

INDEPENDENT AUDITOR'S REPORT ON

audit of the

"INCREASING PROFESSIONALISM AND TRANSPARENCY IN LOCAL GOVERNMENT IN
POLAND" PROGRAM

managed by the

FOUNDATION IN SUPPORT OF LOCAL DEMOCRACY, WARSAW.

Warsaw, June 1998

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I. SUMMARY

A. BACKGROUND

On September 28, 1995 USAID approved the Increasing Professionalism and Transparency in Local Government in Poland Program, AID Cooperative Agreement number 180-0019-A-00-5219 which provides \$650,000 in grant funds to the Foundation in Support of Local Democracy for creation of an environment for improving municipal management practices and increasing public participation in public life.

Specifically, the grant consisted of four programmatic objectives, including:

- | | | |
|----|--|-----------|
| 1. | Dissemination of good municipal practices | \$148,525 |
| 2. | Answering local governments' emerging training and consulting needs | \$240,545 |
| 3. | Developing HRDM consulting for municipalities in at least five regional centres | \$102,103 |
| 4. | Ensuring institutional development of FSLD and introducing a uniform accounting system throughout the FSLD network | \$ 20,000 |

The grant further included:

program management costs	\$96,800
audit costs	42,000

The program was implemented between October 1, 1995 and December 31, 1997

The Foundation in Support of Local Democracy was established on September 8, 1989 and today is one of the largest and most experienced non-government organizations in Poland. Its mission is to disseminate the ideals of civic self-governance as well as to support local governments and the structures of local administration. The seat of the Foundation is in Warsaw, at Krzywickiego 9 street. Its governing bodies are Supervisory Council and Management Board. The post of the Chairman of the Supervisory Council is held by Professor Jerzy Rogulski, and Witold Monkiewicz is Chairman of the Management Board.



Audit of FSLD, Warsaw, was commissioned to EVIP AUDYT Sp. z o.o., Warsaw, Al. Jerozolimskie 81. On behalf of EVIP, the audit was performed by auditor dr Jerzy Szafranski (registration no: 8941/212; address: Warsaw, Konski Jar 8/36 street).

B. AUDIT OBJECTIVES AND SCOPE

The financial audit was performed in accordance with generally accepted auditing standards, the U.S. Comptroller General's "Government Auditing Standards" and the USAID "Guidelines for Financial Audits Contracted by Foreign Recipients". Accordingly, the audit included such tests of the accounting records as deemed necessary under the circumstances.

The specific objectives were to:

- Express an opinion on whether the Fund Accountability Statement for the USAID funded programs and projects presents fairly, in all material respects, project revenues received, costs incurred, and commodities/technical assistance directly procured by USAID in accordance with the terms of the agreements and in conformity with generally accepted accounting principles.
- Evaluate and obtain a sufficient understanding of Foundation in Support of Local Democracy internal control structure related to the USAID funded programs and projects, assess control risk, and identify reportable conditions, including material internal control weaknesses. This evaluation should include the internal controls related to required counterpart contributions.
- Perform tests to determinate whether Foundation in Support of Local Democracy complied, in all material respects, with agreement terms and applicable laws and regulations referenced in the agreement, and to investigate all significant instances of non-compliance or symptoms of any illegal acts. Such tests should include the compliance requirements related to required counterpart contributions.



- Determine whether Foundation in Support of Local Democracy has taken adequate corrective action on prior audit recommendations.
- Perform an audit of the indirect cost rate to determine the actual rate that should have been used to charge indirect costs to USAID, should Foundation in Support of Local Democracy be using an approved rate.
- Auditors were also to design audit steps and procedures in accordance with AICPA's Statements on Auditing Standards AU 316 and 317 (SAS Nos. 53 and 54) to detect situations in transactions that could be indicative of fraud, abuse, and illegal expenditures and acts. Should such evidence exist, the auditors were to contact the Inspector General for Financial Audits in Washington, DC and exercise due professional care and caution in extending audit steps and procedures relative to illegal acts so as not to interfere with potential future investigations.

