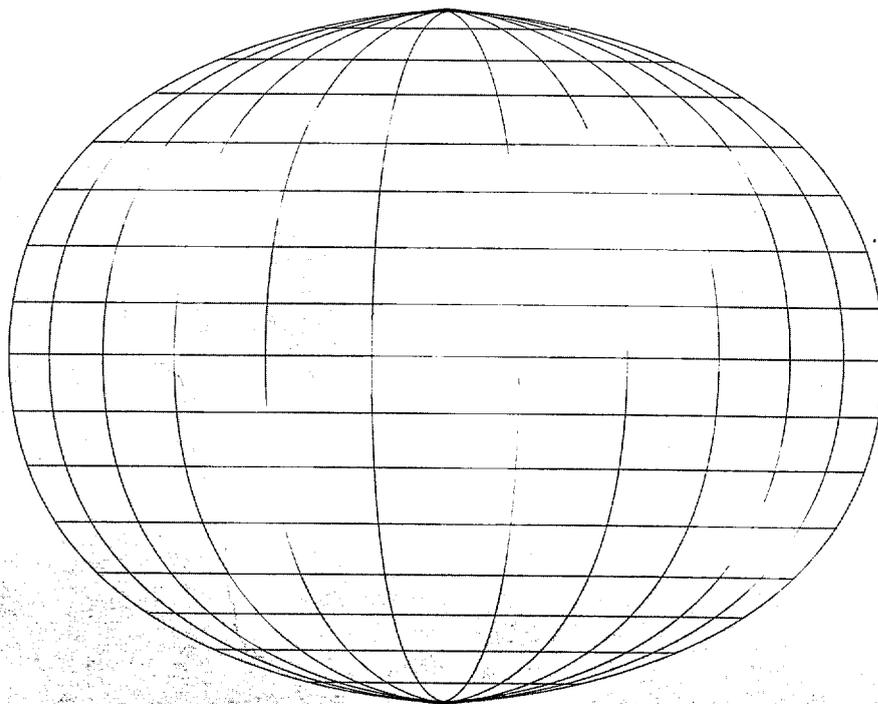


Report of Audit

**Audit of the Local Expenditures Incurred by
Amideast/Morocco Under the Training for Development
Project (No. 608-0208), from October 1, 1994 to September
30, 1996**

**Audit Report No. 7-608-97-001-N
April 30, 1997**



“Financial information contained in this report may be privileged. The restrictions of 18 usc 1905 should be considered before any information is released to the public”

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

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

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

April 30, 1997

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

MEMORANDUM

To: Michael Farbman, Director, USAID/Morocco

From: *Thomas B. Anklewich*
Thomas B. Anklewich, RIG/Dakar

Subject: Audit of Local Currency Expenditures Incurred by Amideast/Morocco Under the Training for Development Project (No. 608-0208), from October 1, 1994 to September 30, 1996; (Audit Report No. 7-608-97-001-N).

The attached report, prepared by the non-Federal audit firm, Price Waterhouse of Casablanca, presents the results of a financial audit of the local currency expenditures incurred by Amideast/Morocco for the period of October 1, 1994 to Sept 30, 1996.

The goal of USAID/Morocco's Training for Development (TFD) project is to remove human resources constraints to the development of open markets in order to open societies in Morocco. The objective is to strengthen Morocco's in-country training capacity and to improve Moroccan managerial and technical skills for economic development and private sector expansion. The principal beneficiaries are the individuals trained and the institutions assisted.

To accomplish this objective, the project provides funding and support for activities in two distinct components: a) strengthening in-country training infrastructure; and b) improvement of Moroccan managerial and technical capability. On December 4, 1992, USAID awarded a five-year contract to Amideast (Contract No. 608-0208-C-00-3040) to implement selected parts of the TFD project. The Amideast contract currently totals \$6.9 million and is up for an extension for another \$2 million.

Over the life of the contract, Amideast is to provide technical services and financial support to develop project planning management and coordination

systems, conduct in-country training activities, provide administrative and logistical support for all USAID overseas training, maintain a participant training management information system, establish administrative, financial and logistical mechanisms to support project implementation, and administer project funds for specified in-country project activities.

During the period under review, Amideast/Morocco, through its TFD program's linkage with universities in the United States focused on: a) strengthening in-country training capacity, and, b) improving of Moroccan analytical and technical capabilities.

Price Waterhouse, Casablanca, Morocco, performed the financial audit of Amideast's expenditures in Morocco under the TFD project in accordance with U.S. Government Auditing Standards to determine whether the Fund Accountability Statement for the period October 1, 1994 to September 30, 1996 was fairly presented and whether Amideast/Morocco complied with applicable laws, regulations, and agreements that may have had a material effect on the Fund Accountability Statement. In carrying out this financial audit, the non-Federal auditor obtained an understanding of Amideast/Morocco's internal accounting controls over USAID funds to plan the audit and to determine the nature, timing and extent of tests to be performed.

Price Waterhouse qualified its opinion on the Fund Accountability Statement. The auditor reported that Amideast/Morocco, contrary to USAID policy, paid consultants a total of \$24,757 with project funds while the consultants were also on the payroll of a Government of Morocco institution. The auditor considered these payments as salary supplements and questioned the amount as ineligible for reimbursement with project funds. Additionally, the auditor questioned a total of \$9,050 in value-added taxes that Amideast charged to USAID also as ineligible costs.

In obtaining an understanding of the internal control structure, the auditor reported on six internal control weaknesses and made appropriate recommendations. Finally, the auditor reported two matters of noncompliance with the agreement terms, one of which involves Amideast potential liability of at least \$188,336 to the Morocco government tax authority, and possibly a USAID liability since Amideast is a USAID contractor in Morocco.

According to Price Waterhouse, Government of Morocco (GOM) laws require

employers to withhold payroll taxes from employee salaries. Although USAID reimbursed Amideast for payroll taxes, Amideast failed to withhold the payroll taxes from its employee salaries and consultant fees.

In addition, the Amideast employees and consultants did not pay the taxes due to the Moroccan government. Price Waterhouse estimated the taxes and penalties due to be \$188,336 for the audit period.

In its response to the draft report, USAID/Morocco disagreed with the auditors on the issue of supplemental salaries. The Mission cited USAID guidance on payment of salary supplements under which the payments made to the consultants would be permissible if the work was carried out outside the consultants' normal working hours. The Mission stated further that based on Amideast's research, the consultants carried an average teaching load of three hours per week at the institution where they were employed, indicating that the consultants worked on the USAID project outside their normal working hours. However, the auditors maintained the finding, stating that there was no evidence that the consultants performed the USAID work outside normal working hours. Concerning the ineligible value-added taxes, Amideast agreed to refund the \$9,050 questioned. On the issue of potential liability, USAID/Morocco stated that it intends to seek an exoneration or a determination from the GOM on whether organizations like Amideast are exempted from withholding GOM payroll taxes. The Mission also plans to consult the Regional Legal Advisor regarding USAID's potential liability.

The non-Federal audit report contains ten findings and recommendations that USAID/Morocco and/or Amideast should implement. The following recommendations are to be included in the Office of the Inspector General's recommendation follow-up system.

Recommendation No. 1: We recommend that USAID/Morocco:

- 1.1 resolve the ineligible questioned costs of \$33,807 and to recover those costs determined to be unallowable;**
- 1.2 ensure that Amideast complies with USAID policy on non-payment of salary supplements to host government employees.**

Recommendation No. 1.1 above is considered open since USAID/Morocco did not provide any evidence to support the position that the consultants were paid for work which they performed outside their normal duties. Paragraph 5(C) of USAID Guidance on Payment of Salary Supplements (88 State 119780) provides that honoraria may be paid to employees of an institution for carrying out project-related activities outside their normal duties; and paragraph 5 (E) requires USAID missions to ensure that adequate documentation is available in project files to support payment to host government employees which are not considered salary supplements.

As a result, a management decision will be reached when USAID/Morocco provides RIG/Dakar documentation showing that the work was carried out outside the consultants' working hours or USAID/Morocco sustains the finding and issues a bill of collection for \$24,757 to Amideast. A management decision has been reached on the portion of this recommendation which relates to the value-added taxes. USAID/Morocco is requested to take final action by submitting evidence of receipt of \$9,050 from Amideast to the Office of Management, Planning and Innovation (M/MPI/MIC).

RIG/Dakar has received a copy of a USAID/Morocco memorandum used to transmit a copy of the USAID Guidance on Payment of Salary Supplements to Amideast. In the memorandum, USAID/Morocco requested Amideast to review the USAID guidance when considering the employment of host government employees. Based on this action, final action is considered to have been taken on recommendation No. 1.2.

