

NON-FEDERAL AUDIT REPORT
OF
MANAGEMENT SCIENCES FOR HEALTH, INC.
CONTRACT NO. 522-0153-C-00-5397-00
JULY 1, 1985 TO DECEMBER 31, 1988

AUDIT REPORT NO. 0-000-91-02-N
APRIL 30, 1991

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Agency for International Development
Washington, D.C. 20523

April 30, 1991

MEMORANDUM FOR USAID/Honduras, John Sanbrailo, Director

FROM: IG/A/FA, Richard A. Barth, Acting Director

SUBJECT: Audit of Management Sciences for Health, Inc., USAID
Contract No. 522-0153-C-00-5397-00 for the period July 1,
1985 to December 31, 1988

Audit Report No. 0-000-91-02-N

The enclosed KPMG Peat Marwick non-Federal audit report presents the results of an independent financial audit of Management Sciences for Health, Inc. (MSH), USAID Contract No. 522-0153-C-00-5397-00 for the period July 1, 1985 to December 31, 1988.

MSH signed a contract with USAID/Honduras in June 1985 for an amount of \$6,520,842, as amended on February 4, 1989. The objective of the contract was to assist in the permanent strengthening of the capability of the Honduran Ministry of Health to effectively and efficiently manage and administer its resources in support of its health care programs with particular emphasis on its primary health care program. As of December 31, 1988, actual expenditures totaled \$6,412,786.

The audit was initiated at the Mission's request. The objectives were to determine whether: the Statement of Contract Expenditures presented fairly the expenditures from July 1, 1985 to December 31, 1988; internal controls were adequate; and there was compliance with laws, regulations, and contract terms. The scope of the audit included an examination of MSH's activities and transactions to the extent considered necessary to issue a report thereon for the period under audit.

KPMG Peat Marwick concluded that MSH did not maintain adequate accounting records and sufficient evidential documents supporting the allowability of salary and allowance expenditures charged to the contract, and was unable to apply other auditing procedures as to the allowability of the expenditures. Accordingly, they were unable to express an opinion on the Statement of Contract Expenditures. In addition, the audit disclosed questioned costs amounting to \$659,691 as shown by the schedule on page 19, and noted certain compliance and internal control conditions that required reporting to management. The questioned items comprise \$616,494 of ineligible costs and \$43,197 of unsupported costs. Ineligible costs are all those costs unallocable and or unallowable

in accordance with the terms of the contract, applicable laws, and regulations. Unsupported costs are costs not properly supported by MSH because there was inadequate documentation to permit a determination of allowability, or documentation could not be located by MSH.

KPMG Peat Marwick reported two material instances of noncompliance: (1) MSH paid post differential and other allowances to third country nationals without A.I.D. approval; and (2) MSH granted salary increases beyond the contract maximum without A.I.D. approval. KPMG Peat Marwick's study and evaluation of the internal control structure disclosed one material weakness in that MSH did not adequately segregate incompatible accounting and administrative functions. In regard to other instances of noncompliance and weakness in internal controls, KPMG Peat Marwick found that personnel files and documentation were sometimes inadequate to support payments for salaries, allowance, bonuses, severances, per diem, nonexpendable equipment, and the use of consultants.

KPMG Peat Marwick discussed the findings and recommendations with MSH officials and gave due consideration to their oral and written comments. MSH verbally concurred with the factual accuracy of the findings.

The KPMG Peat Marwick report contains 18 recommendations pertaining to questioned costs and to improve compliance and internal controls. We have summarized these for inclusion in the Office of the Inspector General's audit recommendation follow-up system.

Recommendation No. 1

We recommend that USAID/Honduras:

- a. resolve the ineligible contract costs of Management Sciences for Health, Inc. totaling \$616,494; and
- b. resolve the unsupported contract costs of Management Sciences for Health, Inc. totaling \$43,197.

Recommendation No. 2

We recommend that USAID/Honduras require Management Sciences for Health, Inc. to improve compliance and internal controls by:

- a. complying with USAID regulations relative to payment of allowance to third country nationals;
- b. reviewing salary increases for compliance with terms of the contract;

- c. providing for an adequate segregation of accounting and administrative duties;
- d. implementing internal control procedures over fixed assets including an identification of fixed assets purchased with A.I.D. funds; and
- e. maintaining personnel files and documentation (including approvals) to support payments for salaries, allowances, bonuses, severances, per diem, nonexpendable equipment, and the use of consultants.

Please advise this office within 30 days of actions planned or taken to resolve and close the above recommendations.

Audit of

MANAGEMENT SCIENCES FOR HEALTH, INC.

USAID Contract Number 522-0153-C-00-5397-00

July 1, 1985 to December 31, 1988

(With independent auditors' report thereon)

MANAGEMENT SCIENCES FOR HEALTH, INC.

USAID Contract Number 522-0153-C-00-5397-00

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KPMG Peat Marwick

Certified Public Accountants

2001 M. Street, N.W.
Washington, DC 20036

January 4, 1991

Mr. William Spat
IG/A/FA SA-16 (RPE)
Room 514
Washington, D.C. 20523-1604

Dear Mr. Spat:

This report presents the results of our audit of Management Sciences for Health, Inc. (MSH), United States Agency for International Development contract number 522-0153-C-00-5397-00, for the period July 1, 1985 to December 31, 1988.

BACKGROUND

Management Sciences for Health, Inc.. was established in 1971 to support the development and application of management concepts in the fields of public health and preventive medicines.

MSH signed a contract with USAID in June, 1985 (USAID contract number 522-0153-C-00-5397-00) for an amount of \$6,520,842, as amended on February 4, 1989. The objective of the contract was to assist in the permanent strengthening of the capability of the Honduran Ministry of Health to effectively and efficiently manage and administer its resources in support of its health care programs with particular emphasis on its primary health care program.

AUDIT OBJECTIVES AND SCOPE

The objective was to perform a cost and compliance audit of USAID contract number 522-0153-C-00-5397-00 for the period July 1, 1985 to December 31, 1988, administered by MSH.

We were to perform our work in accordance with Generally Accepted Auditing Standards and the Comptroller General's "Government Auditing Standards" (1988 Revision) and, accordingly, include such tests of the accounting records, internal control structure and such other auditing procedures as we considered necessary in the circumstances to determine whether:

1. The Statement of Contract Expenditures presents fairly the expenditures from July 1, 1985 to December 31, 1988, according to the terms of the contract, identifying unsupported costs or those not considered appropriately allocable or allowable under the contract.
2. MSH's internal control structure was sufficient to capture data under the contracts and was adequate for the contract's purposes.



