions planned or taken to resolve and close the audit recommendations.

Thank you for the cooperation extended to Deloitte & Touche auditors and the Regional Inspector General for Audit representatives during the audit.

Attachment: a/s.

AUDIT OF
THE AGRICULTURAL TRANSPORT ASSISTANCE PROGRAM
NON-PROJECT ASSISTANCE COMPONENT
PROJECT NO. 621-0166

ATTACHMENT



**INDEPENDENT AUDIT OF THE USAID PROJECT No. 621-0166
AGRICULTURAL TRANSPORT ASSISTANCE PROGRAM
NON - PROJECT ASSISTANCE COMPONENT (ATAP - NPA)**

AUDIT REPORT

**INDEPENDENT AUDIT OF THE USAID PROJECT No. 621-0166
AGRICULTURAL TRANSPORT ASSISTANCE PROGRAM
NON - PROJECT ASSISTANCE COMPONENT (ATAP - NPA)**

AUDIT REPORT

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PART I

INTRODUCTION

1.1.0

Background

The Agricultural Transport Assistance Program (ATAP) was established in 1988, pursuant to a Grant Agreement between the United States of America and the Government of Tanzania, to provide support for the Government of Tanzania's efforts to alleviate constraints in the agricultural transport sector. The program involves cash disbursements into two separate, non-commingled special U.S. Dollar accounts. The funds in the special U.S. Dollar accounts are used to pay suppliers of eligible imported commodities. Unused funds in the special U.S. Dollar accounts should earn interest which is credited to the respective accounts. These two U.S. Dollar accounts are the subject of our audit.

The grant agreement for the Agricultural Transport Assistance Program (ATAP) was signed on August 31, 1988 and has been amended nine (9) times. The most recent amendment to the program grant agreement was signed on September 22, 1995. The ATAP grant provides USD 45,962,974 to be used to import road construction equipment, spares and other eligible items which are excluded from the World Bank's Special Program for Africa (SPA) negative list. As at February 29, 1996 USD 39,650,000 had been disbursed. The program assistance completion date is December 31, 1997.

Although the Ministry of Finance has overall responsibility for the Agricultural Transport Assistance Program, the Co-operative and Rural Development Bank (CRDB) and the Standard Chartered Bank Tanzania Limited (SCBT) are responsible for the management of the two U.S. Dollar special accounts.

1.2.0

Audit Objectives

Deloitte & Touche, Nairobi was contracted to carry out the audit of the USAID funded Agricultural Transport Assistance Program - Non Project Assistance Component (ATAP-NPA) Project 621-0166.

A financial audit was performed in accordance with Generally Accepted Auditing Standards and the U.S. Comptroller General's Government Auditing Standards (1994 Revision) and included such tests of the accounting records as deemed necessary under the circumstances. The specific objectives were to :

- Express an opinion as to whether the Fund Accountability Statement fairly presents, in all material respects and in conformity with the basis of accounting described in the reports, the use of funds in accordance with the grant agreement.
- Evaluate the auditees' internal control structures, assess control risk and identify reportable conditions, including material internal control weaknesses.
- Evaluate the auditees' compliance with the provisions of the grant agreement and applicable laws and regulations and report on any identified material instances of non compliance.
- Determine if the auditees have taken adequate corrective action on prior audit and assessment recommendations.

1.3.0 Audit Scope

The audit scope required, to ensure that the audit objectives were met, was to :

- 1.3.1 To audit the Fund Accountability Statement in respect of the two U.S. Dollar special accounts for the period August 31, 1988 to February 29, 1996 and express an opinion thereon in accordance with SAS 62.
- 1.3.2 Review and evaluate the auditees' internal control structure and the capability to properly identify and account for expenditures in accordance with SAS 55.
- 1.3.3 Review, assess and report on the auditees' compliance with the terms and conditions of the grant agreement and applicable laws and regulations in accordance with SAS 68
- 1.3.4 Review the grant agreement, any amendments thereof, pertinent laws and regulations and other relevant documents like Project Implementation Letters (PIL's) which, if not observed, could have a material effect on the Fund Accountability Statement.
- 1.3.5 Review the project structure, previous audit and assessment reports that pertain to ATAP-NPA and report on the status of prior recommendations.
- 1.3.6 Perform audit steps and procedures to provide reasonable assurance of detecting errors, irregularities and illegal acts that could have a direct or indirect effect on the Fund Accountability Statement.
- 1.3.7 Examine Bank Statements for the U.S. Dollar special accounts to determine that they are reconciled on a timely basis and that transactions are appropriate.
- 1.3.8 Determine whether U.S. Dollar funds were correctly deposited in the U.S. Dollar special accounts.
- 1.3.9 Determine whether the correct amount of interest was earned and credited to the U.S. Dollar special accounts.
- 1.3.10 Determine whether withdrawals from the U.S. Dollar special accounts were correctly made and that expenditures were in accordance with the grant agreement and instructions from USAID/T.
- 1.3.11 Determine, as a compliance item, that host country contributions have been made and that required quarterly reports have been filed with the mission.
- 1.3.12 Examine job descriptions and qualifications of all financial management personnel hired by the Ministry of Finance to manage and account for USAID funds, to determine the appropriateness of the job descriptions and ability of hired personnel to perform the described functions
- 1.3.13 Obtain specific written management representations in accordance with SAS 19.

1.3.14 Scope limitations.

1.3.14.1 Continuing professional education requirements.

We wish to disclose that Deloitte & Touche in Kenya has not met continuing professional education requirements of U.S. Government Auditing Standards by virtue of being in practice outside the United States. However, we have attended courses organised by USAID in Kenya, Institute of Certified Public Accountants of Kenya and internally organised courses.