Recommendation No. 2: We recommend that USAID/Morocco:

- 2.1 ensure that the issue of Amideast's potential liability of at least \$188,336 to the Government of Morocco is resolved, and**
- 2.2 take action to ensure that USAID is protected from any liabilities as a result of Amideast's failure to withhold Moroccan government payroll taxes.**

A management decision has been reached on recommendation No. 2 above based on USAID/Morocco's decision (1) to seek a determination from the Government of Morocco on whether Amideast is required to withhold payroll taxes and (2) to consult with the Regional Legal Advisor regarding USAID's potential liability for past payroll tax liabilities.

Final action on recommendation No. 2.1 will take place when the Mission receives a determination from the Government of Morocco that exempts Amideast from withholding payroll taxes or when the payroll taxes due are paid. Concerning recommendation No. 2.2, final action will take place when USAID/Morocco takes appropriate actions as recommended by the Regional Legal Advisor. USAID/Morocco is requested to provide evidence of final actions taken to M/MPI/MIC.

Please advise RIG/Dakar within 30 days of receipt of this report of any actions planned or taken on the above recommendations.

**AUDIT OF THE LOCAL EXPENDITURES INCURRED BY
AMIDEAST/MOROCCO UNDER THE TRAINING FOR DEVELOPMENT
PROJECT (NO. 608-0208), FROM OCTOBER 1, 1994 TO SEPTEMBER 30,
1996**

“Financial information contained in this report
may be privileged. The restrictions of 18 usc
1905 should be considered before any
information is released to the public”

UNITED STATES AGENCY FOR INTERNATIONAL
DEVELOPMENT (USAID)

AUDIT OF THE LOCAL EXPENDITURES INCURRED BY
AMIDEAST/MOROCCO UNDER THE TRAINING FOR
DEVELOPMENT (TFD) PROJECT (N° 608-0208), FROM
OCTOBER 1, 1994 TO SEPTEMBER 30, 1996.



INDEX

- I - TRANSMITTAL LETTER AND SUMMARY**
 - A - BACKGROUND**
 - B - AUDIT OBJECTIVES AND SCOPE**
 - C - SUMMARY OF AUDIT RESULTS**
 - 1. Financial
 - 2. Internal control
 - 3. Compliance
 - D - SYNOPSIS OF MANAGEMENT COMMENTS AND PRICE WATERHOUSE COMMENTS THERETO**

- II - FINANCIAL SECTION**
 - A - INDEPENDENT AUDITOR'S REPORT**
 - B - FUND ACCOUNTABILITY STATEMENT**
 - C - NOTES TO FUND ACCOUNTABILITY STATEMENT**
 - D - FINDINGS**

- III - INTERNAL CONTROL STRUCTURE**
 - A - INDEPENDENT AUDITOR'S REPORT**
 - B - FINDINGS**

- IV - COMPLIANCE WITH AGREEMENT TERMS AND APPLICABLE LAWS**
 - A - INDEPENDENT AUDITOR'S REPORT**
 - B - FINDINGS**

- V- MANAGEMENT COMMENTS**

- VI- APPENDICES (1 to 18)**

C

Price Waterhouse



I- TRANSMITTAL LETTER AND SUMMARY

Mr. Carlton Bennett
Regional Contracting Officer
The United States Agency
for International Development
(USAID)
Dakar, SENEGAL

Dear Sir,

This report presents the results of our assignment in respect with the audit of the local expenditures incurred by Amideast/Morocco under the Training for Development Project (N° 608-0208), from October 1, 1994 to September 30, 1996.

A. BACKGROUND

The Training for Development Project (TFD) was signed in August 1991 with the goal to remove human resources constraints to the development of open markets, and by extension, open societies, in Morocco. The objective is to strengthen Morocco's in-country training capacity and to improve Moroccan managerial and technical skills for economic development and private sector expansion. The principal beneficiaries are the individuals trained and the institutions assisted.

To accomplish this objective, the project provides funding and support for activities in two distinct components: a) strengthening in-country training infrastructure; and b) improvement of Moroccan managerial and technical capability.

On December 4, 1992, USAID awarded a five-year contract to Amideast (Contract N° 608-0208-C-00-3040) to implement selected parts of the TFD project. The Amideast contract totals \$6.9 million and is up for an extension for \$2 million.



The following is the initial financial plan for the project over a period of five years:

<u>Category</u>	<u>Budget Amount</u> <u>US \$</u>
Salaries/leave	1 062 362
Fringe Benefits	281 101
Overhead	119 020
Travel, Transportation, Perdiem	184 119
Allowances	290 946
Consultants	215 316
Other Direct Costs	286 215
General & Administrative	911 484
Subcontracts	1 229 682
Equipment, Furniture	178 419
Pass through Costs	1 525 000
Program Costs	<u>655 838</u>
	<u>6 939 502</u>

Over the life of contract, Amideast is to provide technical services and financial support to develop project planning management and coordination systems, conduct in-country training activities, provide administrative and logistical support for all USAID overseas training, maintain a participant training management information system, establish administrative, financial and logistical mechanisms to support project implementation, and administer project funds for specified in-country project activities.

During the period under review, Amideast/Morocco, through its TFD program's linkage with universities in the United States focused on :

- strengthening in country training capacity and;
- Improving of Moroccan analytical and technical capabilities.

In August 1995, USAID approved an Amendment to the TFD Project Paper which included a reduction in the LOP total funding from \$28 million to \$14 million, a shift in focus from private to public sector, and an emphasis on training needs analyses and training plans for result-oriented training.



The financial audit to be performed under this scope of work covers the expenditures incurred by Amideast Morocco/TFD under the cooperative agreement during the period October 1, 1994 through September 30, 1996.

B. AUDIT OBJECTIVES AND SCOPE

1. Audit objectives

The audit was performed in accordance with Generally Accepted Auditing Standards, U.S. Government Auditing Standards as set forth in the Comptroller General's Government Auditing Standards, and guidelines contained in the Office of the Inspector General's Guide for Financial Audits Contracted by the Agency for International Development.

The objectives of this financial audit were to:

- Determine the reasonableness, propriety and allocability of expenditures made by Amideast during the period October 1, 1994 through September 30, 1996, and then express an opinion on whether the Fund Accountability Statement was fairly presented in all material respects, in conformity with generally accepted accounting principles;
- Obtain a sufficient understanding of Amideast's internal control structure related to the Fund expenditures 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 and then report on the internal control structure identifying:
 - (1) The scope of the auditor's work in obtaining an understanding of the internal control structure and in assessing the control risk;
 - (2) Amideast's significant internal controls including the controls established to ensure compliance with laws and regulations that had a material impact on the Fund Accountability Statement, and;
 - (3) The reportable conditions, including the material weaknesses identified as a result of the auditor's work, in understanding and assessing the control risk.



- Perform tests of Amideast's compliance with applicable laws, regulations, binding policies and procedures, and the Contract terms as part of obtaining reasonable assurance about whether the Fund Accountability Statement was free of material misstatement and then report on the results of the compliance testing. These tests were also performed to determine whether the organization complied -- in all material respects -- with agreement terms, laws, binding policies, and regulations and express positive assurance on those items not tested.

In testing compliance, specific steps and procedures were designed to provide reasonable assurance of detecting errors, irregularities, and illegal acts that could have had a direct and material effect on the account statements.

2. Audit Scope

In addition to the Pre-audit Steps set out in our scope of work document our work included but was not limited to the following procedures:

Fund Accountability Statement (FAS)

1. Review of disbursements made from the Fund, identifying and quantifying any questioned costs. Any costs not supported with adequate documentation or not in accordance with applicable agreement terms were questioned and included as findings in the reports on internal control and compliance.
2. Review of the general ledger and project ledger to determine whether costs incurred were properly recorded.
3. Review of the procedures used to control the funds, including their channeling to contracted financial institutions or other implementing units. Make a positive confirmation of balances.
4. Determine whether project income and reimbursements, if any, representing recoveries of direct costs, are recorded as income or as credits to project cost accounts. The revenue earned by Amideast from project funding (fee service income) was questioned in the Fund Accountability Statement if not credited as reductions to the project's costs to further the project's objectives in accordance with the terms of the cooperative agreement.
5. Review procurement procedures to determine that sound commercial practices including competition were used, reasonable prices were obtained, and there were adequate controls on qualities and quantities received.



6. Review direct salary charges to determine whether salary rates are reasonable for that position, in accordance with those approved by USAID, and supported by appropriate payroll records. Determine if overtime is charged to the project and whether it is allowable under the terms of the agreement. Determine whether allowances and fringe benefits received by employees are in accordance with the agreements and applicable laws and regulations. Unallowable salary charges should be questioned in the Fund Accountability Statement.
7. Review travel and transportation charges to determine whether they are adequately supported and approved. Travel charges which are not supported with adequate documentation and not in accordance with agreements and regulations should be questioned in the Fund Accountability Statement.

Internal Control Structure

1. Obtaining a sufficient understanding of the internal control structure and determining whether related policies and procedures were in operation.
2. Documenting the understanding of the internal control structure.
3. Assessing control risk related to the internal control structure.
4. Documenting the basis for the assessed maximum level of control risk.
5. Considering performing tests of controls.
6. Assessing control risk related to tests of controls.
7. Documenting the basis for the assessed level of control risk at less than maximum level.
8. Designing substantive tests based on assessed level of control risk.