3. MSH complied with the terms of the contract and applicable laws and regulations.

The major audit procedures conducted during our work in order to meet the audit objectives consisted of:

Salaries

Analyzing employees' salaries individually to verify salary increases were in accordance with the terms of the contract.

Examining employees' timesheets on a selected basis to determine the propriety of the salaries charged to the contract.

Allowances

Analyzing allowances charged to the contract to verify employees' eligibility to receive the allowances and determine whether the allowances were in accordance with applicable laws and regulations.

Other Direct Costs

Examining supporting documentation for selected expenses to determine allowability of expenditures and compliance with the terms of the contract, applicable laws and regulations.

Internal Control Review

Studying and evaluating MSH's internal control structure relative to USAID contract number 522-0153-C-00-5397-00 in order to assess the control risks and to determine our auditing procedures.

RESULTS OF THE AUDIT

Statement of Contract Expenditures

MSH did not maintain adequate accounting records and sufficient evidential documents supporting the allowability of salary and allowance expenditures charged to USAID contract number 522-0153-C-00-5397-00. We were unable to apply other auditing procedures to satisfy ourselves as to the allowability of the expenditures. In addition, our audit disclosed questioned costs amounting to \$659,691 (\$43,197 of which were unsupported).

Because of the above scope limitation, we were unable to express an opinion on the Statement of Contract Expenditures of USAID contract number 522-0153-C-00-5397-00, for the period July 1, 1985 to December 31, 1988, administered by MSH.

Compliance with the Terms of the Contract and Applicable Laws and Regulations

As part of our audit, we performed tests of MSH's compliance with certain provisions of the contract and laws, regulations, grants, and binding policies and procedures. We performed those tests of compliance as part of obtaining reasonable assurance about whether the Statement of Contract Expenditures is free of material misstatement; our objective was not to provide an opinion on compliance with such provisions.

Our tests of compliance disclosed the following instances of non-compliance, the first two of which are considered to be material:

1. USAID regulations relative to payment of allowances to third country nationals were not followed.
2. Salary increases were in excess of maximum allowable.
3. Documentation was not maintained to verify whether salaries exceeded the maximums allowed under the contract.
4. Per diem was paid in excess of the maximums allowed by the contract.
5. Use of consultants was not properly approved.
6. An automation equipment purchase in excess of \$10,000 was not approved.
7. A direct labor charge was not properly calculated.
8. Certain costs were unsupported.
9. "Thirteenth month" bonuses were paid to local employees in Honduras.
10. AID approval was not obtained for salaries paid to CCN's working under the contract.
11. Severance pay was paid to local employees in Honduras.
12. AID approval was not obtained for the purchase of nonexpendable equipment.

Except as described above, the results of our tests of compliance indicate that with respect to the items tested MSH complied, in all material respects, with the provisions of the contract and laws, regulations, grants, and binding policies and procedures. With respect to the items not tested, the extent of non-compliance noted in our testing indicates that there is more than a relatively low risk that MSH may have violated applicable laws and regulations.

Internal Control Structure

We studied and evaluated MSH's internal control structure relative to USAID contract number 522-0153-C-00-5397-00 in order to assess the control risks and to determine our auditing procedures for the purpose of expressing an opinion on the Statement of Contract Expenditures of MSH and not to provide assurance on MSH's internal control structure taken as a whole. Due to a lack of segregation of incompatible duties prior to January, 1988, our study and evaluation did not extend beyond a preliminary review stage.

We noted matters that we consider reportable conditions under Generally Accepted Auditing Standards and the United States Comptroller General's "Government Auditing Standards" (1988 Revision). We believe that the matter identified as number 1 represents a material weakness. Our findings are as follows:

1. Adequate segregation of duties was not maintained.
2. Salary changes were not adequately documented.
3. Documentation of rates used to calculate per diem and allowances and currency translations was not retained.
4. Personnel files were inadequate.
5. Timesheets were not mathematically accurate or were not approved.
6. Effective controls over fixed assets were not maintained.

Management Comments

The findings included in this report have been presented to management, and management has verbally concurred with the factual accuracy of these findings.

KPMG Peat Marwick

Certified Public Accountants

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MANAGEMENT SCIENCES FOR HEALTH, INC.

USAID Contract Number 522-0153-C-00-5397-00

Statement of Contract Expenditures

Independent Auditors' Report

We were engaged to audit the accompanying Statement of Contract Expenditures of Management Sciences for Health, Inc. (MSH), USAID contract number 522-0153-C-00-5397-00, for the period July 1, 1985 to December 31, 1988. The Statement of Contract Expenditures is the responsibility of MSH's management.

As described in the accompanying Schedules of Findings and Questioned Costs, the Statement of Contract Expenditures includes expenditures of \$659,691 considered questioned costs, of which \$43,197 are unsupported costs. USAID will make a final determination as to whether the questioned costs are allowable under the terms of the contract.

Based on the nature and extent of the above questioned costs, we were unable to determine whether MSH maintained adequate accounting records and sufficient documentation to support the allowability of salary and allowance expenditures charged to the contract during the period July 1, 1985 to December 31, 1988 and were unable to apply other auditing procedures to satisfy ourselves as to the allowability of these expenditures. Accordingly, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the Statement of Contract Expenditures.

This report is intended solely for the use of the U.S. Agency for International Development and MSH. This restriction is not intended to limit the distribution of this report which, upon acceptance by the Office of the Inspector General, is a matter of public record.

KPMG Peat Marwick

January 4, 1991



MANAGEMENT SCIENCES FOR HEALTH, INC.

USAID Contract Number 522-0153-C-00-5397-00

Statement of Contract Expenditures

For the period July 1, 1985 to December 31, 1988

<u>Expenditures</u>	<u>Budget</u>	<u>Actual</u>
Salaries and wages	\$ 2,334,389	\$ 2,262,843
Consultants	231,234	194,965
Overhead	1,613,459	1,551,455
Travel and transportation	453,364	381,986
Allowances	433,793	440,704
Other direct costs	639,416	733,712
Equipment	169,050	200,984
Fixed fee	<u>646,137</u>	<u>646,137</u>
Total expenditures	\$ <u>6,520,842</u>	\$ <u>6,412,786</u>

See accompanying independent auditors' report and note to the Statement of Contract Expenditures.