1.3.14.2 We also wish to disclose that Deloitte & Touche in Kenya has not conducted an external quality control review by an unaffiliated audit firm since this is not practised by Kenyan firms presently. However, we have had quality control reviews done by partners from Deloitte & Touche firms in other countries. As part of Deloitte Touche Tohmatsu International, we are subject to quality control reviews by other member firms at least every three years.

1.3.14.3 The Ministry of Finance has not hired any financial management personnel to manage and account for USAID funds and therefore the requirement that we examine the job descriptions and qualifications of such personnel is not applicable. The management of these funds has been done by USAID/T.

Audit Methodology

The audit methodology principally comprised :

a) Audit of the Fund Accountability Statement :

- Reconciled the total grants income on the Fund Accountability Statement to a confirmation from USAID/T.
- Obtained detailed schedules showing computations of interest earned and credited to the two U.S. Dollar special accounts from Citibank, New York and Standard Chartered Bank, London and checked them for correctness.
- For payments against L/C's, reimbursements to BOT and Direct payments to suppliers, selected a sample covering at least 70% and agreed selected amounts to support documentation and ensured payments are in accordance with the grant agreement.
- For all payments tested, ensured the required local currency deposits had been made into the special local currency accounts and that the correct exchange rate had been used.
- Reconciled the fund balance to the respective bank statements.
- Identified any questioned costs and analysed them either as ineligible or unsupported.

b) Evaluation of the adequacy and effectiveness of the internal control structure.

The internal control structure is defined in the AICPA Codification of Statements on Auditing Standards section AU 319.06-08 as being " Policies and procedures established to provide reasonable assurance that specific entity objectives will be achieved.... and consists of the following three elements: the control environment, the accounting system and control procedures."

- We performed a limited review of the internal control structure as it relates to ATAP-NPA of the following parties involved in the implementation of the program: BOT, CRDB, SCBT and USAID/T in accordance with SAS 55.
- Documented findings, observations and recommendations.

c) Reviewed for compliance with agreement terms and pertinent laws and regulations.

- Identified agreement terms and pertinent laws and regulations and determined those which if not observed could have a direct and material effect on the Fund Accountability Statement. Assessed the risk of material non-compliance occurring, including consideration of the internal controls in place to ensure compliance with the terms of the agreement, laws and regulations.
- Ensured the funds were expensed in accordance with agreement terms, applicable laws and regulations. Questioned funds expensed for purposes not authorised or not in accordance with agreement terms.
- Documented findings, observations and recommendations.

d) Steps to provide reasonable assurance for detecting material errors, irregularities and illegal acts in accordance with SAS 53 and 54 respectively.

- Errors are un-intentional misstatements or omissions of amounts or disclosures in financial statements while irregularities are intentional misstatements or omissions of amounts or disclosures which may involve falsification, manipulation or alteration of accounting records or supporting documents and or misrepresentations and omissions of significant information. Illegal acts are violations of government regulations.

These were addressed by :

- Considering any weakness as may be apparent in the internal control structure, our assessment of the auditees' attitude and our exercise of professional judgement regarding perceived audit risks.
- Focusing on specific areas we considered to be risky e.g. bank account controls and local currency generations.
- Being alert to identify and bring to light at the earliest stage any act or actions which appear to be violations of government laws and regulations, provisions of the agreement and other relevant directives.
- Obtaining letters of representation in accordance with SAS 19 from the relevant parties.

e) Reviewed the status of actions taken on findings and recommendations reported in prior audits and assessments that pertain to ATAP-NPA. Documented and reported material unresolved findings and recommendations.

1.5.0 Results of the audit

1.5.1 Comments regarding audit objectives

(i) Determine the propriety and validity of the Fund Accountability Statement

We concluded that, except for the questioned costs amounting to USD 753,235 (ineligible costs of USD 273,884 and unsupported costs of USD 479,351), the Fund Accountability Statement for the period August 31, 1988 to February 29, 1996 is fairly presented.

(ii) Identify, evaluate and report on the auditees' internal control structures.

We reviewed the internal control structures of the organisations handling ATAP funds and concluded, based on our review, that their internal control structures were adequate.

(iii) Reach an opinion as to whether or not the auditees complied, in all material respects, with agreement terms and applicable laws and regulations.

We concluded that there was no material instance of non-compliance.

(iv) Determine that the auditees have taken adequate corrective action on prior audit and assessment recommendations.

We concluded that, whilst most recommendations had been acted on, a few issues noted then need to be addressed. These are included in our statement of general comments.

1.5.2 Comments regarding counterpart contributions

The ATAP USD component did not have a host country counterpart contribution element. However equivalent local currency deposits were made by the various importers.

1.5.3 Comments regarding overall project implementation and accomplishments.

The objectives of the project have, in all material respects, been achieved. A report on the project evaluation carried out by USAID dated August 19, 1993 indicated that despite delays initially due to the change in the disbursement mechanism from a modified commodity import program to a modified cash transfer, excellent progress has been made on :

- Foreign currency availability for the transport sector related imports.
- The formation of a Roads Fund.
- Increased involvement of the private sector in road construction and maintenance.
- The competitiveness of private sector bidders for rural roads construction and maintenance.

1.5.4 Comments on the audit

An entrance conference was convened and attended by representatives of USAID/T, CRDB, SCBT, BOT and the auditors. The purpose of this conference was to familiarise ourselves with the requirements and procedures of the audit.

Upon completion of the draft audit report, an exit conference was convened to discuss matters arising from the audit. Comments by BOT, CRDB, SCBT and USAID/T are included in the relevant sections.