Compliance Testing

1. Identifying the Agreement terms and pertinent laws and regulations and determining which of those if not observed could have a direct and material effect on the Fund Accountability Statement.



2. Assessing, for each material requirement, the risks that material non-compliance could occur.
3. Designing audit steps and procedures to test for errors, irregularities, and illegal acts that provide reasonable assurance of detecting both unintentional and intentional instances of non-compliance with agreement terms and applicable laws and regulations that could have a material effect on the Fund Accountability Statement.
4. Determining if funds have been disbursed from the accounts in accordance with agreement terms and applicable laws and regulations.
5. Determining that those who received services and benefits were eligible to receive them and that officials are not illegally participating or benefiting from the project.
6. Determining that financial reports contain information that is supported by the books and records from which the Fund Accountability Statement is prepared.

Except as discussed in the next paragraph, we conducted our audit in accordance with Generally Accepted Auditing Standards, the financial audit requirements of Government Auditing Standards, issued by the Comptroller General of the United States, the Standards for Internal Controls in the Federal Government, issued by the Comptroller General of the United States, and the Guide for Financial Audits Contracted by the Agency for International Development issued by the USAID Office of the Inspector General. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statements are free of material misstatement.

We did not have an external quality control review by an unaffiliated audit organization since no such quality control review program is offered by professional organizations in Morocco. We believe that the effect of this departure from the financial audit requirements of Government Auditing Standards is not material because we participate in the Price Waterhouse worldwide internal quality control program which requires the Price Waterhouse Morocco office to be subjected, every two years, to an extensive quality control review by partners and managers from other Price Waterhouse offices.

C. SUMMARY OF AUDIT RESULTS

1. Fund Accountability Statement

Our audit report in respect of the above refers to the following:

- The lack of the existence of an internal quality control review program offered by professional organizations in Morocco;



- The fact that the FAS is prepared on a cash basis.
- Our report was qualified in respect of the matters noted below:
- Questioned costs incurred of US \$ 24 757;
 - Ineligible costs (VAT) of DH 77 000.

2. Internal Control

Our audit report in respect of the above refers to the following:

- Procedure for reconciliation with Amideast Washington of advances transferred to TFD's bank accounts;
- Procedure for equating inter-account transfers;
- Payment vouchers should be pre-numbered;
- Review filing procedure of payment vouchers and related supporting documentation;
- Discrepancies in the accounting software;
- Review expense reports procedure.

3. Compliance testing

Our audit report in respect of the above refers to the following:

- Salary taxes not withheld and remitted on remuneration paid to employees and consultants;
- High level of cash at bank.

D. SYNOPSIS OF MANAGEMENT COMMENTS AND PRICE WATERHOUSE COMMENTS THERETO

At the exit conference held on December 6, 1996, the representatives of Amideast and USAID Morocco agreed in principle with the audit findings.



On April 10, 1997, we received detailed comments to our draft report and the Inspector General's recommendations. These have been attached in their entirety in Section V - Management Comments of this report. Set out below in a summary of these comments and our observations and remarks in this connection.

Recommendation

Resolve the ineligible questioned costs of Dollars 33 807 and recover those costs determined to be unallowable.

Management have stated that they have researched the issue based on their review of ENIM's status and as a result they have concluded that ENIM professors did not violate Moroccan law as they did not receive salaries totaling more than 40 percent of the ENIM project budget. They have also determined that the consultants in question had a teaching load of an average of three hours a week. They have also concluded that USAID guidance on salary supplements does not preclude professors from receiving payments for work conducted outside normal working hours. As a result they believe that the payments did not constitute salary supplements.

Price Waterhouse comment

We are maintaining our findings and recommendation due to the following reasons:

- We have no evidence of the existence of the 40 percent rule noted above;
- We have no evidence of the fact that the teaching load of the consultants in question was an average of three hours a week;
- We have no evidence that the work conducted for Amideast by these consultants was outside of normal ENIM working hours.

Recommendation

Ensure that the issue of Amideast's potential liability of at least \$ 188 366 to the Government of Morocco is resolved.

Management has sought two legal opinions which were not conclusive and have started withholding taxes on salaries effective February 1997.

Price Waterhouse comment

Our finding therefore is maintained.

The rest of the recommendations and findings were accepted and have been maintained.



II- FINANCIAL SECTION

A. INDEPENDENT AUDITOR'S REPORT ON THE FUND ACCOUNTABILITY STATEMENT

We have audited the accompanying Fund Accountability Statement of Amideast for the period from October 1, 1994 to September 30, 1996.

This financial statement is the responsibility of Amideast Morocco's management. Our responsibility is to express an opinion on this financial statement based on our audit.

Except as discussed in the next paragraph we conducted our audit in accordance with Generally Accepted Auditing Standards and the financial audit requirements of Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statements. 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.

We did not have an external quality control review by an unaffiliated audit organization since no such quality control review program is offered by professional organizations in Morocco. We believe that the effect of this departure from the financial audit requirements of Government Auditing Standards is not material because we participate in the Price Waterhouse worldwide internal quality control program which requires the Price Waterhouse Morocco Office to be subjected, every two years, to an extensive quality control review by partners and managers from other Price Waterhouse offices.

As described in note 2, the accompanying statement has been prepared on the basis of cash disbursements. This basis of presentation is a comprehensive basis of accounting other than generally accepted accounting principles. Accordingly, the accompanying statement is not intended to present results in accordance with accounting principles generally accepted in the United States of America.



In summary, the reportable conditions are as follows:

- Questioned costs incurred of US \$ 24 757;
- Ineligible costs (VAT) of DH 77 000.

In our opinion, except for the matters referred to above, the Fund Accountability Statement presents fairly, in all material respects, the financial position of Amideast for the period from October 1, 1994 to September 30, 1996 in conformity with the basis of accounting described in Note 2.

Price Waterhouse

Casablanca, December 6, 1996



**B. FUND ACCOUNTABILITY STATEMENT OF AMIDDEAST (DEPT. 360)
FOR THE PERIOD FROM OCTOBER 1, 1994 TO SEPTEMBER 30, 1996**

	<u>94/95</u>	<u>95/96</u>	<u>Total</u>	QUESTIONED COSTS		
				<u>Findings</u>	<u>Unsupported</u>	<u>Ineligible</u>
			\$			
OPENING BALANCE	93 759	16 721	93 759			
AMIDEAST transfers	268 000	452 000	720 000			
Interest earned	1 118	1 240	2 358			
Cash advance	(2)	-	(2)			
Subcontractor advance	-	152 800	152 800			
TOTAL RECEIPTS	269 116	606 040	875 156			
Salaries, social security and benefit	101 141	104 561	205 702			
TFD Administration	130 696	165 088	295 784			
Morocco TFD Marketing	1 521	-	1 521			
Tuition Support	-	11 347	11 347			
HRD Promotion	4 305	6 781	11 086			
S.T Training in Morocco	3 203	-	3 203			
Technical Assistance	58 101	14 343	72 444			
English Language Training	5 546	-	5 546			
Linkages - US & Moroccan Institutions	21 492	3 411	24 903			
Diagnostic & Special Studies	20	-	20			
Program Costs	3 446	-	3 446			
Subcontractor/Creative Associates	-	142 767	142 767			
Support to DFC	-	13 164	13 164			
Linkage TAU - Sup de Co	12 772	11 323	24 095			
Linkage PSU - ENIM	3 912	26 614	30 526	1		24 757
Basic Education / MNE	-	40 233	40 233			
TOTAL EXPENDITURES	346 155	539 632	885 787	2		9 050
ENDING BALANCE	16 720	83 129	83 128			
OPERATING STATEMENT BALANCE	17 305	83 840	83 840			
DIFFERENCE	(584)	(710)	(710)			

(Relating to opening and closing exchange rates)

Details of receipts and expenditures are set out in appendices 1 to 18



C. NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION AND SOURCE OF DATA

The Fund Accountability Statement which is the responsibility of the Amideast Management represents all receipts and disbursements for the period from October 1, 1994 to September 30, 1996.

NOTE 2 - BASIS OF ACCOUNTING

The Fund Accountability Statement has been prepared on the basis of cash disbursements. Consequently, receipts are recorded when the cash is received rather than when the amount becomes due and expenditures are recognized when paid rather than when the obligation is incurred.

NOTE 3 - QUESTIONED COSTS

Questioned costs are presented in two separate categories - ineligible and unsupported costs. Costs in the column labeled "Ineligible" are supported by vouchers or other documentation but are ineligible for reimbursement because they are not program related, are unreasonable, or prohibited by the contract/subcontracts or applicable laws and regulations. Costs in the column labeled "Unsupported" are also formally included in the classification of "questioned costs" and relate to costs that are not supported with adequate documentation or did not have the required prior approvals or authorizations.