MANAGEMENT SCIENCES FOR HEALTH, INC.

USAID Contract Number 522-0153-C-00-5397-00

Note to the Statement of Contract Expenditures

Nature of Operations and Summary of Significant Accounting Policies

- a) Management Sciences for Health, Inc. (MSH) was established in 1971 to support the development and application of management concepts in the fields of public health and preventive medicines.

The objective of the USAID contract was to strengthen the capability of the Ministry of Health of the Government of Honduras to effectively and efficiently manage and administer its resources in support of its health care programs with particular emphasis on its primary health care program.

- b) Expenditures are related to the disbursing of funds provided by USAID to accomplish the objectives of the projects discussed above. Expenditures are recognized as incurred, in accordance with generally accepted accounting principles.

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MANAGEMENT SCIENCES FOR HEALTH, INC.

USAID Contract Number 522-0153-C-00-5397-00

Compliance with the Terms of the Contract and Applicable
Laws and Regulations

Independent Auditors' Report

We were engaged to audit the Statement of Contract Expenditures of Management Sciences for Health, Inc. (MSH), USAID contract number 522-0153-C-00-5397-00, for the period July 1, 1985 to December 31, 1988, and have issued our report thereon dated January 4, 1991, on which we disclaimed an opinion due to limitations in the scope of our work.

Compliance with the terms of the contract and the laws, regulations, grants, and binding policies and procedures applicable to MSH is the responsibility of MSH's management. As part of our audit, we performed tests of MSH's compliance with certain provisions of the contract and laws, regulations, grants, and binding policies and procedures. However, it should be noted that we performed those tests of compliance as part of obtaining reasonable assurance about whether the financial statements are free of material misstatement; our objective was not to provide an opinion on compliance with such provisions.

Material instances of non-compliance are violations of the contract, laws, regulations, grants, or binding policies and procedures that cause us to conclude that the aggregation of misstatements resulting from those violations is material to the Statement of Contract Expenditures. The results of our tests of compliance disclosed the material instances of non-compliance described as findings 1 and 2 in the accompanying Schedule of Findings.

We considered these material instances of non-compliance in preparing our report on MSH's Statement of Contract Expenditures.

Our testing of transactions and records selected disclosed instances of non-compliance with the terms of the contract and applicable laws and regulations. All instances of non-compliance that we found are identified in the accompanying Schedule of Findings. All questioned costs relating to these findings are summarized in the accompanying Schedule of Questioned Costs.



Except as described above, the results of our tests of compliance indicate that with respect to the items tested MSH complied, in all material respects, with the provisions referred to in the second paragraph of this report. With respect to the items not tested, the extent of non-compliance noted in our testing indicates that there is more than a relatively low risk that MSH may have violated the terms of the contract or applicable laws and regulations.

This report is intended solely for the use of the U.S. Agency for International Development and MSH. This restriction is not intended to limit the distribution of this report which, upon acceptance by the Office of the Inspector General, is a matter of public record.

January 4, 1991

KPMG Pest M...
KPMG Pest M... (handwritten signature)

MANAGEMENT SCIENCES FOR HEALTH, INC.

USAID Contract Number 522-0153-C-00-5397-00

Compliance with the Terms of the Contract and Applicable
Laws and Regulations

Schedule of Findings

Material Findings

1. MSH did not comply with USAID regulations relative to payment of allowances to third country nationals

Condition:

MSH paid post differentials and other allowances to three third country nationals without obtaining specific authorization from the cognizant Assistant Administrator or Mission Director.

Criteria:

Agency for International Development Acquisition Regulations (AIDAR), under clause 752.7028 entitled "Differentials and Allowances" states "This clause does not apply to TCN (third country national) or CCN (cooperating country national) employees. TCN and CCN employees are not eligible for differentials and allowances, unless specifically authorized by the cognizant Assistant Administrator or Mission Director."

Cause:

Management believed that since the payment of allowances to TCN's was included and disclosed in the proposal and subsequently incorporated into the contract agreement, MSH had authorization to pay the allowances. Furthermore, it was the policy of MSH to treat all employees equally, regardless of nationality.

Effect:

TCN's were paid allowances totaling \$146,702, all of which has been included as ineligible costs in the Schedule of Questioned Costs.

Recommendation:

We recommend that MSH not pay allowances to TCN's or CCN's without obtaining the proper approvals.

2. Salary increases were in excess of maximum allowable

Condition:

For employees paid out of MSH's Boston office, in 9 of 10 instances during the contract period, salary increases exceeding the maximum allowable per the contract were not approved by the Contracting Officer. For local employees (i.e., those paid out of MSH's Tegucigalpa office), in 5 instances out of 20 monthly salary disbursements sampled, salary increases exceeding the maximum allowable per the contract were not approved by the Contracting Officer.

Criteria:

Article V, paragraph (a)(4) of the contract states "With respect to employees performing work overseas under this contract, one annual salary increase of not more than 10% of the employee's base salary may, subject to the Contractor's established policy and practice, be granted after the employee's completion of each twelve month period of satisfactory services under the contract. Annual salary increases of any kind exceeding these limitations ... may be granted only with the advance written approval of the Contracting Officer."

Cause:

Salary increases were not adequately reviewed by MSH to ensure compliance with the terms of the contract.

Effect:

\$12,115 and \$2,163 of salaries in excess of the maximum allowable were paid out of the Boston and Tegucigalpa offices, respectively, and are included as ineligible costs in the Schedule of Questioned Costs. In addition, overhead of \$8,408 and \$0 was applied to the excess salaries and is also included as an ineligible cost in the Schedule of Questioned Costs.

Recommendation:

MSH management should review salary increases for compliance with the terms of the contract.

Other Findings

3. MSH did not maintain documentation to verify whether salaries paid under the contract exceeded the maximums allowed under the contract.

Condition:

For employees whose records were maintained by MSH's Boston and Tegucigalpa offices, in 10 of 13 and 14 of 14 instances tested, respectively, MSH did not maintain documentation to verify whether salaries paid under the contract exceeded the maximums allowed under the contract.