The scope of the audit included:

- a) understanding and getting familiar with the program and applicable procedures and terms of its implementation and control designed by USAID;
- b) evaluating reliability of the fund accountability statement;
- c) evaluating internal control structure;
- d) evaluating compliance with agreement terms and applicable laws and regulations;
- e) evaluating schedule of counterpart contributions made by FSLD;
- f) definition of indirect costs rates;
- g) follow-up on prior audit recommendations.

Based on their findings, the auditors excluded the following items from the scope of the audit:

- a) definition of indirect costs rates because Foundation in Support of Local Democracy has not received an USAID approved rate of indirect costs;
- b) follow-up on prior audit recommendations because, according to information made available to the auditors, the program has not been audited.



C. FINDINGS

The audit confirmed the general correctness of the fund accountability statement, operation of internal controls and compliance with terms of agreements, legislation and relevant regulations.

However, certain deficiencies were detected in respect of reimbursement of costs by the sponsor. In addition, it was found out that internal controls are not fully sufficient, as described in the detailed reports.

D. SUMMARY OF COMMENTS PROVIDED BY FSLD

Preliminary findings of the audit were advised by the auditor in writing to the Management Board of FSLD. In reply, explanation was given which resulted in approval of some of the previously questioned cost items. The final findings of the auditor are not challenged by the Foundation in Support of Local Democracy

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dr Jerzy Szafranski

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II.A. INDEPENDENT AUDITOR'S REPORT

on the fund accountability statement

for the Management Board of Foundation in Support of Local Democracy, Warsaw,
Krzywickiego 9 street

We have audited the fund accountability statement of the "Increasing Professionalism and Transparency in Local Government in Poland" program of Foundation in Support of Local Democracy for the period between October 1, 1995 and December 31, 1997, including subsidy revenues received after completion of the project in 1998. The fund accountability statement is the responsibility of the Management Board of Foundation in Support of Local Democracy. Our responsibility is to express an opinion on the fund accountability statement based on our audit.

We conducted our audit of the fund accountability statement in accordance with U.S. Government 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 fund accountability statement is free of material misstatement. The audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the fund accountability statement. The audit also includes assessing the accounting principles used and significant estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

The results of our tests disclosed questioned costs totalling \$ 15.472,57, including \$ 6.127,31 in costs that are explicitly ineligible because they are not program related, and \$ 9.345,26 in costs that are unjustified due to inadequate documentation, as evidenced by the following statement:



REVENUES

	BUDGET	ACTUAL
USAID subsidy	650.000,00	642.867,65 */
Bank interest	X	874,14
TOTAL	650.000,00	643.741,79

*/ Including revenues received on January 6, 1998

COSTS INCURRED

BUDGET		Amount	Amount approved by auditor	Questioned costs		Reference
No.	Budget item			Unjustified	Ineligible	
	MANAGMT. ADM.					
1.	Director General	9.400,00	9.129,46			} Appendix no 2 to this report
2.	Program Director	17.000,00	16.280,36	138,76		
3.	Director of Finance	8.000,00	6.085,02	43,12		
4.	Program Accounting Offic.	30.700,00	29.872,51	132,54		
5.	Space and Utilities	25.000,00	23.392,95			
6.	Supplies, mater. photocopy, reprod.	2.000,00	2.070,72			
7.	Purchase of cellular phone	700,00	619,66			
8.	Telephone, fax, postage	4.000,00	3.762,44			
	SUB-TOTAL	96.800,00	91.213,12	314,42	-	
	OBJECTIVE 1					
1.	Program Director	7.500,00	7.168,94			} Appendix no 2 to this report
2.	Program Consultant	3.821,00	3.818,90			
3.	Program Coordinator	1.404,00	1.403,87			
4.	Program Assistant	6.500,00	6.540,06			
5.	Awards	32.400,00	32.624,50			
6.	Promotion	20.000,00	20.809,93		449,28	
7.	Biulletin production	10.000,00	9.997,06			
8.	Feasibility Study	10.000,00	5.694,50			
9.	Internet software	3.700,00	3.689,46			
10.	Internet hardware	11.500,00	11.623,93			
11.	Internet awards	10.000,00	10.212,10			
12.	Supplies, materials, photo...	5.000,00	4.795,43			
13.	Services	17.000,00	17.055,30	1.159,24		
14.	Telephone, fax, postage	6.200,00	6.157,49			
15.	Travel	3.500,00	2.564,93			
	SUB-TOTAL	148.525,00	144.156,40	1.159,24	449,28	