**PART 2 REPORT OF INDEPENDENT AUDITORS****AGRICULTURAL TRANSPORT ASSISTANCE PROGRAM
NON - PROJECT ASSISTANCE (No.621-0166)
AUGUST 31, 1988 TO FEBRUARY 29, 1996****2.1.0 REPORT ON THE FUND ACCOUNTABILITY STATEMENT****INDEPENDENT AUDITOR'S OPINION**

We have audited the Fund Accountability Statement of the USAID Agricultural Transport Assistance Program (Non-Project Assistance component) No.621-0166 for the period August 31, 1988 to February 29, 1996. The Fund Accountability Statement is the responsibility of the Ministry of Finance and USAID/T. Our responsibility is to express an opinion on the statement based on our audit.

Except for not having a fully satisfactory continuing education program and not conducting an external quality control review by an un-affiliated audit firm, we conducted our audit in accordance with generally accepted auditing standards and in accordance with Government Auditing Standards (1994 Revision) issued by the comptroller general of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the Fund Accountability Statement is free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the Fund Accountability Statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1 to the Fund Accountability Statement, this statement was prepared on the basis of cash receipts and disbursements in line with USAID Financial Accounting System. This is a comprehensive basis of accounting other than generally accepted principles.

The results of our audit include questioned costs of USD 753,235 (ineligible costs of USD 273,884 and unsupported costs of USD 479,351)

In our opinion, except for the questioned costs mentioned above, the Fund Accountability Statement referred to above presents fairly, in all material respects, the project income and disbursements made for the period August 31, 1988 to February 29, 1996 in conformity with the basis of accounting described above.

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This report is intended solely for the use of the Ministry of Finance and USAID/T and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report which, upon acceptance by the AID office of the Inspector General, is a matter of public record.



Certified Public Accountants (Kenya)

Nairobi

21 June 1996

NOTES TO THE FUND ACCOUNTABILITY STATEMENT

1. Basis of Accounting

The Fund Accountability Statement is prepared on a cash basis. As noted in Notes 2 and 3 below, Income and Disbursements are recorded when cash is physically received or expended.

2. Income

Income represents amounts received under the Grant Agreement from USAID and interest earned on the two U.S. Dollar Special accounts during the period from August 31, 1988 to February 29, 1996.

3. Disbursements

Disbursements represent amounts expended as follows :

- (i) Payments against Letters of Credit for purchase of eligible items as per the grant agreement.
- (ii) Cash transfers to Bank of Tanzania in respect of foreign exchange auction reimbursements.
- (iii) Direct payments to suppliers.
- (iv) Bank charges debited to the U.S. Dollar Special accounts by the respective banks.

4. Fund Balance

Fund balance represents the unexpended cash balances in the two U.S. Dollar Special accounts.

2.2.0

AGRICULTURAL TRANSPORT ASSISTANCE PROGRAM
 NON-PROJECT ASSISTANCE No. 621-0166
 FUND ACCOUNTABILITY STATEMENT
 FOR THE PERIOD AUGUST 31, 1988 TO FEBRUARY 29, 1996

| | AMOUNT OBLIGATED | CASH TRANSFERS CITIBANK A/C | CASH TRANSFERS SCB A/C | TOTAL CASH TRANSFERS | INELIGIBLE COSTS | UNSUPPORTED COSTS | REF |
|-------------------------------|---------------------|-----------------------------------|------------------------------|----------------------------|---------------------|----------------------|-------|
| | USD | USD | USD | USD | USD | USD | |
| INCOME | | | | | | | |
| USAID GRANTS | | | | | | | |
| Tranche No. 1 | 5,210,000 | 5,210,000 | | 5,210,000 | | | |
| Tranche No. 2 | 5,200,000 | 5,200,000 | | 5,200,000 | | | |
| Tranche No. 3 | 5,000,000 | 5,000,000 | | 5,000,000 | | | |
| Tranche No. 4 | 12,590,000 | 12,590,000 | | 12,590,000 | | | |
| Tranche No. 5 | 8,650,000 | | 8,650,000 | 8,650,000 | | | |
| Tranche No. 6 | 3,000,000 | | 3,000,000 | 3,000,000 | | | |
| Tranche No. 7 | 1,000,000 | | | | | | |
| Tranche No. 8 | 2,000,000 | | | | | | |
| Tranche No. 9 | 3,312,974 | | | | | | |
| Interest Earned | | 824,419 | 655,378 | 1,479,797 | | | |
| TOTAL INCOME | <u>45,962,974</u> | <u>28,824,419</u> | <u>12,305,378</u> | <u>41,129,797</u> | | | |
| DISBURSEMENTS | | | | | | | |
| Letters of Credit | | 18,298,092 | 156,758 | 18,454,850 | 131,080 | 479,351 | 2 3 1 |
| Transfers to Bank of Tanzania | | 9,451,461 | 9,663,275 | 19,114,736 | | | |
| Direct payments to suppliers | | | 110,492 | 110,492 | | | |
| Bank charges | | 142,804 | 6,800 | 149,604 | 142,804 | | 2 3 2 |
| TOTAL DISBURSEMENTS | | <u>27,892,357</u> | <u>9,937,325</u> | <u>37,829,682</u> | <u>273,884</u> | <u>479,351</u> | |
| FUND BALANCE | | <u>932,062</u> | <u>2,368,053</u> | <u>3,300,115</u> | | | |

2.3.0 Findings, Observations and Recommendations

2.3.1 Payments against Letters of Credit

Out of the total payments against Letters of credit amounting to USD 18,454,850, USD 17,844,419 was recommended for acceptance while USD 610,431, being payments from the Citibank, New York account was questioned (ineligible costs - USD 131,080 and unsupported - USD 479,351).