Criteria:

Article V, paragraph (a)(1) of the contract states " ... nor may any individual salary or wage, without approval of the Contracting Officer, exceed the employee's current salary or wage or the highest rate of annual salary or wage received during any full year of the immediately preceding three years."

Cause:

MSH did not maintain adequate personnel files.

Effect:

We were unable to verify whether starting salaries for personnel working under the contract were or were not in compliance with the terms of the contract. Accordingly, we were unable to determine whether there were any questioned costs relating to the level of starting salaries.

Recommendation:

Personnel files should have adequate documentation to support starting salaries paid to contract specific personnel.

4. Per diem was paid in excess of maximum

Condition:

In 1 of 8 instances tested, an employee received the incorrect per diem rate for one day.

Criteria:

Employees are paid per diem based on the location of travel.

Cause:

The per diem rate paid was not adequately reviewed for compliance with approved rates.

Effect:

Excess per diem amounting to \$57 was paid to an employee. This cost is included as an ineligible cost in the Schedule of Questioned Costs.

Recommendation:

Per diem rates should be reviewed for compliance with approved rates.

5. Use of consultants was not properly approved

Condition:

In 3 of 8 instances tested, a consultant's salary was charged to the contract without approval from USAID.

Criteria:

Article V, section (A)(5) of the contract states "No compensation for consultants will be reimbursed unless their use under the contract has advance written approval of ... AID Project Officer."

Cause:

MSH did not maintain proper written approval for use of consultants.

Effect:

Consultant expenditures amounting to \$9,765 were not approved by the AID Project Officer. These costs are included as ineligible costs in the Schedule of Questioned Costs.

Recommendation:

Documentation of USAID approvals for use of consultants should be obtained and retained by MSH.

6. Automation equipment purchase in excess of \$10,000 was not approved

Condition:

MSH could not locate documentation of approval by USAID for the purchase of one piece of automation equipment costing in excess of \$10,000. There was only one such acquisition during the period under audit.

Criteria:

Article VII, paragraph (d) of the contract states " the Contractor must obtain the approval of USAID/Honduras for any purchases of automation equipment, software ... if the total cost of such purchases will exceed \$10,000."

Cause:

MSH did not maintain necessary supporting approval from USAID.

Effect:

Automation equipment amounting to \$22,140 was purchased by MSH without documentation of approval from USAID/Honduras. This cost has been included as an ineligible cost in the Schedule of Questioned Costs.

Recommendation:

Documentation of approval for purchases of automation equipment in excess of \$10,000 should be obtained and retained by MSH.

7. Direct labor charge was not properly calculated

Condition:

In 1 of 8 instances tested, the direct labor charge was not properly calculated, based on our review of the employee's annual salary and his timesheet distribution.

Criteria:

Direct labor should be allocated to proper accounts and contracts based on the timesheet and annual salary.

Cause:

The allocation of direct labor was calculated improperly.

Effect:

Direct labor and overhead amounting to \$186 and \$148, respectively, were improperly charged to the contract. These costs are included as ineligible costs in the Schedule of Questioned Costs.

Recommendation:

Allocation of direct labor charges should be reviewed for accuracy.

8. Certain costs were unsupported

Condition:

The following expenditures did not have adequate documentation to permit a determination of allowability, or documentation could not be located by MSH:

<u>Expenditure</u>	<u>Inadequate Documentation</u>	<u>Unlocated Documentation</u>	<u>Total Unsupported</u>
Salaries	\$ -	\$ 6,485	\$ 6,485
Overhead	-	5,032	5,032
Equipment	9,193	-	9,193
Consulting	-	3,394	3,394
Allowance	-	<u>19,093</u>	<u>19,093</u>
Total	\$ <u>9,193</u>	\$ <u>34,004</u>	\$ <u>43,197</u>

Criteria:

Expenditures must be adequately supported to permit a determination of allowability and necessity in accordance with the terms of the contract.

Cause:

The contract period was for an extended period of time and was completed approximately two years ago. In the intervening period, records have been moved and re-filed several times.

Effect:

The allowability of the expenditures could not be determined.

Recommendation:

MSH should maintain adequate documentation of expenditures to reduce the likelihood of questioned costs.

9. MSH paid "thirteenth month" bonuses to local employees

Condition:

In 3 instances out of 15 salary disbursements sampled from the months of December 1985 and 1986, we noted payments to cooperating country nationals (CCN's) for "thirteenth month" bonuses.

Criteria:

The contract and Agency for International Development Handbook 14 do not specify any allowances or bonuses relating to CCN's which are allowable expenditures.

Cause:

Honduran law requires the payment of a "thirteenth month" bonus to all Honduran employees.

Effect:

CCN's were paid \$2,056 in bonuses, which have been included as ineligible costs in the Schedule of Questioned Costs.

Recommendation:

We recommend that MSH obtain AID approval for legally required bonuses which are not specified by the terms of the contract or AID regulations.

10. MSH did not obtain AID approval of the salaries paid to CCN's working under the contract

Condition:

MSH did not obtain AID approval of the salaries paid to any of the CCN's working under the contract.

Criteria:

The AID contract, Article V(a)(6), states that, "No compensation for third country or cooperating country nationals will be reimbursed unless their use under the contract has the prior written approval of the cognizant USAID project officer".

Cause:

MSH submitted a schedule of positions and rates for CCN's with its "Business Management Proposal" included in MSH's response to AID's RFP. This proposal, however, did not specify individual employees or include biodata sheets. MSH indicated that the oral approval of the cognizant USAID project officer, James Corley, was obtained.

Effect:

Total amounts of CCN salary and related overhead were \$379,898 (exclusive of ineligible excessive salary increases of \$2,163 and bonuses of \$2,056 reported in findings 2 and 9, respectively) and \$0, respectively. These amounts are included as ineligible costs in the Schedule of Questioned Costs. We were unable to determine the total amount paid to local consultants.

Recommendation:

Documentation of USAID approvals for the use of CCN's and local consultants should be obtained and retained by MSH.

11. MSH paid severance pay to local employees

Condition:

We noted 5 instances out of 88 salary disbursements which included severance pay to CCN's.

Criteria:

The contract and Agency for International Development Handbook 14 do not specify any allowances or bonuses relating to CCN's which are allowable expenditures.

Cause:

Honduran law only requires the payment of severance pay to Honduran employees dismissed without cause. MSH felt that the payment of severance pay to all employees was more equitable.

