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FUND ACCOUNTABILITY STATEMENT AUDIT OF THE MILLENNIUM CHALLENGE CORPORATION (MCC) RESOURCES MANAGED BY MILLENNIUM CHALLENGE ACCOUNT-SENEGAL (MCA-SENEGAL) UNDER THE COMPACT AGREEMENT BETWEEN MCC AND THE GOVERNMENT OF SENEGAL FOR THE PERIOD JANUARY 1, 2011 TO DECEMBER 31, 2011

DRAFT REPORT



Dakar, October 18, 2012

Millennium Challenge Account Senegal (MCA Senegal)
06 Route de Ngor X Hôtel Ngor Diarama
BP: 45002 Dakar Fann
DAKAR – Senegal

Subject: Fund Accountability Audit of the Millennium Challenge Corporation (MCC) Resources Managed by Millennium Challenge Account-Senegal (MCA-Senegal) Under the Compact Agreement Between MCC and the Government of Senegal for the Period January 1, 2011 to December 31, 2011

Dear Sirs,

We have the pleasure to present to you the official report of our audit of the Fund Accountability Statement of MCA Senegal for the period January 1, 2011 to December 31, 2011. The actual cost incurred for the period January 1, 2011 to December 31, 2011 is \$10,671,558.93 (\$4,095,990.76 for 609g; \$373,519.69 for Compact Implementation Funding; and \$6,202,048.48 for Compact Funding).

The Fund Accountability Statement is the responsibility of MCA Senegal's Management. Our responsibility is to express an opinion on the Fund Accountability Statement based on our audit.

The reporting package includes the following:

- Status of Prior Audit Recommendation.
- Independent Auditor's Report on the Fund Accountability Statement (Compact Funding, Compact Implementation Funding (CIF) and 609g);
- Independent Auditor's Report on Internal Control;
- Independent Auditor's Report on Compliance;
- Fund Accountability Statement (Compact Funding);
- Notes to the Fund Accountability Statement (Compact Funding);
- Fund Accountability Statement (Compact Implementation Funding);
- Notes to the Fund Accountability Statement (Compact Implementation Funding);
- Fund Accountability Statement 609g;
- Notes to the Fund Accountability Statement 609g;
- Schedule to Findings and Questioned Cost;

We take this opportunity to thank MCA Senegal Management and staff members for their cooperation.

We remain available for any questions you may have regarding our reports or any additional information you may require. Please contact us if you have questions or require any additional information.

Yours sincerely,

Papa Alboury NDAO



Partner in Charge
Certified Public Accountant



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This report presents the results of the audit of the Fund Accountability Statement, the report on Internal Control, and the Report on Compliance with Laws and Regulations applicable to MCA Senegal, for the period January 1, 2011 to December 31, 2011. The actual cost incurred for the period January 1, 2011 to December 31, 2011 is \$10,671,558.93 (\$4,095,990.76 for 609g; \$373,519.69 for Compact Implementation Funding; and \$6,202,048.48 for Compact Funding).

I. INTRODUCTION/BACKGROUND

The Government of Senegal (GOS), under the Decree No. 2008-53 dated January 29, 2008 created a managing unit called "Mission de formulation et de Gestion du MCA Senegal" in order to facilitate the setup of the upcoming Compact program. In order to achieve this objective, on April 1, 2009 MCC and GOS entered into a Grant and Implementation Agreement ("the 609(g) Agreement" of \$13,390,000 to finance activities related to the "Proposed Compact".

Following its completion, MCC and GOS entered into an agreement known as the COMPACT on September 16, 2009 for the purpose of rehabilitating major national roads, investing in irrigation and water resource management and policy reforms. The Compact is a \$540 million USD grant designed to increase agricultural productivity and expanding access to markets and services through investments in infrastructure in the roads and irrigation sectors. To achieve that goal, an investment of \$535 million for the project and \$5 million for its implementation for a total of \$540 million was granted. The budget is described in the schedule below:

Indirect Rates: The Compact does not include indirect costs.