Two payments amounting to USD 131,080 were made from the ATAP-NPA Special U.S. Dollar account with Citibank, New York which did not relate to the ATAP-NPA Project. Details are as follows :

| Amount USD | L/C Ref. |
|-----------------------|-----------------|
| 60,230 | TAN6USAID 1 91 |
| 70,850 | LCUSAID 2 91 |

131,080

In addition, a payment in respect of L/C No. 14LCUSAID 20/92 amounting to USD 479,351 was considered unsupported primarily because the file with the supporting documentation could not be located.

Recommendation No. 1

USAID/T should determine the allowability and recover, as appropriate, the questioned costs of USD 610,431 (ineligible costs - USD 131,080 and unsupported - USD 479,351) from CRDB.

CRDB Comments

CRDB accepts that the total amount of USD 131,080 which pertains to Letters of Credit Nos 01/91 and 02/91 for USD 60,230 and 70,850 respectively appear to have been erroneously charged to the ATAP special dollar account No 36075952 with Citibank New York. CRDB will immediately bring this error to the attention of the Citibank New York for correction. Once the correcting entry is made into the accounts, the auditors and USAID/T will be notified accordingly. Supporting documents for the Letter of Credit No 20/92 for USD 479,351 will be provided and be available to the auditors before the final report is issued.

Auditor's response

Accepted.

USAID/T Comments

The unsupported costs of USD 479,351 relate to Letter of Credit (L/C) No 20/92. Unfortunately, during this audit, this file has been misplaced. However, the mission believes that this amount represents eligible costs, based on the following history of this L/C.

This L/C was established by Messrs Tanganyika Motors Co Ltd on January 1, 1992 and cash cover equivalent to USD 423,826.58 was paid into the special local currency account maintained at CRDB. The beneficiary of this L/C presented shipping documents to the CRDB and the amount of USD 479,351 was paid from the ATAP dollar account maintained with Citibank, New York.

Peat Marwick did a reconciliation in 1993 and identified USD 55,524.42 as the difference between the amount of USD 479,351 paid to the beneficiary and the equivalent Cash cover collected from the importer of USD 423,826.58. We (via the Ministry of Finance) requested CRDB to collect this difference from the importer. CRDB debited the importer and credited the ATAP local currency account respectively.

Therefore, based on the above mentioned transactions and previous reconciliation, the mission considers these costs supported. We have talked with the BOT, which will provide photocopies of the L/C, import licence and final invoice. Once received, we will request closure of this recommendation.

2.3.2

Bank charges

Out of the total bank charges claimed amounting to USD 149,604, USD 6,800 was recommended for acceptance and the other USD 142,804 questioned as ineligible.

These relate to various commissions charged by Citibank, New York in respect of several Letters of credit. The grant agreement did not provide for such charges; instead CRDB should have recovered these amounts from the various importers.

Recommendation No. 2

USAID/T should determine the allowability and recover, as appropriate, the ineligible cost of USD 142,804 from CRDB.

CRDB Comments

CRDB has determined that the bank charges claimed amounting to USD 142,804 should not have been charged to the ATAP account by the Citibank, New York. Therefore CRDB will bring this wrong charges to Citibank New York for appropriate action. The beneficiaries of the Letter of Credit established should meet all the charges claimed by the bank. Results will be communicated to the auditors and USAID/T accordingly.

USAID/T Comments

None

Auditor's comment

Accepted.

**PART 3 INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL****AGRICULTURAL TRANSPORT ASSISTANCE PROGRAM
NON - PROJECT ASSISTANCE (No.621-0166)
AUGUST 31, 1988 TO FEBRUARY 29, 1996****3.1.0 INDEPENDENT AUDITOR'S REPORT**

We have audited the USAID Agricultural Transport Assistance Program, (Non-Project Assistance component) No.621-0166 for the period August 31, 1988 to February 29, 1996 and have issued our report thereon dated 21 June 1996.

Except for not having a fully satisfactory continuing education program and not conducting an external quality control review by an un-affiliated audit firm, we conducted our audit in accordance with generally accepted auditing standards and in accordance with Government Auditing Standards (1994 Revision) issued by the comptroller general of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the Fund Accountability Statement is free of material misstatement.

In planning and performing our audit of the USAID funded Agricultural Transport Assistance Program (Non - Project Assistance component), we considered the internal control structure in order to determine our auditing procedures for the purpose of forming an opinion on the Fund Accountability Statement and not to provide assurance on the Internal Control Structure.

The Ministry of Finance and USAID/T are responsible for establishing and maintaining the 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 financial statements 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 system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

For the purpose of this report, we have identified the significant internal control structure elements in the following Income and Disbursement categories :

- System of receipt of grants from USAID to the U.S. Dollar special accounts.
- Generation of interest income by funds in the U.S. Dollar special accounts.

- Allocation and disbursement system of project funds under the terms of the agreement.
- Bank account controls.
- Overall monitoring, control and co-ordination of the project.

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: we assessed control risk.

The purpose of our evaluation was to determine the nature, timing and extent of auditing procedures necessary for forming an opinion on the Fund Accountability Statement. Our study and evaluation was more limited than would be necessary to express an opinion on the relevant internal control structures taken as a whole.

Our consideration and evaluation of the internal control structure would not necessarily disclose all material weaknesses in the system.

The following reportable conditions were observed :

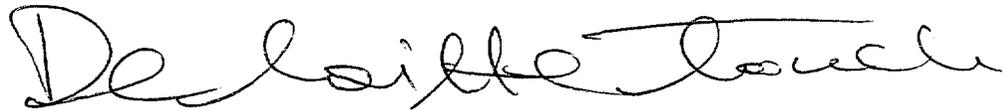
- Lack of bank account reconciliations.
- Lack of independent check of the accuracy of interest earned as shown on the bank statements.

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 auditees' ability to record, process, summarise and report financial data consistent with the assertions of the auditees in the Fund Accountability statement.

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.