Effect:

CCN's were paid \$21,231 in severance pay, which has been included as an ineligible cost in the Schedule of Questioned Costs.

Recommendation:

Documentation of USAID approvals for the payment of severance pay should be obtained and retained by MSH.

12. MSH did not obtain AID approval for the purchase of nonexpendable equipment

Condition:

In four instances out of five equipment field expense disbursements sampled, one instance out of 12 office supplies field expense disbursements sampled, and one out of 10 outside service field expense disbursements, written AID approval was not obtained.

Criteria:

The USAID contract Article VII(b) states that, "all purchases of nonexpendable equipment require approval of USAID Honduras".

Cause:

MSH indicated that the oral approval of the cognizant USAID project officer, James Corley, was obtained.

Effect:

Since no record of USAID approval was maintained, \$11,625 of nonexpendable equipment expenditures has been included as an ineligible cost in the Schedule of Questioned Costs.

Recommendation:

Documentation of written USAID approvals for the purchase of nonexpendable equipment should be obtained and retained by MSH.

MANAGEMENT SCIENCES FOR HEALTH, INC.

USAID Contract Number 522-0153-C-00-5397-00

Compliance with the Terms of the Contract and Applicable
Laws and RegulationsSchedule of Questioned Costs

For the Period July 1, 1985 to December 31, 1988

According to A.I.D. applicable regulations, costs charged to a project must meet the following general criteria:

- a) Be reasonable for the performance of the project. A cost is reasonable if, in its nature or amount, it does not exceed that which would be incurred by a prudent person under the same circumstances.
- b) Be allocable to the project. A cost is allocable in accordance with the relative benefits received.
- c) Conform to any limitations or exclusions set forth in the agreement in which the project is based.
- d) Be adequately documented.

Ineligible costs are all those costs unallocable and or unallowable in accordance with the terms of the contract, applicable laws and regulations. Unsupported costs are costs not properly supported by the recipient, in excess of the budgeted amount per line item including allowable variances, and costs considered unreasonable under the circumstances.

The following costs were questioned because they were not adequately supported or were not in compliance with the contract, applicable laws or regulations:

<u>Budget category</u>	<u>Ineligible Costs</u>	<u>Unsupported Costs</u>	<u>Total</u>
Salaries and Wages	\$ 417,649	\$ 6,485	\$ 424,134
Consultants	9,765	3,394	13,159
Overhead	8,556	5,032	13,588
Allowances	146,759	19,093	165,852
Other Direct Costs	2,587	-	2,587
Equipment	<u>31,178</u>	<u>9,193</u>	<u>40,371</u>
Total questioned costs	\$ <u>616,494</u>	\$ <u>43,197</u>	\$ <u>659,691</u>

These costs were previously described in the Schedule of Findings.

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Certified Public Accountants

2001 M. Street, N.W.
Washington, DC 20036

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MANAGEMENT SCIENCES FOR HEALTH, INC.

USAID Contract Number 522-0153-C-00-5397-00

Internal Controls

Independent Auditors' Report

We were engaged to audit the Statement of Contract Expenditures of Management Sciences for Health, Inc. (MSH), USAID contract number 522-0153-C-00-5397-00, for the period July 1, 1985 to December 31, 1988, and have issued our report thereon dated January 4, 1991, on which we disclaimed an opinion due to limitations in the scope of our work.

We conducted our audit in accordance with generally accepted auditing standards for financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

In planning and performing our audit of Management Sciences for Health, Inc. we considered its internal control structure in order to determine our auditing procedures for the purpose of attempting to express our opinion on the financial statements and not to provide assurance on the internal control structure.

The management of MSH 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 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 structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures of MSH applicable to the USAID contract number 522-0153-C-00-5397-00, for the period July 1, 1985 to December 31, 1988, in the following categories:

- Accounting processes
- Payroll procedures
- Allowance and differential procedures
- Travel and transport procedures
- Procurement system

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Due to a lack of segregation of incompatible accounting functions, our study and evaluation did not extend beyond a preliminary review stage.

However, we noted the matters described in findings nos. 1 to 5 on the Schedule of Findings that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize and report financial data consistent with the assertions of management in the Statement of Contract Expenditures.

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 financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. We believe that the matter described in finding no. 1 on the Schedule of Findings represents a material weakness.

This report is intended solely for the use of MSH and the U.S. Agency for International Development. This restriction is not intended to limit the distribution of this report which, upon acceptance by the Office of the Inspector General, is a matter of public record.

KPMG Peat Marwick

January 4, 1991

MANAGEMENT SCIENCES FOR HEALTH, INC.

USAID Contract Number 522-0153-C-00-5397-00

Internal Controls

Schedule of Findings

Material Finding

1. Management Sciences for Health, Inc. did not have adequate segregation of duties

Condition:

Prior to January 1988, incompatible accounting and administrative functions were not adequately segregated. One person authorized all purchases and disbursements and signed all checks.

Criteria:

Segregation of incompatible functions is an integral part of a system of internal controls.

Cause:

Management believed that due to the small size of MSH, segregation of duties was impractical.

Effect:

The lack of segregation of incompatible functions increases the risk of irregularities. However, we did not note any irregularities in the course of our work.

Recommendation:

MSH should review its system of internal controls and be aware of instances where incompatible functions are not segregated.

Other Findings

2. Salary changes were not adequately documented

Condition:

Over the term of the contract, 15 employees had 67 instances of changes in salary. Per examination of employee personnel files and accounting records, MSH's documentation of salary changes consisted of incomplete, handwritten salary lists with no indication of approval, typed salary changes with occasional indication of approval, and occasional letters approving salary changes. We considered only salary changes bearing written approval to be adequately documented. There were 4 instances of adequately documented salary changes out of the 67.

Criteria:

All salary increases must be properly approved and documented.

Cause:

Management believed that the Treasurer's signature on each payroll check was sufficient documentation of approval.

Effect:

A majority of employees' salary increases could not be verified to an authorization document.

Recommendation:

All salary increase approvals should be documented in the employee files.

3. Documentation of rates used in determining allowances, per diem and exchange rates was not retained

Condition:

MSH did not maintain documentation to support rates used to pay allowances and per diem or to calculate currency exchanges.