MULTI ANNUAL SUMMARY (Amounts in US \$)

ITEM	CIF	Year 1	Year 2	Year 3	Year 4	Year 5	TOTAL
1. IRRIGATION and WATER RESOURCES MANAGEMENT PROJECT (IWRM)	\$0	\$48,753,200	\$37,165,484	\$33,580,384	\$33,669,092	\$16,840,700	\$170,008,860
2. ROAD REHABILITATION PROJECT	\$0	\$69,275,632	\$122,424,766	\$95,320,317	\$36,279,617	\$762,167	\$324,062,499
3. MONITORING and EVALUATION	\$0	\$571,500	\$771,500	\$546,500	\$671,500	\$1,196,500	\$3,757,500
4. PROGRAM ADMINISTRATION AND AUDIT	\$5,000,000	\$7,248,022	\$7,324,764	\$7,403,964	\$7,383,539	\$7,810,852	\$42,171,141
TOTAL GENERAL	\$5,000,000	\$125,848,354	\$167,686,514	\$136,851,165	\$78,003,748	\$26,610,219	\$540,000,000



DESCRIPTION OF THE PROJECT'S COMPONENTS

1. IRRIGATION AND WATER RESOURCES MANAGEMENT PROJECT

The Irrigation and Water Resources Management Project – comprising infrastructure Investments in the Senegal River Delta (the “*Delta*”) and Department of Podor (the “*Podor*”) areas is designed to address the factors contributing to low agricultural yields. The Project will:

- i. Increase the volume of irrigation water in the Valley to develop approximately 8,500 to 10,500 acres of additional irrigated land;
- ii. Eliminate the risk of abandonment of approximately 26,000 hectares of existing irrigable land; and
- iii. Provide additional supply of water for human and animal use in the Delta, Podor, and adjoining areas.

The Project will also rehabilitate drainage canals, which will further eliminate the risk of abandonment of irrigated land, as well as increase crop yields. The Project will also support a land tenure security activity, to provide for, or maintain, a secure land tenure environment for all of inhabitants of the region directly affected by the Project. The Project may also invest in complementary social safeguard and environmental measures.

2. ROADS REHABILITATION PROJECT

The Roads Rehabilitation Project is designed to increase beneficiary access to domestic and international markets through improved road quality and a reduction in travel times and costs. The road sector plays a critical role in Senegal. Roads transport about 99% of goods produced in Senegal, and 95% of domestic travel is done by road. The roads addressed by the Roads Rehabilitation Project, national road no. 2 (“*RN2*”) and national road no. 6 (“*RN6*”), are prioritized in the Government’s Road Sector Master Plan, and their rehabilitation is in line with the national policy of increasing growth through road creation, renovation, and maintenance to facilitate transport of manufactured products, minerals, and agricultural production, and to encourage tourism throughout the country. This project component takes also into account environmental and Social Mitigation Measures.

3. MONITORING AND EVALUATION PLAN (M&E)

MCC and the Government of Senegal agreed to implement an M&E Plan that specifies:

- (a) How progress toward the Compact Goal, Program Objective and Project Objectives will be monitored, (“*Monitoring Component*”),
- (b) A process and timeline for the monitoring of planned, ongoing, or completed Project Activities to determine their efficiency and effectiveness, and
- (c) A methodology for assessment and rigorous evaluation of the outcomes and impact of the Program (“*Evaluation Component*”).

Information regarding the Program’s performance, including the M&E Plan, and any amendments or modifications thereto, as well as progress and other reports, will be made publicly available on the website of



MCA-Senegal and elsewhere. The M&E Plan will be built on a logic model which illustrates how the Program, Projects and Activities contribute to poverty reduction and economic growth in Senegal.

In summary, the goal of the Program is to contribute to economic growth and poverty reduction by:

- 1) Increasing household and firm incomes through increased irrigated agricultural production and productivity on irrigated perimeters; and
- 2) Increasing household and firm access to domestic and international markets through improved road quality and reduced travel times and costs.

4. PROGRAM ADMINISTRATION AND AUDIT

This component consists of all costs associated with the administration of the Program (administrative costs) managed by MCA Senegal and costs of periodic audits to be conducted by external auditors for costs monitoring and audits.

The Compact is implemented by MCA Senegal on behalf of the Government of Senegal. MCA Senegal is composed as follows:

- The Board (Conseil de Surveillance) representing the Governing Body;
- The Management unit (Direction Générale) which executes the program; and
- The Stakeholders' Committee (Comité des Parties Prenantes) representing the consultative Body.

MCA Senegal has contracted with an external consortium, **CKP-GFA**, acting as a Fiscal Agent and Procurement Agent for MCA Senegal.

The Fiscal Agent led by GFA manages the accounting and financial aspects of MCA-Senegal while the Procurement Agent led by CKP manages the administrative, managerial and procedural duties of MCA Senegal's procurements.

As required by U.S. laws, the MCC resources are subject to audit by an independent Certified Public Accounting firm.

II. AUDIT OBJECTIVES

RMA has been competitively selected to conduct a financial audit including a review of its internal control and MCA Senegal's compliance with applicable rules and regulations, for the period January 1, 2011 to December 31, 2011.