BUDGET		Amount	Amount approved by auditor	Questioned costs		Reference
No.	Budget item			Unjustified	Ineligible	
	OBJECTIVE 2					
1.	Program Director	6.700,00	6.489,49			} Appendix no 2 to this report
2.	Program Consultant	2.545,00	2.542,95			
3.	Program Coordinator	1.685,00	1.683,26			
4.	Program Assistant	6.800,00	6.467,76			
5.	Training workshops	43.000,00	43.995,86	1.316,49		
6.	Training materials	10.000,00	17.532,56			
7.	Airfare	2.000,00	1.699,19			
8.	Per diems	6.400,00	6.399,75			
9.	Local Services	1.124,00	232,08			
10.	Accommodation US Consultants	6.500,00	4.665,48			
11.	Purchase of books for partic. of tr	4.195,00	4.008,94			
12.	Services inc. translations	18.000,00	24.133,75	891,33		
13.	Supplies, materials, etc.	10.800,00	5.547,34		4.994,12	
14.	Telephone, fax, postage	5.000,00	4.604,51			
15.	Travel	4.000,00	3.937,19			
16.	Sub-contractor's costs	111.796,00	111.796,01			
	SUB-TOTAL	240.545,00	245.736,12	2.207,82	4.994,12	
	OBJECTIVE 3					
1.	Program Director	3.800,00	3.160,97			} Appendix No 2 to this report
2.	Program Consultant	4.020,00	1.865,27			
3.	Program Coordinator	430,00	2.948,84			
4.	Program Assistant	3.000,00	2.768,57			
5.	Training of FSLD consult.	30.000,00	32.491,54	3.883,85		
6.	Training materials	9.000,00	9.703,77			
7.	Business plan	10.000,00	4.686,78			
8.	Telephone, fax, postage	4.500,00	3.552,70			
9.	Services	8.500,00	8.064,80			
10.	Local consultants	20.000,00	21.355,60		683,91	
11.	Travel	4.000,00	2.595,03	1.485,86		
12.	Airfare	1.500,00	1.494,38			
13.	Per diems, Local travel	3.380,00	3.367,14			
	SUB-TOTAL	102.130,00	98.055,39	5.369,71	683,91	
	OBJECTIVE 4					
1.	HRM System at FSLD Head Office	10.000,00	10.419,97	294,07		
2.	Uniform Accounting System for RT	6.000,00	2.310,20			
3.	Developing Business Plan for FSLD	4.000,00	370,37			
	SUB-TOTAL	20.000,00	13.100,54	294,07	-	
	AUDIT COSTS	42.000,00	0,00	-	-	
	TOTAL	650.000,00	592.261,57	9.345,26	6.127,31	

In our opinion, except for the effects of the questioned costs as discussed in the preceding paragraph, the fund accountability statement referred to above presents fairly, in all materials respects, project revenues, costs incurred and reimbursed by A.I.D. for the period under consideration in accordance with the terms of the agreements and in conformity with the basis of accounting described in the notes hereto.

This report is intended for the information of Foundation in Support of Local Democracy, Warsaw, and the U.S. Agency for International Development (A.I.D.). However, upon acceptance by the A.I.D. Office of the Inspector General, this report is a matter of public record and its distribution is not limited.