D. FINDINGS

1. Questioned costs incurred of US \$ 24 757.

These payments were made directly to certain consultants. These consultants were working on an AID financed project and were also on the faculty of ENIM. Based on available evidence ENIM is likely a Government of Morocco institution and the consultants received salaries from both, the AID project and ENIM during the same period.



USAID Policy Guidance on Payment of Salary Supplements for Host Government Employees (88 state 119780) clearly discourages salary supplements. The guidance states in paragraph two that « ... It is AID policy that salary supplements should be considered an exception to normal AID practice requiring exceptional justification ».

Recommendation

USAID Morocco should recover the questioned costs from Amideast if it determines that the payments were salary supplements.

In addition, Amideast should seek a legal opinion to ascertain whether ENIM meets the criteria of a GOM organisation. Based on the information available during our assignment, we had reasonable grounds to believe that this was the case.

2. Ineligible costs (VAT) of DH 77 000.

A number of expenditures included in the FAS are inclusive of VAT. We were informed that the total amount included during the period under review and submitted and outstanding for reimbursement amounts to some DH 77 000.

Recommendation

All reimbursement requests should be reviewed to ensure that no request includes a VAT element.



III- INTERNAL CONTROL STRUCTURE

A. INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROLS

We have audited the Fund Accountability Statement of the Morocco Amideast for the period from October 1, 1994 to September 30, 1996 and have issued our report there on dated December 6, 1996.

Except as discussed in the next paragraph, we conducted our audit in accordance with Generally Accepted Auditing Standards, and the financial audit requirements of Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statements are free of material misstatement.

We did not have an external quality control review by an unaffiliated audit organization since no such quality control review program is offered by professional organizations in Morocco. We believe that the effect of this departure from the financial audit requirements of Government Auditing Standards is not material because we participate in the Price Waterhouse worldwide internal quality control program which requires the Price Waterhouse Morocco Office to be subjected, every two years, to an extensive quality control review by partners and managers from other Price Waterhouse offices.

In planning and performing our audit, we considered Amideast Morocco's 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 Amideast Morocco 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 the 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 reliable financial reports and to maintain accountability over the entity's assets.



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 procedures may deteriorate.

For the purpose of this report, we determined the significant internal control structure policies and procedures to be in the categories of cash management, recording of transactions, and filing and retrieval operations. For these internal control structure categories, 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 matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certificate 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.

In summary, the reportable conditions are as follows:

- Procedure for reconciliation with Amideast Washington of advances transferred to TFD's bank accounts;
- Procedure for equating inter-account transfers;
- Payment vouchers should be pre-numbered;
- Review filing procedure of payment vouchers and related supporting documentation;
- Discrepancies in the accounting software;
- Review expense reports procedure.



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.

This report is intended for the information of Amideast Morocco management and the United States Agency for International Development. The restriction is not intended to limit the distribution of this report if it is a matter of public record.

Price Waterhouse

Casablanca, December 6, 1996



B. FINDINGS

1. Procedure for reconciliation with Amideast Washington of advances transferred to TFD's bank accounts.

We noted that, in July and August 1995, Amideast Washington wire transfers amounting to respectively \$25 000 and \$35 000 were recorded as inter-account transfers. This situation resulted in the understatement of certain bank account balances.

Recommendation

Amideast Morocco should perform, on a timely basis, a reconciliation with Amideast Washington of advances transferred to TFD's bank accounts.

2. Procedure for equating inter-account transfers.

Currently, there is no procedure for analyzing inter-account transfers and recording resulting exchange differences. This situation results in the understatement/overstatement of expenditures for a given month.

Recommendation

Inter-account transfers between US \$ and DH bank accounts result in exchange differences that should be properly recorded in Amideast's books and reconciled.

3. Payment vouchers should be pre-numbered.

We noted that payment vouchers were numbered manually.

Recommendation

We recommend that printed vouchers be pre-numbered in order to improve the internal control over expenditures.



4. Review filing procedure of payment vouchers and related supporting documentation.

Vouchers are classified by projects, by month, and/or alphabetically depending on the nature of the transactions. This situation made it difficult to locate the vouchers subject to review.

Recommendation

Vouchers should be classified by voucher number in order to facilitate easier access.

5. Discrepancies in the accounting software.

During our review of the accounting procedures we noted in some cases that transactions recorded in the operating statements (Bank ledgers) have not been accounted for in the General Ledger Summary Reports. Based on our sample the total amount omitted in the monthly liquidation to USAID was of DH 1 366.

Recommendation

Amideast management should review its accounting software in this respect.

6. Review expense reports procedure.

We noted that expense reports were not always prepared in an adequate manner. Certain expense reports reviewed by us lead to the following comments:

- Lots of corrections and crossings;
- Amounts shown in different currencies without precision;
- Totals not always calculated;
- Amounts appearing on the expense report not systematically reconciled to supporting documents;
- Expense report format not providing easy-processed accounting data;
- Advances on expenses accounted for as expenses.



Recommendation

We recommend that expense reports be free from crossings and corrections and provide the following:

- Currency;
- Purpose of expense (business trip, conference, etc...);
- Expenditure by nature on a daily basis;
- Total expenditures by day and by nature;
- Overall total;
- Amount of advance;
- Balance on advance;
- Signature of the beneficiary and approval of the chief of party.



IV- COMPLIANCE WITH AGREEMENT TERMS, LAWS AND REGULATIONS

A. INDEPENDENT AUDITOR'S REPORT

We have audited the Fund Accountability Statement of Amideast for the period from October 1, 1994 to September 30, 1996 and have issued our report there on dated December 6, 1996.

Except as discussed in the next paragraph, we conducted our audit in accordance with Generally Accepted Auditing Standards and the financial audit requirements of Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statements are free of material misstatement.

We did not have an external quality control review by an unaffiliated audit organization as required by paragraph 46 of Chapter 3 of Government Auditing Standards since no such quality control review program is offered by professional organizations in Morocco. We believe that the effect of this departure from the financial audit requirements of Government Auditing Standards is not material because we participate in the Price Waterhouse worldwide internal quality control program which requires the Price Waterhouse Casablanca office to be subjected, every two years, to an extensive quality control review by partners and managers from other Price Waterhouse offices.

Compliance with laws, regulations and procedures applicable to the Moroccan Amideast is the responsibility of Amideast Morocco's management. As part of obtaining reasonable assurance about whether the statements are free of material misstatement, we performed tests of Amideast Morocco's compliance with certain provisions of laws, regulations, contracts, subcontracts and binding policies and procedures. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such opinion.

The result of our tests indicate that with respect to the items tested, except for the matters noted below, Amideast 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 Amideast had not complied, in all material respects, with such provisions.



In summary, the reportable conditions are as follows:

- Salary taxes not withheld and remitted on remuneration paid to employees and consultants;
- High level of cash at bank.

This report is intended for the information of Amideast Morocco's management and the United States Agency for International Development. The restriction is not intended to limit the distribution of the report if it is a matter of public record.

Price Waterhouse

Casablanca, December 6, 1996



B. FINDINGS

1. Salary taxes not withheld and remitted on remuneration paid to employees and consultants.

We noted that no salary taxes were withheld by Amideast on remuneration paid to employees and consultants. The liabilities in this respect could amount to some DH 1.6 million as set out in Appendix 16.

Amideast is a not-for-profit organisation. In accordance with the contract between USAID and Amideast, USAID reimburses Amideast for gross salaries (including taxes) paid to Amideast employees.

Amideast/Morocco's standard employee contract states that the employees are paid gross salaries and the employees are responsible for payment of taxes to the government. The Government of Morocco requires the employer to withhold taxes.

We understand that USAID/Morocco is indemnified from withholding taxes from its employees, however we have no evidence that is applicable to contractors.

In practice, we are aware that some USAID contractors in Morocco do withhold taxes.

Recommendation

Amideast should comply with all local legislation in respect of withholding salary taxes.

In addition, a legal opinion should be sought to clarify Amideast's position as far as the tax authorities are concerned.

2. High level of cash at bank.

Our review highlighted a large opening and closing bank balance at Amideast. The balance at October, 1994 amounted to \$ 93 759 and at September 1996 it was \$ 83 840.



This large balance held at the bank may not be consistent with the spirit of a cost reimbursement program. We understand that Amideast receives advances from Washington based on following month estimated expenditures as opposed to reimbursement for expenses incurred.

Recommendation

Although the large balance existed at the start of the period under review i.e. prior to October 1994, the issue of cost reimbursement versus advances should be addressed, at the Washington level if necessary, between USAID and Amideast.



V- MANAGEMENT COMMENTS

See attached.