Our audit was conducted in accordance with U.S. Government Auditing Standards issued by the Comptroller General of the United States, and consequently, included a review of the accounting records and other auditing procedures that we considered necessary given the circumstances, in order to determine whether :

- a) The Fund Accountability Statement for the MCC-funded program presents fairly, in all material respects, revenues received, cost incurred, and commodities and technical assistance direct procured by MCC for the period from January 1, 2011 to December 31, 2011 in conformity with the terms of the agreements and Generally Accepted Auditing Principles or other comprehensive basis of accounting (including the cash receipts and disbursements of the cash basis of accounting).
- b) Evaluate and obtain a sufficient understanding of the recipient's internal control structures related to the MCC-funded programs, assess control risk and identify significant deficiencies, including material internal control weaknesses. This evaluation includes the internal controls related to required cost-sharing if applicable.
- c) Perform tests to determine whether the recipient complies, in all material respects, with agreement terms (including cost-sharing, if applicable) and applicable laws and regulations related to MCC-funded programs. Specifically, tests should be conducted in compliance with the Procurement Agreement and Procurement Guidelines as well as the Fiscal Accountability Plan. All material instances of noncompliance and all illegal acts that have occurred or are likely to have occurred should be identified. Such tests should include the compliance requirements related to required cost-sharing contributions, if applicable.

III. SCOPE OF WORK

In this section, we present the scope of our work. We reviewed the necessary documents to obtain an understanding of the Program including the Compact, the Implementation Entity Agreements, the Fiscal Accountability Plan (FAP) and its subsequent revisions, The Program Procurement Guidelines (PPG), the Procurement Operations Manual (POM), the Contract Administration Manual (CAM), the service contracts namely the one with the Fiscal Agent and Procurement Agent and finally the Bank Agreement. In terms of the audit contract, the objective of the audit is to conduct a financial audit of MCC resources managed by MCA-Senegal under the Compact in accordance with the U. S. Government Auditing Standards issued by the Controller General of the United States, and the MCC Audit Guidelines Contracted by the Millennium Challenge Corporation's Accountable Entities (Guidelines).



The following audit procedures were conducted:

- a) Assessment of the control environment;
- b) Assessment and Understanding of the internal control system related to program activities in order to evaluate the capacity to record, process synthesize and report the financial data in the Fund Accountability Statement (FAS);
- c) Assessment and evaluation of the risk of occurrence of fraud and illegal acts;
- d) A sample of the disbursements from the Program was selected and its supporting documents examined to determine if the FAS presents fairly in all significant aspects the financial transactions related to the program. We verified if disbursements were supported by adequate documentation to determine their reasonableness and allowability under the terms of the Compact and other related agreement such as 609(g), other applicable laws, regulations and applicable contracts;
- e) Incurred expenditures were sampled to verify that they were properly recorded in the accounting records of the Program;
- f) We sampled procedures used to control the funds of the Program, such as the channeling of funds to the financial institutions where accounts are held and to the implementing entities;
- g) We reviewed the bank reconciliation schedule of the Program and their established controls. We also sent confirmations of balances to the banks where accounts are held to determine the balance as of December 31, 2011;
- h) We reviewed a sample of the expenses submitted in requests for payments made to MCC. Additionally, we confirmed that the funds received from MCC are recorded in the accounting books of MCA-Senegal and agreed these balances to the confirmation of disbursements we received from MCC;
- i) We reviewed the program funds and checked if funds (not subject to tax and customs) were used to achieve program objectives and in conformity with the Compact and other related agreements;
- j) We reviewed a sample of procurements of the Program and verified that the principles of competition were followed, reasonable prices were obtained and that adequate controls regarding the receipt of goods (quality and quantity) were established. We also tested the procurement procedures to verify compliance with the "Procurement Principles Guidelines";
- k) We verified that the salaries paid to the employees correspond to the amounts in the accounting records as well as those specified by the employee's work contract. No social security and salary tax liabilities were recorded as MCA is exempt from all taxes;