Although our consideration and evaluation of the categories identified above disclosed no conditions that we believe to be material weaknesses, we have noted some minor issues in the internal control structure which should be addressed. Our findings, observations and recommendations are presented in part 3.2.0 of this report.

This report is intended solely for the use of the Ministry of Finance and USAID T and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report which, upon acceptance by the AID office of the Inspector General, is a matter of public record.



Certified Public Accountants (Kenya)

Nairobi

21 June 1996

3.2.0 Findings, Observations and Recommendations

3.2.1 Bank account reconciliations

Both CRDB and SCBT, who are the account holders of the two ATAP special U.S. Dollar accounts in Citibank, New York and Standard Chartered Bank, London respectively, do not perform regular reconciliations between their internal records (NOSTRO accounts) with the bank statements. For the Citibank account, this has led to ineligible bank commissions amounting to USD 142,804 which have been questioned in part 2.2.0 of this report.

Recommendation No. 3

We recommend that both CRDB and SCBT perform regular reconciliations between their NOSTRO accounts with respective correspondent banks and the bank statements regularly and preferably monthly. All reconciling items should be followed up promptly.

CRDB Comments

CRDB accepts the above recommendation and will effectively and immediately start doing the reconciliations as recommended.

SCBT Comments

We will implement USAID proposal.

USAID/T Comments

None

Auditor's response

Comments by CRDB and SCBT accepted.

3.2.2

Interest income

Although detailed monthly interest activity reports are received from Citibank, New York, there is no evidence that these are checked for correctness at CRDB.

Similarly, the bank statements received from Standard Chartered Bank, London show the amounts of interest credited but no independent checks of these amounts are carried out at SCBT.

Recommendation No. 4

We recommend that both CRDB and SCBT should check the correctness of the interest credited to the Citibank, New York and Standard Chartered Bank, London accounts respectively.

CRDB Comments

CRDB accepts the above recommendation and will check the correctness of the interest credited to the Citibank, New York accordingly.

SCBT Comments

We will endeavour to provide bank statements and interest activity reports on a monthly basis.

USAID/T comments

None

Auditor's response

Accepted.



PART 4 INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

**AGRICULTURAL TRANSPORT ASSISTANCE PROGRAM
NON - PROJECT ASSISTANCE (No.621-0166)
AUGUST 31, 1988 TO FEBRUARY 29, 1996**

4.1.0 INDEPENDENT AUDITOR'S REPORT

We have audited the Fund Accountability Statement of the USAID Agricultural Transport Assistance Program (Non-Project Assistance component) No.621-0166 for the period August 31, 1988 to February 29, 1996 and have issued our report thereon dated 21 June 1996.

Except for not having a fully satisfactory continuing education program and not conducting an external quality control review by an un-affiliated audit firm, we conducted our audit in accordance with generally accepted auditing standards and in accordance with Government Auditing Standards (1994 Revision) issued by the comptroller general of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the Fund Accountability Statement is free of material misstatement and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary under the circumstances.

Compliance with agreement terms, laws and regulations, contracts, binding policies and procedures is the responsibility of the Ministry of Finance and USAID/T. As part of our audit we selected and tested transactions and records to determine whether the Ministry of Finance (through BOT, CRDB and SCBT) and USAID/T complied with the agreement terms, laws, regulations, contracts, binding policies and procedures. However, our objective was not to provide an opinion on overall compliance with such provisions.

Material instances of non-compliance are failures to follow requirements or violations of grant agreement terms, laws and regulations that cause us to conclude that the aggregation of misstatements resulting from those failures or violations is material to the Fund Accountability Statement.

The results of our tests of compliance disclosed that neither the Ministry of Finance, CRDB or SCBT maintain any books of account in accordance with the generally accepted accounting principles and practices formally prescribed by the International Accounting Standards committee or a comparable body acceptable to AID.

We considered this material instance of non-compliance in forming our opinion on whether the Fund Accountability Statement is presented fairly, in all material respects, in accordance with the terms of the grant agreement and in conformity with the basis of accounting described in Note 1 to the Fund Accountability Statement, and this report does not affect our report on the Fund Accountability Statement dated 21 June 1996.

We noted certain immaterial instances of non-compliance that we have reported under part 4.2.0 of this report.

Except as described above, the results of our tests indicate that with respect to those items tested, the Ministry of Finance (through BOT, CRDB and SCBT) and USAID/T complied, in all material respects, with those provisions of the Grant Agreement and applicable laws and regulations, non-compliance with which could have a material effect on the Fund Accountability Statement. However we noted certain issues that we believe warrant the attention and action of BOT, CRDB, SCBT and USAID/T as described in the audit findings section below.

Nothing came to our attention that caused us to believe that, for the items not tested, the Ministry of Finance (through BOT, CRDB and SCBT) and USAID/T were not in compliance with laws or regulations or provisions of the Grant Agreement, non-compliance with which could have a material effect on the Fund Accountability Statement.

This report is intended solely for the use of The Ministry of Finance and USAID/T and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report which, upon acceptance by the AID office of the Inspector General, is a matter of public record.



Certified Public Accountants (Kenya)

Nairobi

21 June 1996

4.2.0 Findings, Observations and Recommendations

4.2.1 Reports and records

The Grant Agreement requires the grantee to maintain or cause to be maintained, in accordance with generally accepted accounting principles and practices formally prescribed by the International Accounting Standards committee or a comparable body acceptable to AID , such books and records and underlying documentation relating to this agreement.

We noted that neither the Ministry of Finance, CRDB or SCBT, maintain any books of account for the ATAP Special U.S. Dollar Accounts. Currently, most of the accounting work is being carried out by USAID/T.

Recommendation No. 5

We recommend that the responsibility of keeping the books of account for the Citibank, New York and Standard Chartered Bank, London accounts be vested with CRDB and SCBT respectively.