Warsaw, June 5, 1998.

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Dr. Jerzy Szafrański

Appendices:

- 1) Notes to this report on accounting procedures
- 2) Description of costs questioned

Appendix no 1

to independent auditor's report
on the fund accountability statement

NOTES TO REPORT ON THE FUND ACCOUNTABILITY STATEMENT
relating to accounting procedures

I. Accounting principles

The accounting principles are governed by the Accounting Act of September 29, 1994 (Dz.U. number 121, item 591). According to the auditor's best knowledge, these principles are, in all material respects, consistent with the principles known as GAAP (Generally Accepted Accounting Principles).

1. Accounting system of FSLD

During the audited period, Foundation in Support of Local Democracy has not defined its accounting procedures (the obligation to have such documentation is imposed under article 10 of the Accounting Act). Such documentation should include:

- company chart of accounts, including a list of general ledger accounts (synthetic accounting), procedures of recording economic operations and valuation of assets and liabilities, as well as principles of maintaining all auxiliary records (analytical accounting) and their relation to accounts of the general ledger;
- procedures of internal accounting recording between the main accounting system (FSLD) and local systems;
- list of files containing accounting books on computer-readable media;
- documentation of computer-based data processing system and its conversion, and approval of the computer software for use by the Fund;
- documentation and procedures of cost accounting at local facilities;
- documentation and procedures of accounting for counterpart contributions.



FSLD's accounting books are maintained using financial and accounting software named "Sfinks". Costs relating to the program were recorded in the accounting books in Polish currency according to the following principles:

- a) costs incurred by FSLD in Warsaw (head office) were recorded by kind in accounts of group 4 "Costs by type and their reconciliation", except for personnel costs, and then in group 5 "Costs by function and their reconciliation". Within this group, costs of the program were posted to analytical accounts by function, in conformity with the approved budget. Account entries were made on a continuous basis, against source or reconciliation documents (salary distribution lists by objective and module). Source documents included an indication of month and the way to record the document on general ledger accounts.
- b) costs incurred by Enterprise Clubs (local facilities of FSLD) were totalled by objective and module and recorded in account "249-050 - II AID accounting" (without allocation to individual budget items). Entries were made against aggregated invoices, bills and accounting notes to which xerox copies of source documents were attached.

2. Development of financial reports for USAID

Monthly reports on implementation of the project for USAID were prepared as follows: costs accounted for in accounts of group 5 and the reconciliation account were converted to US dollars outside the accounting system, using an exchange rate designated by USAID representative office in Warsaw. Within the budget, consistency was verified of the amounts converted to US dollars and reported to the sponsor and those recorded in the accounting system.



Conclusions

1. Adjust to legal and FSLD requirements the accounting procedures and develop rules of documents flow.
2. Introduce uniform rules of documenting, analytical recording and accounting of costs for FSLD head office and local facilities

II. Explanation of selected items of the fund accountability statement

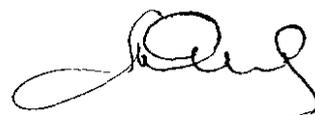
Share of individual program objectives in actual costs incurred:

objective 1: Dissemination of good municipal practices	4,3%
objective 2: Answering local governments' emerging training and consulting needs	41,5%
objective 3: Developing HRDM consulting for municipalities	16,6%
objective 4: Ensuring institutional development of FSLD	2,2%
sub total	84,6%
program management costs	15,4%
GRAND TOTAL	100,0%

Material and personnel costs represented approximately 50% of total costs.

III. Applicable rates of currency exchange

FSLD was receiving funds from USAID through USAID Warsaw office in zlotys. Rates of USD/PLZ exchange used for purposes of accounting were provided by the USAID representative office.