Criteria:

Expenditures must be adequately documented and supported to allow a determination of allowability and necessity in accordance with the terms of the contract.

Cause:

Management discarded support for rates once new rates were in effect to avoid inadvertent use of superseded information.

Effect:

We had to utilize information provided by USAID to verify the accuracy of rates used to pay allowances and per diem and our internal resources to verify accuracy of currency translations.

Recommendation:

MSH should retain documentation to support rates used in calculating allowances, per diem and currency exchanges to allow subsequent audit of the accuracy of such expenditures.

4. Personnel files were inadequate

Condition:

In 64 out of 67 instances tested, personnel files did not include approval of starting salary or salary increases.

Criteria:

In order to verify that employee salaries are in accordance with the contract, proper documentation should be maintained in each employee's personnel file.

Cause:

MSH did not have a personnel department during the period of the contract and management believed that handwritten and typed salary lists were adequate documentation.

Effect:

Salary levels and increases could not be verified to adequate authorization documents.

Recommendation:

All salary levels and salary changes should be approved and documented in each employee's personnel file.

5. Timesheets were not mathematically accurate or were not approved

Condition:

For time records maintained in MSH's Boston office, in 1 of 8 instances tested, an employee's timesheet was not mathematically accurate and in 2 of 8 instances, employees' timesheets were not approved by the employees' supervisor. For time records maintained in MSH's Tegucigalpa office, in 7 instances out of 20 timesheets sampled, field employees' timesheets were not approved by the employees' supervisor.

Criteria:

All timesheets should be reviewed for mathematical accuracy to ensure proper allocation of salary expense and approved for the propriety of the charges to the contract.

Cause:

MSH did not adequately review timesheets for mathematical accuracy or propriety of the charges.

Effect:

A lack of review and approval of timesheets for mathematical accuracy and propriety increases the risk of improper allocation of salary expense.

Recommendation:

All timesheets should be reviewed for mathematical accuracy and the review should be documented. Errors noted should be resolved and any changes to the timesheet should be initialed by the employee.

6. MSH-Tegucigalpa did not maintain effective controls over fixed assets purchased in Tegucigalpa, Honduras

Condition:

Fixed assets are not tagged or identified as purchased from USAID funds. Also, detail listings of fixed assets are not maintained.

Criteria:

Effective controls are necessary to maintain accountability over fixed assets and to ensure that at the end of the contract, fixed assets are accounted for/disposed of in accordance with AID regulations.

Cause:

Management believed that due to the small amount of fixed assets in Tegucigalpa, fixed asset controls were not necessary.

Effect:

It is now difficult to differentiate between fixed assets belonging to MSH and those fixed assets purchased with USAID funds.

Recommendation:

MSH should implement internal control procedures over fixed assets.

APPENDIX

MANAGEMENT SCIENCES FOR HEALTH, INC.

USAID Contract Number 522-0153-C-00-5397-00

Schedule of Compliance Findings By Instance

For the Period July 1, 1985 to December 31, 1988

Finding Number 1

Date		Description	Check/Invoice Number	Voucher Number	Amount Questioned
From	To				
Aug '85	Jan '88	C. Niebles	N/A	N/A	\$ 29,023
Jan '88	Mar '89	C. Niebles	N/A	N/A	9,673
Aug '85	Jan '88	F. Flores	N/A	N/A	8,700
Jan '88	Mar '89	F. Flores	N/A	N/A	20,491
Aug '85	Jan '88	M. Velzeboer	N/A	N/A	19,488
Jan '88	Mar '89	M. Velzeboer	N/A	N/A	5,089
Jul '85	Sep '85	C. Niebles	N/A	N/A	2,361
Oct '85	Jun '86	C. Niebles	N/A	N/A	7,083
Jul '86	Mar '87	C. Niebles	N/A	N/A	6,840
Apr '87	Dec '87	C. Niebles	N/A	N/A	8,580
Jan '88	Sep '88	C. Niebles	N/A	N/A	7,389
Oct '88	Jun '89	C. Niebles	N/A	N/A	3,833
Oct '85	Jun '86	M. Velzeboer	N/A	N/A	5,482
Jul '86	Mar '87	M. Velzeboer	N/A	N/A	3,365
Apr '87	Dec '87	M. Velzeboer	N/A	N/A	4,467
Jul '85	Sep '85	M. Velzeboer	N/A	N/A	1,974
Jan '88	Sep '88	M. Velzeboer	N/A	N/A	<u>2,864</u>
Total Finding Number 1					<u>\$ 146,702</u>

N/A Not applicable to this finding; amounts taken from schedule prepared by MSH

MANAGEMENT SCIENCES FOR HEALTH, INC.