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ACTION: AID-1

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

DISTRIBUTION: AID

CHARGE: AID

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DE RUEHRB #2043/01 0861504

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FM AMEMBASSY RABAT

TO RUEHDK/AMEMBASSY DAKAR IMMEDIATE 0120

INFO RUEHC/SECSTATE WASHDC 5892

BT

UNCLAS SECTION 01 OF 02 RABAT 002043

AIDAC

RIG/DAKAR FOR THOMAS B. ANKLEWICH, AID/W FOR
M/MPI/MIC KYLE SCHOOLER

E.O. 12958: N/A

SUBJECT: DRAFT REPORT FOR THE AUDIT OF LOCAL
EXPENDITURES INCURRED BY AMIDEAST/MOROCCO UNDER
THE TRAINING FOR DEVELOPMENT PROJECT, 608-0208REF: YOUR MEMO DATED FEBRUARY 26, 1997 TO
MISSION DIRECTOR MICHAEL FARBMAN

1. USAID MOROCCO REVIEWED THE DRAFT AUDIT
REPORT AND THE TWO RECOMMENDATIONS THAT WILL BE
TRACKED BY THE INSPECTOR GENERAL'S OFFICE, AND
HAS THE FOLLOWING COMMENTS:

RECOMMENDATION 1.1: RESOLVE THE INELIGIBLE
QUESTIONED COSTS OF DOLLARS 33,807 AND RECOVER
THOSE COSTS DETERMINED TO BE UNALLOWABLE.

COMMENT: THE QUESTIONED COSTS (DOLLARS 24,757)
INVOLVE THE HIRING OF TWO CONSULTANTS WHO ARE
ALSO PROFESSORS AT ENIM. AMIDEAST HAS
RESEARCHED THE STATUS OF ENIM AND FOUND THAT THE
PAYMENT OF ENIM PROFESSORS DOES NOT VIOLATE
MOROCCAN LAW, AS LONG AS THE PROFESSORS DID NOT
RECEIVE SALARIES IN EXCESS OF 40 PERCENT OF THE
TOTAL PROJECT BUDGET. THE TWO PROFESSORS DID
NOT RECEIVE MORE THAN 40 PERCENT OF THE PROJECT
BUDGET.

AMIDEAST CONSULTED THE "POLICY GUIDANCE ON
CRITERIA FOR PAYMENT OF SALARY SUPPLEMENTS FOR

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HOST GOVERNMENT EMPLOYEES" ISSUED BY USAID (COPY TO BE HANDCARRIED). PARA 3 C. STATES THAT PAYMENT FOR WORK CARRIED OUT OUTSIDE OF NORMAL WORKING HOURS IS NOT TO BE CONSIDERED A SUPPLEMENTAL PAYMENT. CONSULTANTS PAID BY THE PROJECT CARRY AN AVERAGE TEACHING LOAD OF THREE HOURS PER WEEK. PROFESSORS ARE EXPECTED TO TAKE PART IN RESEARCH AND OTHER TYPES OF PROJECTS IN THE HOURS OUTSIDE OF THEIR TEACHING HOURS.

OTHER PARTS OF THIS SAME GUIDANCE ALSO CLEARLY ALLOW FOR UNIVERSITY AND RESEARCH INSTITUTE EMPLOYEES TO RECEIVE HONORARIA FOR PROJECT-RELATED RESEARCH AND SPECIFIC DUTIES CONDUCTED OUTSIDE THE NORMAL WORKING HOURS

THE INELIGIBLE COSTS (VAT) OF DOLLARS 9,050 OR DHS 77,000, INVOLVE REIMBURSEMENT VOUCHERS THAT INCLUDED VAT COSTS. AMIDEAST ACKNOWLEDGES THIS OVERBILLING AND WILL REPAY THE VAT ERRONEOUSLY BILLED TO THE USG.

RECOMMENDATION 1.2: ENSURE THAT AMIDEAST COMPLIES WITH USAID POLICY ON NON-PAYMENT OF SALARY SUPPLEMENTS TO HOST GOVERNMENT EMPLOYEES.

COMMENT: USAID CONCURS WITH THE RECOMMENDATION THAT USAID POLICY SHOULD BE STRICTLY FOLLOWED. USAID WILL FORMALLY SUBMIT A COPY OF THE ABOVE-REFERENCED POLICY TO AMIDEAST WITH THE SPECIFIC REQUEST TO SEEK WRITTEN APPROVAL FOR ALL PAYMENTS FOR FULL- OR PART-TIME EMPLOYEES OF THE HOST GOVERNMENT. A COPY OF THE TRANSMITTAL LETTER TO AMIDEAST WILL BE HAND-CARRIED TO DAKAR ALONG WITH THE OTHER DOCUMENTATION PER ABOVE.

IN VIEW OF THE ABOVE, USAID REQUESTS THAT RECOMMENDATION 1.1 BE CONSIDERED RESOLVED AND RECOMMENDATION 1.2 BE RESOLVED AND CLOSED UPON ISSUANCE OF THE FINAL AUDIT REPORT.

RECOMMENDATION 2.1: ENSURE THAT THE ISSUE OF AMIDEAST'S POTENTIAL LIABILITY OF AT LEAST DOLLARS 188,336 TO THE GOVERNMENT OF MOROCCO IS RESOLVED.

COMMENT: ALL AMIDEAST LOCAL EMPLOYEE CONTRACTS STIPULATE THAT THE EMPLOYEE IS RESPONSIBLE FOR PAYING MOROCCAN LOCAL TAX. THIS ARRANGEMENT IS SIMILAR TO THAT APPLIED TO ALL U.S. AGENCIES WORKING IN MOROCCO, AND THE DEVELOPMENT OF THIS POLICY WAS BASED ON THAT PRECEDENT. IN RESPONSE TO THE AUDIT, AMIDEAST SOUGHT OUT TWO LEGAL OPINIONS REGARDING AMIDEAST'S OBLIGATION TO

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WITHHOLD MOROCCAN INCOME TAX FOR ITS EMPLOYEES.
IN LIGHT
OF THE FACT THAT THERE REMAINED SOME
AMBIGUITY IN THESE OPINIONS CONCERNING THIS
ISSUE, AMIDEAST HAS DECIDED TO COMPLY WITH THE
WITHHOLDING REGULATION AND WILL CONTINUE TO DO
SO UNLESS IT IS DETERMINED, IN CONSULTATION WITH
GOM TAX AUTHORITIES, THAT THEY ARE EXEMPT FROM
THIS INCOME TAX WITHHOLDING REGULATION.
BEGINNING FEBRUARY 1, 1997 AMIDEAST BEGAN

WITHHOLDING INCOME TAXES FOR ITS MOROCCAN
EMPLOYEES. THE TFD PROJECT NOW IS IN FULL
COMPLIANCE WITH LOCAL TAX WITHHOLDING LAWS.
ALTHOUGH USAID TAKES THE POSITION THAT AMIDEAST
IS NOT LIABLE WE NEVERTHELESS RECOGNIZE THE
POTENTIAL FOR SOME CONTINGENT LIABILITY, AS
INDIVIDUAL EMPLOYEES ARE RESPONSIBLE TO PAY
THEIR TAXES. USAID WILL CONSULT THE GOVERNMENT
OF MOROCCO WITH THE INTENTION TO SEEK AN
EXONERATION OR A DEFINITION THAT DETERMINES THAT
U.S. NON-GOVERNMENT ORGANIZATIONS ARE EXEMPTED
FROM WITHHOLDING PAYROLL TAXES, BY EXTENSION OF
THE BI-LATERAL AGREEMENT.

RECOMMENDATION 2.2: TAKE ACTION TO ENSURE THAT
USAID IS PROTECTED FROM ANY LIABILITIES AS A
RESULT OF AMIDEAST'S FAILURE TO WITHHOLD
MOROCCAN GOVERNMENT PAYROLL TAXES.

COMMENT: USAID WILL CONSULT ITS REGIONAL LEGAL
ADVISOR REGARDING USAID'S POTENTIAL LIABILITY
FOR PAST LIABILITIES.

BASED ON THE MISSION'S PLANNED ACTIONS, WE
REQUEST THAT RECOMMENDATION 2.1 BE CONSIDERED
RESOLVED UPON ISSUANCE OF THE FINAL AUDIT
REPORT. WE BELIEVE THAT RECOMMENDATION 2.2 IS
NOT ACTIONABLE AS WRITTEN AND SHOULD BE
MODIFIED. AMIDEAST HAS TAKEN ACTION TO PROTECT

THEMSELVES AND USAID FROM ANY FUTURE POTENTIAL
OR CONTINGENT LIABILITY. HOWEVER, THE EXISTENCE
OR NON-EXISTENCE OF ANY POTENTIAL OR CONTINGENT
LIABILITY FOR PAST RESULTS OF AMIDEAST'S FAILURE
TO WITHHOLD MOROCCAN PAYROLL TAXES IS IMMUTABLE
AND THEREFORE NOT ACTIONABLE AS WRITTEN IN THE
DRAFT REPORT. IF IT IS DETERMINED THAT AMIDEAST
IS NOT RESPONSIBLE FOR WITHHOLDING TAXES, THE
ISSUE BECOMES MOOT. HOWEVER, IF AMIDEAST IS

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REQUIRED BY THE GOM TO PAY ANY AMOUNT OF THE POTENTIAL LIABILITY, THE CONCERN EXPRESSED BY THE AUDITORS THAT AMIDEAST MAY HAVE A CLAIM AGAINST USAID FOR REIMBURSEMENT, IS VALID. THERE IS NO ACTION THAT CAN BE TAKEN BY USAID AT THIS TIME TO ENSURE THAT USAID IS NOT SUBJECT TO SUCH A CLAIM FOR PAST ACTIVITIES.