Appendix no 2

to independent auditor's report
on the fund accountability statement

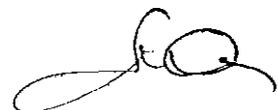
DESCRIPTION OF QUESTIONED COSTS

Questioned costs recorded in the fund accountability statement attributable to:

1.	Computing error in calculations of salaries of FSLD personnel	\$314,42
2.	Inclusion of 100% of fee for preparation of 1996 financial statements of FSLD rather than pro rata: (subsidy involvement in USAID / other subsidies) x 100% = 19,78% objective 1, item 13, objective 2, item 12	\$2.050,57
3.	Posting costs of "room use" by Małopolski Instytut Samorządu Terytorialnego, Kraków, without referencing the basis of hourly rates: df: 97 Mem 002/6 and 97 Ame 17059 (incorrect documenting) objective 2, item 5	\$1.316,49
4.	Posting some maintenance costs of Warszawskie Centrum Demokracji Lokalnej incurred in October-December 1997, not being related to services described in df: 97 Mem 00358 and 97 Mem 00359 (incorrect documenting) objective 3, item 5, objective 4, item 1	\$4.177,92
5.	Incorrect documenting reimbursement of travelling expenses to participants of training courses organized by Wielkopolski Ośrodek Kształcenia Samorządu Terytorialnego, Poznań, df: 97 Mem 00088, 97 Mem 00105, 97 Mem 00221 objective 3, item 11	\$1.485,86
	<u>Total unjustified costs</u>	<u>\$9.345,26</u>



6.	Inclusion of catering service df 96 Mem 00450 objective 1, item 6	\$449,28
7.	Inclusion in 1997 material costs, expenses which were incurred for an objective not designated to Wielkopolski Ośrodek Kształcenia Samorządu Terytorialnego, Poznań (pursuant to Cooperation Agreement, FSLD should apply to Sponsor for approval of amendment of selected budget items) objective 2, item 13	\$4.994,12
8.	Inclusion of fee payable under a contract to perform a specified task, not related to the program objective 3, item 10	\$683,91
	<u>Total ineligible costs</u>	<u>\$6.127,31</u>
	<u>Total questioned costs</u>	<u>\$15.472,57</u>



II.B. INDEPENDENT AUDITOR'S REPORT

on the internal controls

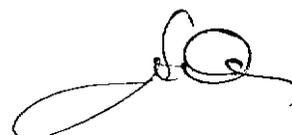
for the Management Board of Foundation in Support of Local Democracy, Warsaw,
Krzywickiego 9 street

We have audited the fund accountability statement of the "Increasing Professionalism and Transparency in Local Government in Poland" program of Foundation in Support of Local Democracy for the period between October 1, 1995 and December 31, 1997, including subsidy revenues received after completion of the project in 1998 and issued our report thereon dated June 5, 1998. In addition, we have reviewed the separate schedule of counterpart contributions to determine whether they were provided and accounted for in accordance with the terms of the agreements.

We conducted our audit in accordance with U.S. Government 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 fund accountability statement is free of material misstatement.

In planning and performing our audit of Foundation in Support of Local Democracy, we considered the internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the fund accountability statement. We also considered the internal control structure relative to counterpart contributions made by FSLD.

The Management Board of Foundation in Support of Local Democracy is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of internal control structure are to provide management with reasonable, but not absolute, assurance that transactions are executed in accordance with management's authorization and in accordance with the terms of the agreements; and that transactions are recorded properly to permit the preparation of the fund accountability statement in conformity with the basis of accounting



described in the Report on fund accountability statement. 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.

Management of FSLD has defined procedures and policies of internal control, or procedures of documents flow, to ensure completeness of financial reporting. This is true of the overall operations of the Fund, and of implementation of the program. Therefore, we have examined and assessed performance of the accounting and control systems, based on observations and tests of accounting documents, books of account, and oral and written explanation given by employees and management of FSLD.