CRDB Comments

CRDB accepts the recommendation as outlined above.

SCBT Comments

We will keep books of accounts for ATAP account with Standard Chartered Bank, London and provide reports on a monthly basis.

USAID/T Comments

None

Auditor's response

Accepted, although CRDB's comments should have been more positive - i.e. showing what action they intend to take.

4.2.2 Fees for record keeping and reporting function

Project Implementation Letter (PIL) No. 27 of July 5, 1994 vested the responsibility of record keeping and reporting function with respect to the London U.S. Dollar Special account to Standard Chartered Bank, London at a monthly fee of USD 400. The Standard Chartered Bank, London agreed to submit the following reports to the Ministry of Finance and USAID T :

- (i) Status of Letters of Credit established showing the name of Importer, Dollar value of credit, date of and exchange rate used to convert Tanzania Shillings, amount and date of cash cover deposited.
- (ii) Comprehensive report for the Tanzania Shillings and U.S. Dollar accounts explaining all entries made over the accounts as well as copies of statements.

We noted that of the above, only the bank statements have been availed although the bank continues to charge the agreed fees.

Recommendation No. 6

USAID/T should follow up this issue with Standard Chartered Bank Tanzania Limited.

SCBT Comments

Agreed subject to USAID recommendation and format.

USAID/T Comments

None

Auditor's response

Accepted, however comment from USAID/T would have been useful.

4.2.3 U.S. Dollar disbursements relating to NON-ATAP L/C's

The following payments were made from the ATAP-NPA U.S. Dollar Special account with Citibank, New York but were not related to the ATAP-NPA Project. This has been questioned on the FAS on part 2.2.0 of this report.

| Amount USD | L/C Ref. | Importer |
|-----------------------|-----------------|--------------------|
| 60,230 | TAN6USAID 1/91 | Tukuyu Tea Estates |
| 70,850 | LCUSAID 2/91 | Ambangulu Estates |
| <hr/> | | |
| <u>131,080</u> | | |

Recommendation No. 7

We recommend that in future only disbursements relating to the ATAP-NPA Project should be made from the ATAP-NPA funds in the U.S. Dollar Special accounts.

CRDB Comments

CRDB agrees with the recommendation outlined above.

USAID/T Comments

None

Auditor's response

Comment by CRDB should have indicated action to be taken.

4.2.4

Bank Charges

Although the grant agreement does not provide for any bank charges in respect of the U.S. Dollar account with Citibank, New York, the bank has debited this account with commissions amounting to USD 142,804. This amount has been questioned on the FAS on part 2.2.0 of this report.

Recommendation No. 8

Controls should be put in place to ensure only charges provided for in the grant agreement are paid.

CRDB Comments

CRDB agrees with the recommendation outlined above.

USAID/T Comments

None

Auditor's response

CRDB's comment should have indicated positive action taken or to be taken.

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PART 5 STATEMENT OF GENERAL COMMENTS

5.1.0 Review of status of prior audit and assessment recommendations

There has not been an audit of the two U.S. Dollar special accounts which were the subject of our audit. However, KPMG Peat Marwick, Certified Public Accountants performed a reconciliation of the local currency generations of both the ATAP-NPA Project No.621-0166 and the AEPRP-NPA Project No.621-0165 and made five recommendations, four of which touched on the ATAP-NPA Project No.621-0166. The results of our follow-up are as follows.

5.1.1 Unpaid Cash Cover

Out of the total underpaid local currency cash cover and accrued interest amounting to Tsh 530,482,702 a substantial amount of Tsh 523,433,505 representing about 98.7% has been recovered from CRDB as at February 29, 1996. This leaves a balance of unpaid cash cover amounting to Tsh. 7,049,197.

5.1.2 U.S. Dollar disbursements relating to Non-ATAP L/C's

The following payments were made from the ATAP-NPA U.S. Dollar special account with Citibank, New York but were not related to the ATAP-NPA Project.

| Amount USD | L/C Ref. | Importer |
|-----------------------|-----------------|--------------------|
| 60,230 | TAN6USAID 1/91 | Tukuyu Tea Estates |
| 70,850 | LCUSAID 2/91 | Ambangulu Estates |
| 250 | LCUSAID 391/91 | Ralli Estates |
| 175 | LCUSAID 755/91 | Super Coatings |
| 205 | LCUSAID 759/91 | Kas Medics |

131,710

Since these amounts have not been recovered, we have included them in the questioned costs on the FAS. The first two amounts totalling to USD 131,080 have been questioned as per details on part 2.3.1 of this report. The other three amounts totalling to USD 630 form part of the USD 142,804 questioned as per details on part 2.3.2 of this report.

5.1.3 Outstanding items

There were several unexplained debits amounting to USD 5,793 for which KPMG Peat Marwick requested USAID/T to obtain explanations from CRDB as to the nature of the items, in order to ensure proper allocation to the relevant L/C or if not relevant to the program, to ensure the amounts are debited to the correct U.S. Dollar accounts. Although USAID/T has been following this up with both CRDB and Citibank, these debits have not been reversed and as at February 29, 1996 these had increased to USD 142,804. We have questioned this amount on the FAS in section 2.2.0 of this report.

5.1.4 Overpaid Cash Cover

There were a few instances where importers overpaid the local currency cash cover, amounting to equivalent of USD 98,966. KPMG Peat Marwick had recommended that USAID/T should request CRDB to refund the respective importers who had overpaid. Only USD 36,268 has been refunded to various importers leaving a balance of USD 62,698 as at February 29, 1996.