2. USAID ALSO REVIEWED THE FINDINGS AS LISTED IN SECTION III, INTERNAL CONTROL STRUCTURE, WITH AMIDEAST. AMIDEAST APPRECIATES THE ADVICE TO IMPROVE THE INTERNAL FINANCIAL CONTROL AND HAS ALREADY UNDERTAKEN STEPS TO IMPROVE INTERNAL CONTROL OPERATIONS. GINSBERG

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VI- APPENDICES

Fund Accountability Statement by Month

	Oct-94	Nov-94	Dec-94	Jan-95	Feb-95	Mar-95	Apr-95	May-95	Jun-95	Jul-95	Aug-95	Sep-95	Total
OPENING BALANCE	93.759	67.894	44.316	104.710	77.450	39.319	15.557	15.664	32.536	(1.779)	37.286	41.968	93.759
AMIDEAST transfers	-	-	100.000	-	-	-	25.000	40.000	-	68.000	15.000	-	268.000
Interest earned	155	-	-	304	-	-	331	-	-	141	-	187	1.118
Cash advance	-	-	-	-	-	-	-	-	-	(124)	121	-	(2)
Subcontractor advance	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL RECEIPTS	155	-	100.000	304	-	-	25.331	40.000	-	68.018	35.121	187	269.116
Salaries, social security and benefit	7.667	6.516	13.165	9.107	8.149	6.671	8.939	7.272	9.160	8.329	7.059	9.108	101.141
Inter acct transfer (exchange differences)	-	516	46	-	(380)	-	41	545	503	(114)	203	(171)	1.190
TFD administration	10.178	8.914	9.838	7.131	22.598	9.890	7.997	8.408	16.892	7.256	13.519	7.489	130.129
TFD move to Rabat	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallowable expenditures	-	-	-	-	-	-	-	-	-	361	-	-	363
Miscellaneous	(940)	-	-	-	(15)	(31)	-	-	-	-	-	-	(985)
TFD Administration	9.238	9.430	9.884	7.131	22.203	9.859	8.037	8.953	17.395	7.505	13.742	7.318	130.696
Morocco TFD Marketing	32	198	-	-	1.291	-	-	-	-	-	-	-	1.521
Tuition Support (Tuition fees)	-	-	-	-	-	-	-	-	-	-	-	-	-
HRD Promotion	-	-	-	-	-	-	179	1.198	2.922	6	-	-	4.305
S.T. Training in Morocco	(459)	-	3.017	646	-	-	-	-	-	-	-	-	1.203
Technical Assistance	7.510	7.029	5.236	4.913	4.189	5.064	4.747	3.246	4.838	3.047	3.321	4.962	58.101
English Language Training	-	-	125	-	-	788	770	398	-	3.060	406	-	5.546
Linkages- US & Moroccan Institutions	2.033	406	8.160	5.766	2.299	(30)	796	2.062	-	-	-	-	21.492
Diagnostic & Special Studies	-	-	20	-	-	-	-	-	-	-	-	-	20
Program Costs	-	-	-	-	-	1.412	1.756	-	-	278	-	-	3.446
Subcontractor / Creative Associates	-	-	-	-	-	-	-	-	-	-	-	-	-
Support to DFC	-	-	-	-	-	-	-	-	-	-	-	-	-
Linkage IAU-Sup de Co	-	-	-	-	-	-	-	-	-	6.728	5.910	133	12.772
Linkage PSU-ENIM	-	-	-	-	-	-	-	-	-	-	-	3.912	3.912
Basic Education / MNE	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	26.020	23.578	39.606	27.564	38.131	23.763	25.224	23.128	34.314	28.953	30.439	25.433	346.154
ENDING BALANCE	67.894	44.316	104.710	77.450	39.319	15.557	15.664	32.536	(1.779)	37.286	41.968	16.721	16.721
OPERATING STATEMENT BALANCE												17.305	17.305
Exchange difference between ending balance and opening balance												(584)	(584)

Fund Accountability Statement by Month

	Oct-95	Nov-95	Dec-95	Jan-96	Feb-96	Mar-96	Apr-96	May-96	Jun-96	Jul-96	Aug-96	Sep-96	Total
OPENING BALANCE	16,721	99,839	34,477	57,312	25,537	32,693	81,496	38,952	45,615	28,107	33,077	39,622	16,721
AMIDEAST transfers	42,000	-	58,000	-	26,000	60,000	-	40,000	40,000	30,000	56,000	100,000	452,000
Interest earned	-	-	-	518	-	-	388	-	-	335	-	-	1,240
Cash advance	-	-	-	-	-	-	-	-	-	-	-	-	-
Subcontractor advance	71,500	-	20,000	-	-	50,000	11,300	-	-	-	-	-	152,800
TOTAL RECEIPTS	113,500	-	78,000	518	26,000	110,000	11,688	40,000	40,000	30,335	56,000	100,000	606,040
Salaries, social security and benefit	8,168	8,178	15,936	7,988	6,947	9,099	7,693	7,904	7,922	7,940	8,518	8,247	104,561
Inter acct transfer (exchange differences)	(463)	-	(164)	708	24	(110)	379	117	204	511	470	(42)	1,654
TFD administration	11,012	9,247	12,041	4,970	6,266	7,068	25,483	5,470	10,796	4,893	20,811	31,090	149,151
TFD move to Rabat	-	-	-	-	-	232	-	90	-	-	10,257	3,141	13,720
Unallowable expenditures	-	-	281	-	-	-	-	-	-	-	-	283	564
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-
TFD Administration	10,550	9,247	12,158	5,678	6,290	7,190	25,862	5,677	11,001	5,424	31,540	34,472	165,088
Morocco TFD Marketing	-	-	-	-	-	-	-	-	-	-	-	-	-
Tuition Support (Tuition fees)	-	2,660	6,256	2,431	-	-	-	-	-	-	-	-	11,347
HRD Promotion	6,781	-	-	-	-	-	-	-	-	-	-	-	6,781
S.T. Training in Morocco	-	-	-	-	-	-	-	-	-	-	-	-	-
Technical Assistance	4,217	3,337	2,903	3,434	-	452	-	-	-	-	-	-	14,343
English Language Training	-	-	-	-	-	-	-	-	-	-	-	-	-
Linkages- US & Moroccan Institutions	-	1,864	1,546	-	-	-	-	-	-	-	-	-	3,411
Diagnostic & Special Studies	-	-	-	-	-	-	-	-	-	-	-	-	-
Program Costs	-	-	-	-	-	-	-	-	-	-	-	-	-
Subcontractor / Creative Associates	666	40,075	16,393	10,905	673	9,918	15,226	16,321	31,859	731	-	-	142,767
Support to DFC	-	-	-	-	-	3,164	2,122	110	2,502	321	4,944	-	13,164
Linkage IAU-Sup de Co	-	-	(27)	-	2,005	27	-	-	731	7,294	1,292	-	13,321
Linkage PSU-ENIM	-	-	-	1,857	-	24,757	-	-	-	-	-	-	26,614
Basic Education / MNE	-	-	-	-	2,930	6,590	3,328	3,324	3,492	3,654	1,142	13,773	40,233
TOTAL EXPENDITURES	30,382	65,362	55,165	32,293	18,845	61,197	54,232	33,336	57,508	25,365	49,455	56,492	539,631
ENDING BALANCE	99,839	34,477	57,312	25,537	32,693	81,496	38,952	45,615	28,107	33,077	39,622	83,131	83,131
OPERATING STATEMENT BALANCE												83,840	83,840
Exchange difference between ending balance and opening balance												(710)	(710)

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Salaries, social security and benefit

	Oct-94	Nov-94	Dec-94	Jan-95	Feb-95	Mar-95	Apr-95	May-95	Jun-95	Jul-95	Aug-95	Sep-95	Total
2036 CNSS Contribution	(94)	(93)	(91)	(92)	(93)	(96)	(121)	(109)	(73)	(76)	(110)	(109)	(1,156)
2040 Net to payroll	6.667	6.637	6.460	6.547	6.642	6.797	7.024	6.958	7.121	7.308	7.169	7.085	82,414
7010 Health insurance	95	(28)	(27)	692	(28)	(31)	-	-	-	-	-	-	674
7015 13th month	-	-	5.857	-	-	-	-	-	-	-	-	-	5,857
7016 Other fringe	-	-	-	-	-	-	-	423	-	-	-	-	423
7021 Local social security	998	-	967	1,960	1,628	-	2,036	-	2,112	1,097	-	2,132	12,929
Total	7.667	6.516	13.165	9.107	8.149	6.671	8.939	7.272	9.160	8.329	7.059	9.108	101,141