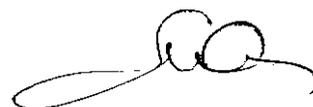
For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories:

- a) control of costs incurred - by program director;
- b) control of recording costs against budget by the program accountant
- c) control of budget performance and definition of discrepancies;
- d) approval of monthly reports by FSLD director general.

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

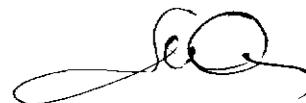
We have disclosed several matters in the internal control structure that we consider as reportable under standards established by the American Institute of Certified Public Accountants.

Reportable conditions include disclosed matters relating to material weakness of the internal control structure, which we consider as potentially impairing the FSLD's ability to account for, process, total and report financial data declared by the management on the fund accountability statement and schedule of counterpart contributions, in particular:



- a) in the internal control structure, documents relating to 1996 and the period between January and April 1997, serving as basis for accounting were not approved for payment;
- b) not all documents were designated as to economic events and verified from the formal and accounting point of view;
- c) within its internal control structure, FSLD has not designated procedures of accounting for, and documenting of, costs incurred by local facilities;
- d) control operations, if any, were not recorded on documents during their flow in the form of signatures of authorized officers responsible for the correctness of such documents due to their position or scope of responsibility;
- e) procedure of USAID monthly financial reports preparation control is not reflected in the documentation, potentially involving the risk of giving a rise to errors. The exclusive entity exercising internal control of the program was program director. There is no evidence confirming that FSLD management controlled performance of the program by the director;
- f) counterpart contributions to implementation of the program were not accounted for and controlled.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might represent reportable conditions, including material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the fund accountability statement and the schedule of counterpart contributions may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we believe that the conditions referred to in our report do not represent a material weakness, as defined in the preceding sentence.



Conclusions

In view of the deficiencies in the FSLD internal control structure, it is necessary to design and implement comprehensive procedures of internal control structure and accounting documents flow.

This report is intended for the information of Foundation in Support of Local Democracy and the U.S. Agency for International Development (A.I.D.). However, upon acceptance by the A.I.D. Office of the Inspector General, this report is a matter of public record and its distribution is not limited.

Warsaw, June 5, 1998.

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II.C. INDEPENDENT AUDITOR'S REPORT

on Compliance

for the Management Board of Foundation in Support of Local Democracy, Warsaw,
Krzywickiego 9 street

We have audited the fund accountability statement of the "Increasing Professionalism and Transparency in Local Government in Poland" program of Foundation in Support of Local Democracy for the period between October 1, 1995 and December 31, 1997, including subsidy revenues received after completion of the project in 1998 and issued our report thereon dated June 5, 1998. We have also reviewed the separate schedule of counterpart contributions to determine whether they were provided and accounted for in accordance with the terms of the agreements.

We conducted our audit in accordance with U.S. Government 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 fund accountability statement is free of material misstatement.

Compliance with agreement terms and laws and regulations applicable to Foundation in Support of Local Democracy is the responsibility of management of Foundation in Support of Local Democracy. As part of obtaining reasonable assurance about whether the fund accountability statement is free of material misstatement, we performed tests of Foundation's in Support of Local Democracy compliance with certain provisions of agreement terms and laws and regulations. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion. We have also performed certain control procedures (tests) of Foundation's in Support of Local Democracy compliance with certain provisions of agreement terms and laws and regulations applicable to the provision of counterpart contributions.



Material instances of noncompliance are failures to follow requirements or violations of agreement terms and laws and regulations that cause us to conclude that the aggregation of misstatements resulting from those failures or violations is material to the fund accountability statement. The results of our tests of compliance disclosed the following material instances of noncompliance:

a)	Computing error in salary calculations	\$314,42
b)	Posting to costs a higher percentage of fee payable in consideration of preparation of financial statements than justified by percentage of USAID subsidy in total subsidies provided by other sponsors	\$2.050,57
c)	Incorrect evidencing of costs	\$6.980,27
d)	Posting costs not provided for in the budget	\$5.443,40
e)	Posting costs not related to the program	\$683,91
	TOTAL	\$15.472,57

We noted certain material instances of noncompliance that we have reported in our opinion on the fund accountability statement of the "Increasing Professionalism and Transparency in Local Government in Poland" program of Foundation in Support of Local Democracy covering the period between October 1, 1995 and December 31, 1997, dated June 5, 1997.