5.2.0 **Non-reportable condition relating to compliance with agreement terms and conditions.**

5.2.1 **Procurement rules-origin of commodities**

We noted a few cases where items were purchased from Kenya but, by their nature, these items have their origin elsewhere since Kenya does not produce them. From the information in the documents seen it was not possible to ascertain whether they had originated from the U.S. or code 935 countries. Examples are :

| | Amount USD | IDF/ L/C Ref. | Importer | Item |
|----|---------------|------------------|---------------------------------------|-----------------------------|
| 1. | 52,390 | 005993 | Tanzania Bottlers Ltd | Fanta beverage base |
| 2. | 30,246 | 23008 | Tourism Promotion Services (T) Ltd | Steel reinforcing fabric |
| 3. | 88,000 | AZBLC 227/92 | Continental carriers (T) Ltd | Tipper truck |

Recommendation No. 9

A procedure needs to be put in place to ensure that any purchase of items from a country other than the actual country of origin does not violate procurement rules. For example, the exporting country's suppliers should be asked to give a certificate indicating the actual country of origin of the goods they are exporting to Tanzania.

BOT Comments

Since final scrutiny of import documents to decide on the eligibility is done by USAID/T, the few listed items were found beyond reasonable doubts to be either of Kenyan or free world origin. Clean report of findings (CRFs) issued by Pre-shipment Inspection (PSI) Company reconfirmed such findings.

USAID/T Comments

This information and documentation does exist at the BOT and will be made available to USAID.

Auditor's response

Accepted. Once information is provided to USAID/T, matter should be considered closed.

GLOSSARY OF TERMS

| | |
|---------|-------------------------------------------------------------|
| AEPRP | African Economic Policy Reform Program |
| AICPA | American Institute of Certified Public Accountants |
| ATAP | Agricultural Transport Assistance Program |
| BOT | Bank of Tanzania |
| CRDB | Co-operative and Rural Development Bank |
| FAS | Fund Accountability Statement |
| GOT | Government of Tanzania |
| IDF | Import Declaration Form |
| L/C | Letter of Credit |
| NPA | Non Project Assistance |
| OGI | Open General License |
| PIL | Project Implementation Letter |
| SAS | Statement on Auditing Standards |
| SCBT | Standard Chartered Bank Tanzania Limited |
| SPA | Special Program for Africa |
| Tsh | Tanzanian Shilling |
| USAID/T | United States Agency for International Development Tanzania |
| USD | United States Dollar |

Co-operative and Rural
Development Bank



Benki ya Ushirika na
Maendeleo Vijijini

P.O. Box

S.L.P.

Phone

Simu

Cables: MTAJI

Ref. No.: CRDB/AZB/14/GC/96

Date: May 23, 1996

Deloitte & Touche
P.O. Box 40092,
Nairobi
K E N Y A

Dear Sir,

RE: DRAFT REPORT ON AN INDEPENDENT AUDIT OF THE
USAID PROJECT NO. 624-0166 - AGRICULTURAL TRANSPORT
PROGRAM NON-PROJECT ASSISTANCE COMPONENT (ATAP - NPA)

Reference is made to the above subject and appended here
below are our comments on each of your recommendations.

Recommendation No. 1

CRDB accepts that the total amount of USD 131,080 which
pertains to Letters of Credit Nos 01/91 and 02/91 for USD
60,230.00 and 70,850 respectively appear to have been erro-
neously charged to the ATAP Special Dollar account No.
36075952 with Citibank New York. CRDB will immediately bring
this error to the attention of the Citibank New York for cor-
rection. Once the correcting entry is made into the accounts
the Auditors and USAID/T will be notified accordingly. Suppor-
ting documents for the Letter of Credit No. 20/91 for USD
479,351 will be provided and be available to the Auditors before
the final report is issued.

Recommendation No. 2

CRDB has determined that the bank charges claimed amounting to
USD 149,604 should not have been charged to the ATAP Account by
the Citibank of New York therefore CRDB will bring this wrong
charges to Citibank New York for appropriate action. The bene-
ficiaries of the Letters of Credit established should meet all
the charges claimed by the Bank. Results will be communicated
to the Auditors and USAID/T accordingly.

Recommendation No. 3

We recommend that both CRDB and SCBT perform regular reconcili-
ations between their NOSTRO accounts with respective correspon-
dent banks and the bank statements regularly and preferably
monthly. All reconciling items should be followed up promptly.

CRDB accepts the above recommendation and will effectively immediately start doing the reconciliation as recommended.

Recommendation No. 4

CRDB accepts the above recommendation and will check the correctness of the interest credited to the Citibank, New York accordingly.

Recommendation No. 5

We accept the recommendation as outlined above.

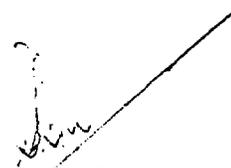
Recommendation No. 7

CRDB agrees with the recommendation outlined above.

Recommendation No. 8

CRDB agrees with the recommendation outlined above.

Yours faithfully,
CO-OPERATIVE AND RURAL DEVELOPMENT BANK


G.J. Ngolle
BRANCH MANAGER

COMMENTS FROM STANDARD CHARTERED BANK:

3.2.1: Bank account reconciliations

Will implement Usaid proposal

3.2.2 Interest income

Will endeavour to provide Bank statements and interest activity reports on a monthly basis.

4.2.1 Reports and records:

We will keep books of accounts for ATAP account with Standard chartered Bank, London and provide reports on a monthly basis.

4.2.2 Fees for record keeping and reporting Function:

Agreed subject to USAID recommendation and format.

S.L.P. 2939
DAR ES SALAAM

P.O. Box 2939
DAR ES SALAAM
TANZANIA

Simu ya Mdomo: 21291
Anuani ya Simu: "BENKUU"

Phone: 21291
Cable: "BENKUU"



Kumbukumbu} Ref. No. }..... IL/I 70/10V.....