	Oct-95	Nov-95	Dec-95	Jan-96	Feb-96	Mar-96	Apr-96	May-96	Jun-96	Jul-96	Aug-96	Sep-96	Total
2036 CNSS Contribution	(110)	(110)	(110)	(108)	(108)	(109)	(107)	(106)	(106)	(106)	(108)	(108)	(1,295)
2040 Net to payroll	7.195	7.203	7.160	7.035	7.054	7.079	7.060	6.964	6.980	6.996	7.585	7.235	85,546
7010 Health insurance	-	-	744	-	-	-	(722)	-	-	-	-	-	21
7015 13th month	-	-	7.062	-	-	-	-	-	-	-	-	-	7,062
7016 Other fringe	-	-	-	-	-	-	412	-	-	-	-	-	412
7021 Local social security	1,084	1,085	1,079	1,060	-	2,128	1,051	1,046	1,049	1,051	1,061	1,119	12,813
Total	8.168	8.178	15.936	7.988	6.947	9.099	7.693	7.904	7.922	7.940	8.538	8.247	104,561

TFD administration

	Oct-94	Nov-94	Dec-94	Jan-95	Feb-95	Mar-95	Apr-95	May-95	Jun-95	Jul-95	Aug-95	Sep-95	Total
Unallowable expenditures	-	-	-	-	-	-	-	-	-	363	-	-	363
Miscellaneous	(940)	-	-	-	(15)	(31)	-	-	-	-	-	-	(985)
Inter acct transfer exchange differences	-	516	46	-	(380)	-	41	545	503	(114)	203	(171)	1 190
TFD administration													
5007 Other fees and services	29	-	-	6	34	-	5	72	3 397	(204)	353	255	3 946
5008 Supplies & materials	543	953	584	460	863	95	1 305	840	51	1 054	154	59	6 962
5009 Computer supplies	19	-	93	-	24	-	35	-	10	281	127	-	589
5010 Occupancy	62	57	70	543	16 488	58	62	575	393	802	89	70	19 270
5012 Postage	8	5	70	41	5	29	12	35	40	1	-	2	247
5013 Freight & shipping	-	-	-	55	-	-	-	-	-	368	-	-	423
5014 Courier	-	247	93	87	144	147	185	142	142	385	30	106	1 707
5015 Telephone & fax	293	304	534	164	11	546	179	520	362	314	557	734	4 518
5016 Telex & email	-	240	332	361	140	353	918	-	1 144	(13)	290	485	4 251
5017 Maintenance & repair	24	192	-	34	49	-	-	25	129	-	36	172	659
5018 Service agreement	1 018	-	-	602	-	-	339	-	-	344	284	-	2 587
5021 Personnel training	-	-	-	-	-	-	-	-	-	-	-	-	-
5024 Travel in-region	-	1 630	1 999	167	-	469	(9)	840	-	573	323	127	6 120
5025 Travel international	-	-	-	-	171	(15)	-	-	-	-	548	-	703
5026 Local transportation	230	183	233	97	370	431	761	571	394	590	787	608	5 252
5027 Printing	-	-	582	-	-	-	-	77	-	-	-	-	659
5028 Dues & subscription	66	28	1	1	288	305	2	2	4	184	2	620	1 503
5029 Registration	-	11	273	-	-	753	179	531	-	-	548	595	2 889
5030 Books	-	64	-	23	-	-	-	-	-	-	-	-	87
5031 Conference & meeting plc	-	140	-	-	-	1 726	-	-	-	-	-	-	1 866
5032 Reproduction	181	-	0	684	-	294	92	-	-	351	-	-	1 603
5033 Rental of equipment	-	22	-	-	-	-	-	-	-	-	-	-	22
5036 Business lunch	15	272	-	-	-	140	51	85	46	25	-	42	677
5037 Insurance	2 809	-	-	-	-	-	-	-	-	-	-	-	2 809
5038 Miscellaneous	(116)	26	54	-	11	3	-	17	20	6	-	22	43
5039 Staff allowances housing	3 660	3 747	3 736	3 857	3 888	4 306	3 881	3 813	4 497	611	2 178	1 833	40 008
5040 Legal fees & audit	-	-	-	-	-	-	-	-	-	-	-	-	-
5042 U S consultant travel	-	(333)	-	-	-	-	-	-	-	-	-	-	(333)
5047 Staff allow shp/storage	-	-	-	-	-	-	-	-	-	-	7 052	1 759	8 811
5048 Staff allowances travel	-	-	1 141	(123)	-	-	-	-	-	1 692	183	-	2 893
5055 Staff allow education	-	-	-	-	-	-	-	59	6 263	-	-	-	6 322
5056 Translation	-	686	-	-	111	-	-	-	-	-	-	-	797
5100 Project furn & equip	1 339	440	43	71	-	250	-	204	-	(109)	-	-	2 239
Total TFD Administration	10 178	8 914	9 838	7 131	22 598	9 890	7 997	8 408	16 892	7 256	13 539	7 489	130 129
TFD move to Rabat													
5010 Occupancy	-	-	-	-	-	-	-	-	-	-	-	-	-
5015 Telephone	-	-	-	-	-	-	-	-	-	-	-	-	-
5017 Maintenance & repair	-	-	-	-	-	-	-	-	-	-	-	-	-
5053 Advertisement	-	-	-	-	-	-	-	-	-	-	-	-	-
Total TFD Move to Rabat	-	-	-	-	-	-	-	-	-	-	-	-	-



33

APPENDIX 4

TFD administration

	Oct-95	Nov-95	Dec-95	Jan-96	Feb-96	Mar-96	Apr-96	May-96	Jun-96	Jul-96	Aug-96	Sep-96	Total
Unallowable expenditures	-	-	281	-	-	-	-	-	-	-	-	283	564
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-
Inter acct transfer exchange differences	(463)	-	(164)	708	24	(110)	379	117	204	531	470	(42)	1 654
TFD administration													
5007 Other fees and services	144	(1,013)	106	1,057	451	456	16	-	444	717	5,279	17,401	25,057
5008 Supplies & materials	47	1,073	76	10	336	913	1,150	169	734	150	1,040	5	5,704
5009 Computer supplies	-	77	-	-	-	-	-	-	-	-	22	-	99
5010 Occupancy	2,562	574	592	573	358	398	17,025	68	926	2,28	9,097	801	33,201
5012 Postage	32	10	11	10	36	12	1	4	4	25	5	1	151
5013 Freight & shipping	-	-	-	-	-	-	-	-	-	-	-	-	-
5014 Courier	262	107	142	175	-	601	213	102	724	-	23	362	2,711
5015 Telephone & tax	693	618	443	(152)	1,120	375	644	360	211	409	465	434	5,621
5016 Telex & email	283	410	283	264	14	699	365	413	397	457	441	401	4,427
5017 Maintenance & repair	-	18	50	34	227	-	289	-	-	-	-	-	618
5018 Service agreement	-	212	-	-	333	-	-	326	-	-	-	-	1,479
5021 Personnel training	-	3,576	418	-	309	-	547	302	-	-	608	-	5,911
5024 Travel in-region	217	682	130	271	105	322	2,435	597	656	76	-	914	6,405
5025 Travel international	-	-	-	-	-	-	-	-	-	-	-	-	-
5026 Local transportation	1,753	679	530	785	364	937	521	829	925	747	511	882	9,464
5027 Printing	-	-	-	-	-	-	-	-	-	-	-	-	-
5028 Dues & subscription	81	3	38	3	409	19	3	2	2	3	-	1	566
5029 Registration	-	36	-	-	-	-	-	-	-	-	-	-	36
5030 Books	77	-	-	-	9	6	-	-	-	-	-	-	92
5031 Conference & meeting plc	-	-	-	-	-	76	-	-	-	-	-	-	76
5032 Reproduction	-	339	-	-	75	-	-	319	-	-	441	484	1,658
5033 Rental of equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
5036 Business lunch	-	60	79	52	59	237	(13)	-	211	76	-	68	830
5037 Insurance	2,912	-	-	-	-	-	-	-	-	-	-	-	2,912
5038 Miscellaneous	-	-	-	-	-	-	23	23	57	-	-	-	103
5039 Staff allowances housing	1,949	1,788	1,859	1,888	1,991	2,017	2,165	1,957	1,970	1,710	1,887	7,095	28,276
5040 Legal fees & audit	-	-	-	-	-	-	-	-	-	-	235	-	235
5042 U.S. consultant travel	-	-	-	-	-	-	-	-	-	-	-	-	-
5047 Staff allow ship/storage	-	-	-	-	-	-	-	-	-	-	-	574	574
5048 Staff allowances travel	-	-	2,961	-	69	-	100	-	3,535	295	-	-	6,960
5055 Staff allow education	-	-	4,322	-	-	-	-	-	-	-	-	1,664	5,986
5056 Translation	-	-	-	-	-	-	-	-	-	-	-	-	-
5100 Project furn & equip	-	-	-	-	-	-	-	-	-	-	-	-	-
Total TFD Administration	11,012	9,247	12,041	4,970	6,266	7,068	25,483	5,470	10,796	4,893	20,813	31,090	149,151
TFD move to Rabat													
5010 Occupancy	-	-	-	-	-	-	-	-	-	-	10,069	-	10,069
5015 Telephone	-	-	-	-	-	-	-	-	-	-	188	-	188
5017 Maintenance & repair	-	-	-	-	-	-	-	-	-	-	-	3,141	3,141
5053 Advertisement	-	-	-	-	-	232	-	90	-	-	-	-	322
Total TFD Move to Rabat	-	-	-	-	-	232	-	90	-	-	10,257	3,141	13,720