USAID Contract Number 522-0153-C-00-5397-00

Schedule of Compliance Findings By Instance

For the Period July 1, 1985 to December 31, 1988

Finding Number 2

Salary paid from Boston, Mi

Name	Source	Nation-ality	Hire Date	1983	1984	1985	1986	1987	1988	1989	Total Salary In Excess of Allowable	Related OH In Excess of Allowable
J. Castellon	MSH	Honduras	1/13/83	NG	NG	27,000	30,252	33,000	NA	NA		
				KPMG	NG	NG	27,000	29,700	32,670	NA		
	Difference			0	0	0	552	330	0	0	\$ 882	
	Overhead Rate				74.87%	81.14%	77.59%	74.61%	79.61%	78.98%		
Excess Overhead Charge			0	0	0	428	246	0	0		\$ 675	
P. Cross	MSH	US	9/30/75	NG	42,000	48,000	53,496	56,004	61,500	69,000		
				KPMG	NG	42,000	46,200	50,820	55,902	61,492		
	Difference			0	0	1,800	2,676	102	8	1,359	5,944	
	Overhead Rate				74.87%	81.14%	77.59%	74.61%	79.61%	78.98%		
Excess Overhead Charge			0	0	1,461	2,076	76	6	1,073		3,613	
I. Fajardo	MSH	US	1/2/85	NA	NA	NA	35,004	38,496	45,756	51,000		
				KPMG	NA	NA	NA	35,004	38,496	45,756		
	Difference			0	0	0	0	0	0	668	668	
	Overhead Rate				74.87%	81.14%	77.59%	74.61%	79.61%	78.98%		
Excess Overhead Charge			0	0	0	0	0	0	528		528	
T. Flores	MSH	US	3/1/82	NG	NG	42,000	47,256	49,752	NA	NA		
				KPMG	NG	NG	42,000	46,200	49,752	NA		
	Difference			0	0	0	1,056	0	0	0	1,056	
	Overhead Rate				74.87%	81.14%	77.59%	74.61%	79.61%	78.98%		
Excess Overhead Charge			0	0	0	819	0	0	0		819	
J. Holley	MSH	US	3/28/82	NG	NG	42,000	47,256	49,752	52,248	58,000		
				KPMG	NG	NG	42,000	46,200	49,752	52,248		
	Difference			0	0	0	1,056	0	0	527	1,582	
	Overhead Rate				74.87%	81.14%	77.59%	74.61%	79.61%	78.98%		
Excess Overhead Charge			0	0	0	819	0	0	416		1,235	
C. Niebles	MSH	Non-US	2/26/82	NG	NG	42,000	47,256	49,752	54,720	57,500		
				KPMG	NG	NG	42,000	46,200	49,752	54,720		
	Difference			0	0	0	1,056	0	0	0	1,056	
	Overhead Rate				74.87%	81.14%	77.59%	74.61%	79.61%	78.98%		
Excess Overhead Charge			0	0	0	819	0	0	0		819	
R. Petit	MSH	Honduran	2/1/82	NG	39,256	38,256	43,008	45,504	46,752	NA		
				KPMG	NG	39,256	38,256	42,082	45,504	46,752		
	Difference			0	0	0	926	0	0	0	926	
	Overhead Rate				74.87%	81.14%	77.59%	74.61%	79.61%	78.98%		
Excess Overhead Charge			0	0	0	719	0	0	0		719	
Total Salaries and OH in excess of allowed amount - Boston											\$ 12,115	\$ 8,408

NG Information not given by MSH
 NA Information is not applicable

Note: This schedule calculates the difference between the maximum annual allowable salary amount based on annual raises allowed by the contract and the actual salary paid.

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MANAGEMENT SCIENCES FOR HEALTH, INC.

USAID Contract Number 522-0153-C-00-5397-00

Schedule of Compliance Findings By Instance

For the Period July 1, 1985 to December 31, 1988

Finding Number 2 (continued)

Salary paid from Tegucigalpa, Honduras

Name	Source	Nation-ality	Hire Date	1983	1984	1985	1986	1987	1988	1989	Total Salary In Excess of Allowable	Related OH In Excess of Allowable
X. Calderon	MSH KPMG	Honduras	NG	NG	NG	3,000	9,000	NG	NG	NG	\$ 120	
				NG	NG	2,970	8,910	NG	NG	NG		
				0	0	30	90	0	0	0		
				N/A	N/A	N/A	N/A	N/A	N/A	N/A		
Difference				0	0	30	90	0	0	0		
Overhead rate				N/A	N/A	N/A	N/A	N/A	N/A	N/A		
Excess Overhead Charge				0	0	0	0	0	0	0		\$ 0
F. Rovelo	MSH KPMG	Honduras	NG	NG	NG	1,331	14,641	NG	NG	NG	1,452	
				NG	NG	1,210	13,310	NG	NG	NG		
				0	0	121	1,331	0	0	0		
				N/A	N/A	N/A	N/A	N/A	N/A	N/A		
Difference				0	0	121	1,331	0	0	0		
Overhead rate				N/A	N/A	N/A	N/A	N/A	N/A	N/A		
Excess Overhead Charge				0	0	0	0	0	0	0		0
F. Reina	MSH KPMG	Honduras	NG	NG	NG	NG	775	8,525	NG	NG	588	
				NG	NG	NG	726	7,986	NG	NG		
				0	0	0	49	539	0	0		
				N/A	N/A	N/A	N/A	N/A	N/A	N/A		
Difference				0	0	0	49	539	0	0		
Overhead rate				N/A	N/A	N/A	N/A	N/A	N/A	N/A		
Excess Overhead Charge				0	0	0	0	0	0	0		0
R. Pertillo	MSH KPMG	Honduras	NG	NG	NG	NG	NG	5,750	1,150	NG	3	
				NG	NG	NG	NG	5,748	1,150	NG		
				0	0	0	0	3	0	0		
				N/A	N/A	N/A	N/A	N/A	N/A	N/A		
Difference				0	0	0	0	3	0	0		
Overhead rate				N/A	N/A	N/A	N/A	N/A	N/A	N/A		
Excess Overhead Charge				0	0	0	0	0	0	0		0
Total Salaries and OH in excess of allowed amount - Honduras											\$ 2,163	\$ 0

NG Information not given by MSH
NA Information is not applicable

Note: This schedule calculates the difference between the maximum annual allowable salary amount based on annual raises allowed by the contract and the actual salary paid.

MANAGEMENT SCIENCES FOR HEALTH, INC.

U.S. AID Contract Number 522-0153-C-00-5397-00

Schedule of Compliance Findings By Instance

For the Period July 1, 1985 to December 31, 1988

Finding Number 3

We were unable to determine whether there were any questioned costs relating to this finding.

MANAGEMENT SCIENCES FOR HEALTH, INC.

USAID Contract Number 522-0153-C-00-5397-00

Schedule of Compliance Findings By Instance

For the Period July 1, 1985 to December 31, 1988

Finding Number 4

<u>Date</u>	<u>Description</u>	<u>Check/Invoice Number</u>	<u>Voucher Number</u>	<u>Amount Questioned</u>
12/31/85	V.S.Diaz	24023	N/A	<u>\$ 57</u>
		Total Finding Number 4		<u><u>\$ 57</u></u>

N/A Not applicable to this finding

MANAGEMENT SCIENCES FOR HEALTH, INC.

USAID Contract Number 522-0153-C-00-5397-00

Schedule of Compliance Findings By Instance

For the Period July 1, 1985 to December 31, 1988

Finding Number 5

<u>Date</u>	<u>Description</u>	<u>Check/Invoice Number</u>	<u>Voucher Number</u>	<u>Amount Questioned</u>
7/31/86	Juan Paredes	27316	N/A	\$ 3,885
8/31/85	Jose Delorel Vel	22766	N/A	2,365
4/30/86	De Juan De Dios	26112	N/A	<u>3,515</u>
		Total Finding Number 5		<u><u>\$ 9,765</u></u>

N/A Not applicable to this finding

MANAGEMENT SCIENCES FOR HEALTH, INC.