23 May 1996

Project Development Officer,
USAID Mission to Tanzania,
P. O. Box 9130,
Dar es Salaam.

Attn: Monica Stein-Olson

Dear Sir/ madam,

RE: COMMENTS ON THE AUDIT REPORT OF THE USAID
PROJECT NUMBER 621-0166 UNDER ATAP - NPA.

We acknowledge receipt of your unreferenced letter dated 14 May 1996 seeking for the Banks' comments on the findings of the audit that was conducted by Messrs Deloitte and Touche on April and May 1996.

The Bank is therefore pleased to submit to you the comments as attached herewith.

Yours Faithfully,

BANK OF TANZANIA

Rwanda...
Balance of Payments Department

DIRECTORATE OF ECONOMICS AND STATISTICS

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**RESPONSES TO AUDIT REPORT OF THE USAID PROJECT NUMBER 621-0166
AGRICULTURAL TRANSPORT ASSISTANCE PROGRAMME - NON PROJECT
ASSISTANCE COMPONENT (ATAP - NPA).**

We hereby wish to submit our comments to the findings of the audit on ATAP - NPA which was conducted by Messrs Deloitte and Touche in April and May 1996 as thereunder:

1. Payments against Letters of Credit (Lcs).

Letters of credit worth about USD 610,431 out of the total USD 18,454,850 processed under the project were noted to be unsupported and or financing ineligible expenditures. Import documents related to transactions worth USD 479,351 could not be located from CRDB. It was therefore recommended that USAID and CRDB collaborate and find out ways of solving this issue.

BOT Comment

CRDB should request for the missing import documents from either Off-shore Bank or the beneficiary/importer. However, regarding ineligible expenditures USAID/T are well placed to provide the best fit explanations

2. Bank Charges

Funds worth USD 124,804 in excess of USD 6,800 allowed were appropriated as commission by City Bank New York as charges for opening and confirming Lcs. Since the Grant Agreement did not provide an allowance for such charges, the auditors has recommended to USAID/T to determine allowability and recover as appropriate the ineligible cost from CRDB.

BOT Comment

It was the requirement under the Old OGL system that all charges for opening and confirming Lcs were to be borne by importers and the opening bank was responsible for collecting such charges as service rendered charge. This procedure was also applicable for USAID import financing programme. It is therefore prudent for CRDB to refund USAID/T for such unallowable expenditure.

3. Fees for Record Keeping and Reporting Functions

Project Implementation Letter (PIL) number 27 of 5 July 1995 allowed Standard Chartered Bank (SCB), London to charge a fee of USD 400 per month for record keeping and reporting functions. Unfortunately, report on status of Lcs established and TZS/USD accounts explaining entries over the accounts were not availed. However, SCB continued to charge for these services. USAID/T are advised by the auditors to follow up on the issue.

BOT Comment

These reports are quite useful as they can assist the concerned authorities to establish the ineligible expenditures and where possible trace the whereabouts of the missing import documents.

4. Procurement Rules - Origin of Commodities.

Procurement conditions pertaining to utilisation of US fund requires imported commodities to be either of USA or free world origin. The auditors noted few cases where country of origin of some imports was not easy to ascertain. The noted examples were fanta beverage base, steel reinforcing fabric and tipper truck imported from Kenya but have their origin elsewhere since Kenya does not produce them.

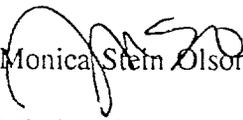
BOT Comment

Since final scrutiny of import documents to decide on the eligibility is done by USAID/T, the few listed items were found beyond reasonable doubts to be either of Kenyan or free world origin. Clean report of findings (CRFs) issued by Pre-shipment Inspection (PSI) company reconfirmed such findings.



U.S. Agency For International Development
memorandum

DATE: May 24, 1996

REPLY TO
ATTN OF:  Monica Stein Olson, Controller

SUBJECT: Mission Comments - ATAP Audit (Project 621-0166)

TO: K. V. Mutilangi

REF: Your letter dated May 10, 1996

Recommendation #1:

USAID/T should determine the allowability and recover, as appropriate, the questioned costs of USD 610,431 (ineligible costs - USD 131,080 and unsupported - USD 479,351) from CRDB.

USAID/T Comments:

The unsupported costs of \$479,351 relate to Letter of Credit (L/C) No. 20/92. Unfortunately, during this audit, this file has been misplaced. However, the Mission believes that this amount represents eligible costs, based on the following history of this L/C.

This L/C was established by M/s Tanganyika Motors Co Ltd on January 1, 1992 and cash cover equivalent to USD 423,826.58 was paid into the special local currency account maintained at CRDB. The beneficiary of this L/C presented shipping documents to the CRDB and the amount of USD 479,351 was paid from the ATAP Dollar Account maintained with CITIBANK/New York.

Peat Marwick did a reconciliation in 1993 and identified USD 55,524.42 as the difference between the amount of USD 479,351 paid to the beneficiary and the equivalent cash cover collected from the Importer of USD 423,826.58. We (via the Ministry of Finance) requested CRDB to collect this difference from the Importer. CRDB debited the importer

and credited the ATAP local currency account respectively.

Therefore, based on the abovementioned transactions and previous reconciliation, the Mission considers these costs supported. We have talked with the BOT, which will provide photocopies of the L/C, Import License and Final invoice. Once received, we will request closure of this recommendation.

Recommendation #9:

A procedure needs to be put in place to ensure that any purchase of items from a country other than the actual country of origin does not violate procurement rules. For example, the exporting country's supplier should be asked to give a certificate indicating the actual country of origin of the goods they are exporting to Tanzania.

USAID/T Comments:

This information and documentation does exist at the BOT and will be made available to USAID.