We also noted certain material instances of noncompliance relating to counterpart contributions, in particular:

- a) absence of up-to-date recording of counterpart contributions;
- b) recording counterpart contributions relating to:
 - salaries of coordinators and secretaries from FSLD local facilities paid over a period during which the program was not implemented \$7.193,65



- inclusion of a higher percentage of salary of FSLD secretary than provided for in the budget	\$6.374,87
TOTAL	\$13.568,52

The time schedule of counterpart contributions is attached as Schedule hereto.

We also noted certain immaterial instances of noncompliance that we have reported to the management of Foundation in Support of Local Democracy in separate letter of June 5, 1998.

Except as described above, the results of our tests indicate that, with respect to the items tested, Foundation in Support of Local Democracy complied, in all material respects, with the provisions referred to in the third paragraph of this report, and with respect to items not tested, nothing came to our attention that caused us to believe that Foundation in Support of Local Democracy had not complied, in all material respects, with those provisions.

Conclusions

Counterpart contributions should be accounted for and covered by internal control.

This report is intended for the information of Foundation in Support of Local Democracy and the U.S. Agency for International Development (A.I.D.). However, upon acceptance by the A.I.D. Office of the Inspector General, this report is a matter of public record and its distribution is not limited.

Warsaw, June 5, 1998.

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 XII piętro, FIM Tower
 tel. 695 05 37, fax 695 05 36

Appendices:

- schedule of counterpart contributions

CZŁONEK ZARZĄDU
EVIP AUDIT Sp. z o.o.
Roman Iwanenko

BIEGLY REWIDENT
Gr. Jerzy Szafrański

Appendix
to independent auditor's report

SCHEDULE OF COUNTERPART CONTRIBUTIONS

(\$)

	Cost type	Budget	Actual	Questioned	Reference
1	Driver	10,000	11,249.30		clarification given in the report
2	Secretarial assistance (10% x 16 RTCs x 24 man/months)	32,000	10,461.40	7,358.98	
3	Bulletin production	10,000	3,103.96		
4	Editorial services	16,000	8,826.39		
5	Computer specialist (25% x 24 man/months)	12,000	7,659.22		
6	Regional coordinators	20,000	53,066.58	6,182.54	
7	Uniform Accounting System for RTCs	10,000	3,713.99		
	TOTAL	110,000.00	98,080.84	13,568.52	



III. REPRESENTATIONS

of the Management Board of Foundation in Support of Local Democracy,
Warsaw, Krzywickiego 9 street

Pursuant to agreement concluded by AID and completion of financial audits of two programs:

1. Increasing professionalism and transparency in local government in Poland; and
2. Polish-American Enterprise Clubs,

we herewith confirm, to the best of our knowledge, the following clarification:

1. we confirm the completeness of accounting books, accounting evidence, reports and other documents for the sponsor which have been made available to the auditor, and which served as basis for the audit performed by the auditor,
2. we represent that, to the best of our knowledge, we complied with legal requirements and terms of agreements relevant to the programs being implemented and to their continuation,
3. we represent that there have been no circumstances which might interfere with the course and results of the financial audit.

It is further represented that at the time of audit, according to circumstances, we displayed our willingness to make necessary representations and to cooperate with the auditors.

Warsaw, June 08, 1998

Fundacja Rozwoju Demokracji Lokalnej
ul. Krzywickiego 9
02-078 Warszawa, tel. 25-28-08

.....
Włocławski
Z-ca DYREKTORA CENTRUM AID
d/s Eksploatacji i PRDL
.....
Irena Peszko