USAID Contract Number 522-0153-C-00-5397-00

Schedule of Compliance Findings By Instance

For the Period July 1, 1985 to December 31, 1988

Finding Number 6

<u>Date</u>	<u>Description</u>	<u>Check/Invoice Number</u>	<u>Voucher Number</u>	<u>Amount Questioned</u>
10/24/88	Manchester Equip. Co.	488372	N/A	\$ 22,140
Total Finding Number 6				<u>\$ 22,140</u>

N/A Not applicable to this finding

MANAGEMENT SCIENCES FOR HEALTH, INC.

USAID Contract Number 522-0153-C-00-5397-00

Schedule of Compliance Findings By Instance

For the Period July 1, 1985 to December 31, 1988

Finding Number 7

<u>Date</u>	<u>Description</u>	<u>Check/Invoice Number</u>	<u>Voucher Number</u>	<u>Amount Questioned</u>
Oct '87	J. Holley	N/A	N/A	<u>\$ 334</u>
		Total Finding Number 7		<u><u>\$ 334</u></u>

N/A Not applicable to this finding; amounts taken from schedule prepared by MSH

MANAGEMENT SCIENCES FOR HEALTH, INC.

USAID Contract Number 522-0153-C-00-5397-00

Schedule of Compliance Findings By Instance

For the Period July 1, 1985 to December 31, 1988

Finding Number 8

Date	Description	Check/Invoice Number	Voucher Number	Amount Questioned
Timesheets without employee signatures:				
Aug '85	M. Velzeboer	N/A	N/A	\$ 3,292
Nov '85	D. McCarthy	N/A	N/A	<u>3,193</u>
Sub-total Finding #8				<u>\$ 6,485</u>
Overhead related to the above:				
Aug '85	M. Velzeboer	N/A	N/A	\$ 2,554
Nov '85	D. McCarthy	N/A	N/A	<u>2,477</u>
Sub-total Finding #8				<u>\$ 5,032</u>
Consulting expenditures without supporting documentation:				
4/30/88	Martinez	N/A	N/A	\$ 769
9/30/86	Maric Escobar	28415		<u>2,625</u>
Sub-total Finding #8				<u>\$ 3,394</u>
Allowances charged without supporting documentation:				
Nov '85	J6P/R-Post Diff.	N/A	N/A	\$ 5,222
Jul '86	J6P/R-Post Diff.	N/A	N/A	5,477
Oct '87	J6P/R-Post Diff.	N/A	N/A	4,991
Sep '88	J609/88 Post Diff.	N/A	N/A	<u>3,403</u>
Sub-total Finding #8				<u>\$ 19,093</u>
Equipment expenditures with inadequate supporting documentation:				
8/14/87	Ashton Tate	81487	N/A	\$ 707
6/30/86	Topaz Inc.	27229	N/A	4,246
10/13/88	Fuller Design	101388	N/A	3,295
11/30/85	IBM Products	23741	N/A	<u>945</u>
Sub-total Finding #8				<u>\$ 9,193</u>
Total Finding Number 8				<u><u>\$ 43,197</u></u>

N/A Not applicable to this finding; amounts taken from schedule prepared by MSH

MANAGEMENT SCIENCES FOR HEALTH, INC.

USAID Contract Number 522-0153-C-00-5397-00

Schedule of Compliance Findings By Instance

For the Period July 1, 1985 to December 31, 1988

Finding Number 9

<u>Date</u>	<u>Description</u>	<u>Check/Invoice Number</u>	<u>Voucher Number</u>	<u>Amount Questioned</u>
Dec '86	Miguel Calderon	4795	47487	\$ 817
Dec '86	Florencia Reina	4801	48087	552
Dec '86	Francisco Rovelo	4802	48187	<u>687</u>
			Total Finding Number 9	<u><u>\$ 2,056</u></u>

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MANAGEMENT SCIENCES FOR HEALTH, INC.

USAID Contract Number 522-0153-C-00-5397-00

Schedule of Compliance Findings By Instance

For the Period July 1, 1985 to December 31, 1988

Finding Number 10

Total CCN salary	\$ 384,117
Less: Ineligible raises (included in finding #2)	(2,163)
Ineligible bonuses (included in finding #9)	<u>(2,056)</u>
Total Finding Number 10	<u>\$ 379,898</u>

Note: The total of CCN salary paid was obtained from
MSH's cumulative general ledger.

MANAGEMENT SCIENCES FOR HEALTH, INC.

USAID Contract Number 522-0153-C-00-5397-00

Schedule of Compliance Findings By Instance

For the Period July 1, 1985 to December 31, 1988

Finding Number 11

<u>Date</u>	<u>Description</u>	<u>Check/Invoice Number</u>	<u>Voucher Number</u>	<u>Amount Questioned</u>
Jun '86	Judith B. Seltzer	4262	88586	\$ 2,158
Dec '86	Johanna Bostillo	4774	45387	771
Sep '87	Elba F. Lopez	5612	22388	6,355
Apr '88	Francisco Roveló	6259	88188	7,708
Apr '88	Francisco Roveló	6260	88288	<u>4,239</u>
Total Finding Number 11				<u><u>\$ 21,231</u></u>

MANAGEMENT SCIENCES FOR HEALTH, INC.

USAID Contract Number 522-0153-C-00-5397-00

Schedule of Compliance Findings By Instance

For the Period July 1, 1985 to December 31, 1988

Finding Number 12

<u>Date</u>	<u>Description</u>	<u>Check/Invoice Number</u>	<u>Voucher Number</u>	<u>Amount Questioned</u>
Other direct costs - field expenditures:				
Jan '88	G/L A/C #4650	836	44588	\$ 2,000
Feb '86	G/L A/C #4510	904	50986	<u>587</u>
Subtotal finding number 12				<u>\$ 2,587</u>
Equipment - field expenditures:				
Sep '85	G/L A/C #4460	564	15186	\$ 656
Mar '88	G/L A/C #4460	973	58488	6,632
Sep '86	G/L A/C #4460	442	10087	500
Feb '88	G/L A/C #4460	NG	49688	<u>1,250</u>
Subtotal finding number 12				<u>\$ 9,038</u>
Total finding number 12				<u><u>\$ 11,625</u></u>

NG Information not given by MSH

Appendix I

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