Support to DFC

	Oct-94	Nov-94	Dec-94	Jan-95	Feb-95	Mar-95	Apr-95	May-95	Jun-95	Jul-95	Aug-95	Sep-95	Total
5044 Local cons't fees	-	-	-	-	-	-	-	-	-	-	-	-	-
5045 Local cons't travel	-	-	-	-	-	-	-	-	-	-	-	-	-
5308 Supplies & materials	-	-	-	-	-	-	-	-	-	-	-	-	-
5312 Travel	-	-	-	-	-	-	-	-	-	-	-	-	-
5316 Tuition fees	-	-	-	-	-	-	-	-	-	-	-	-	-
5320 Conference & meeting plc	-	-	-	-	-	-	-	-	-	-	-	-	-
5321 Perdiem	-	-	-	-	-	-	-	-	-	-	-	-	-
5323 Translation	-	-	-	-	-	-	-	-	-	-	-	-	-
5325 Reproduction	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-	-	-

	Oct-95	Nov-95	Dec-95	Jan-96	Feb-96	Mar-96	Apr-96	May-96	Jun-96	Jul-96	Aug-96	Sep-96	Total
5044 Local cons't fees	-	-	-	-	-	-	-	-	2,069	-	-	-	2,069
5045 Local cons't travel	-	-	-	-	-	-	-	-	26	-	-	-	26
5308 Supplies & materials	-	-	-	-	-	241	51	-	-	321	-	-	613
5312 Travel	-	-	-	-	-	74	-	-	-	-	-	-	74
5316 Tuition fees	-	-	-	-	-	-	2,071	-	337	-	4,944	-	7,352
5320 Conference & meeting plc	-	-	-	-	-	2,217	-	-	-	-	-	-	2,217
5321 Perdiem	-	-	-	-	-	49	-	-	-	-	-	-	49
5323 Translation	-	-	-	-	-	583	-	-	-	-	-	-	583
5325 Reproduction	-	-	-	-	-	-	-	110	70	-	-	-	180
Total	-	-	-	-	-	3,164	2,122	110	2,502	321	4,944	-	13,164



Linkage TAU - Sup de Co

	Oct-94	Nov-94	Dec-94	Jan-95	Feb-95	Mar-95	Apr-95	May-95	Jun-95	Jul-95	Aug-95	Sep-95	Total
5312 Travel	-	-	-	-	-	-	-	-	-	-	5.910	1.292	7.202
5313 Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	42	42
5321 Perdiem	-	-	-	-	-	-	-	-	-	-	-	5.244	5.244
5322 Other fees & services	-	-	-	-	-	-	-	-	-	284	-	-	284
5326 Project participant advance	-	-	-	-	-	-	-	-	-	6.444	-	(6.444)	-
Total	-	-	-	-	-	-	-	-	-	6.728	5.910	133	12.772

	Oct-95	Nov-95	Dec-95	Jan-96	Feb-96	Mar-96	Apr-96	May-96	Jun-96	Jul-96	Aug-96	Sep-96	Total
5312 Travel	-	-	(27)	-	-	-	-	-	-	4.068	89	-	4.129
5313 Miscellaneous	-	-	-	-	-	27	-	-	-	-	-	-	27
5321 Perdiem	-	-	-	-	928	-	-	-	-	2.210	1.203	-	4.341
5322 Other fees & services	-	-	-	-	1.077	-	-	-	731	1.016	-	-	2.825
5326 Project participant advance	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	(27)	-	2.005	27	-	-	731	7.294	1.292	-	11.323



Basic Education / MNE

	Oct-94	Nov-94	Dec-94	Jan-95	Feb-95	Mar-95	Apr-95	May-95	Jun-95	Jul-95	Aug-95	Sep-95	Total
5308 Supplies & materials	-	-	-	-	-	-	-	-	-	-	-	-	-
5312 Travel	-	-	-	-	-	-	-	-	-	-	-	-	-
5313 Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-
5314 Books	-	-	-	-	-	-	-	-	-	-	-	-	-
5320 Conference & meeting plc	-	-	-	-	-	-	-	-	-	-	-	-	-
5321 Perdiem	-	-	-	-	-	-	-	-	-	-	-	-	-
5322 Other fees & services	-	-	-	-	-	-	-	-	-	-	-	-	-
5323 Translation	-	-	-	-	-	-	-	-	-	-	-	-	-
5325 Reproduction	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-	-	-

	Oct-95	Nov-95	Dec-95	Jan-96	Feb-96	Mar-96	Apr-96	May-96	Jun-96	Jul-96	Aug-96	Sep-96	Total
5308 Supplies & materials	-	-	-	-	-	2.775	85	67	-	-	-	1.240	4.166
5312 Travel	-	-	-	-	-	-	3	-	487	302	-	2.477	3.268
5313 Miscellaneous	-	-	-	-	-	-	74	-	-	-	-	-	74
5314 Books	-	-	-	-	-	35	-	-	-	-	-	-	35
5320 Conference & meeting plc	-	-	-	-	-	758	19	-	-	-	-	-	777
5321 Perdiem	-	-	-	-	-	-	-	-	-	-	-	5.830	5.830
5322 Other fees & services	-	-	-	-	2.930	3.022	3.061	3.258	2.867	3.352	3.142	4.227	25.858
5323 Translation	-	-	-	-	-	-	-	-	138	-	-	-	138
5325 Reproduction	-	-	-	-	-	-	86	-	-	-	-	-	86
Total	-	-	-	-	2.930	6.590	3.328	3.324	3.492	3.654	3.142	13.773	40.233



**FUND ACCOUNTABILITY STATEMENT OF AMIDEAST (EXCEPT DEPT. 360)
FOR THE PERIOD FROM OCTOBER 1, 1994 TO SEPTEMBER 30, 1996**

	<u>94/95</u>	<u>95/96</u>	<u>Total</u>
Salaries	33.238	27.898	61.136
Absences	6.734	5.652	12.386
Fringes	11.484	9.639	21.123
Overhead	34.450	28.915	63.365
Travel (5023-26, 42-43, 45-48)	19.400	272	19.672
Allowances (5039, 47-49, 55)	-	-	-
Consultants (5041-44)	3.025	-	3.025
ODC's (All other in ODC range)	7.871	9.057	16.928
G&A	37.441	26.237	63.678
Furn. & Equip. 5100	-	-	-
Pass through costs 5102, 04, 5302-24	71.220	86.349	157.569
Subcontracts 5301 only	393.723	433.132	826.855
Program Costs 5401-40	12.769	-	12.769
TOTAL EXPENDITURES	631.356	627.151	1.258.507



Appendix 16 - CONTINGENT LIABILITY RELATING TO SALARY TAXES

	<u>Employees</u>	<u>Consultants</u>
Total salaries/fees paid	1 554 014	862 486
Gross salaries (as would be computed by Moroccan tax authorities)	2 316 121	1 418 713
IGR (Personal income tax)	766 139	556 227
Penalty (Note 1)	74 038	72 309
Late payment interest - 1% per month	104 689	65 482
Total Contingent Liability for the audit period \$ <u>1 638 526</u>		

Note 1 - the penalty is 13% for withholding taxes on payments to consultants and 10% in respect of employees.



DH/S rates

<u>Oct-94</u>	<u>Nov-94</u>	<u>Dec-94</u>	<u>Jan-95</u>	<u>Feb-95</u>	<u>Mar-95</u>	<u>Apr-95</u>	<u>May-95</u>	<u>Jun-95</u>	<u>Jul-95</u>	<u>Aug-95</u>	<u>Sep-95</u>
8.71	8.75	8.99	8.87	8.77	8.57	8.39	8.47	8.46	8.27	8.43	8.53
<u>Oct-95</u>	<u>Nov-95</u>	<u>Dec-95</u>	<u>Jan-96</u>	<u>Feb-96</u>	<u>Mar-96</u>	<u>Apr-96</u>	<u>May-96</u>	<u>Jun-96</u>	<u>Jul-96</u>	<u>Aug-96</u>	<u>Sep-96</u>
8.4	8.39	8.44	8.59	8.6	8.57	8.69	8.81	8.79	8.77	8.69	8.7

BEST AVAILABLE COPY

47