- l) We have reviewed the allowances and benefits received by the employees to determine whether they are in accordance with applicable laws and regulations;
- m) We examined a sample of travel and transportation expenses to determine whether they are adequately approved, appropriate and in accordance with the Compact related agreements and regulations, and whether they are adequately recorded in the accounting records;
- n) We examined a sample of the assets acquired by MCA Senegal and verified their physical existence and that they are being used in accordance with the terms of the Compact and related agreements. Additionally, we reviewed the control procedures for the operation and the safeguarding of these assets;
- o) We reviewed payments made to non-U. S. consultants for technical assistance and services contracted by MCA-Senegal. Additionally, the contracts of these non-U. S. consultants were reviewed;
- p) We verified if there were any Covered Providers in order to ensure that expenses were made in accordance with Compact terms and the contractual arrangements with MCA Senegal; we found that there were no covered providers;
- q) We verified if MCA Senegal complied with the terms of the Compact and applicable laws and regulations; and
- r) We reviewed payment ledgers via Common Payment System (CPS) and payment detail reports to determine whether those payments were made in accordance with policies and procedures for CPS. Also, payment request forms have been reviewed regarding those requests made and approved by authorized people stated in Fiscal Accountability Plan and payment amounts have been reconciled with vendors' invoices and payment detail reports. We have inspected amounts in payment detail reports with the accounting records of MCA Senegal and assessed the MCC payment deadline.

Given the complex reporting tools of the program, we decided to increase our sample size larger than what would have required our assessment of the audit risk. That is the reason we focused our test on those transactions that were larger or equal to \$10,000. We have also tested those transactions effected through the local permitted accounts in the F CFA (XOF) currency for which the amounts of the transactions were for most cases less than \$10,000. The total amount of transactions tested amounted to \$9,376,704 or 88% of the total transactions effected during the period of \$10,671,557.93.



SUMMARY OF AUDIT RESULTS

A. Fund Accountability Statement

The Fund Accountability Statement was prepared according to the cash basis of accounting (which is Other Comprehensive Basis of Accounting (OCBOA)) and, therefore, revenues and assets were recognized when received, and expenses were recognized when paid.

Our audit revealed the following questioned ineligible costs totaling \$465,036.84 detailed in the notes to the Fund Accountability Statement (FAS):

- Expenses in the table below amounting to \$84,957.24 relating to the small purchases for which there were inadequate supporting documentations. In the samples tested, it was found that MCA Senegal was unable to provide adequate supporting documents relating to the small purchases. In most of the small purchase files, we noted several missing documents such as the PRN (Purchase Requisition Note), the evaluation memo and the mail supporting the bid invitation to three or more suppliers.

Labelled	Amounts in (USD)
OASIS MEDIA GROUP	\$32,491.77
TOUBA TELEPHONE PORTABLE	\$12,940.49
MONA LISA PAPETERIE	\$5,527.78
OFFICE CONSOMMABLES	\$4,414.55
OFFICE CONSOMMABLES	\$4,166.67
OFFICE CHOICE	\$2,950.98
SEN SERVICES INFORMATIQUES	\$4,006.81
DIOP, MAPENDA	\$3,147.95
QUANTEC	\$5,614.50
DIA, YORO	\$2,625.82
OFFICE CONSOMMABLES	\$2,562.20
MASTER OFFICE	\$2,485.98
GAEL IMPRIMERIE	\$2,021.74
TOTAL	\$84,957.24

- Expenses in the amount of \$ 64,322.20 (detailed in **Annex 1**) relating to procurements for which the number of evaluation panelists is inferior to the minimum stipulated in the PPG. The panel is composed of two members contrary to the PPG guidelines which require an evaluation panel composed of three to five members. Among these questioned ineligible costs, we found transactions amounting to \$29,673.75 for which the procurement is not in the PP (Procurement Plan): the procurement PA05 TER for the acquisitions of Air Conditioners ordered through Office Informatique is not listed in the Procurement Plan for the semester going from April to September 2011.
- Ineligible questioned expenses amounting to \$152,839.37 relating to the second amendment of the FIT Conseils contract which did not have the prior required approval of the Board of MCA Senegal. The Board discussed this amendment on October 27, 2011 however the contract was signed 10 days before the



Board's discussion. The review disclosed that the contract was signed on October 17, 2011 and discussed with the Board on October 27, 2011.

- Questioned expenses in the amount of \$24,169.92 relate to the rent expenses for the offices of the PMUs (Project Management Units). The questioned rental expenses for the offices of the PMUs AGEROUTE and SAED were paid for by MCA Senegal. However the terms of the Compact states that the rental expenses for the offices used by MCA Senegal is the responsibility of the Senegalese Government and not MCA Senegal.
- Questioned expenses amounting to \$138,748.11 relate to the salary and travel expenses of the key staff recruited in 2011 whose recruitment was not approved by the governing body of MCA Senegal. The questioned salary and travel expenses are as follows:
 - o Director Road: \$63,814.72
 - Salary \$55,793.09 (609g) ;
 - Travel expenses \$8,021.63 (Compact).
 - o Gender Officer: \$67,700.90.
 - Salary \$35,242.62 (Compact :\$25,921.43 and CIF : \$9,321.19) ;
 - Travel Expenses \$32,458.28 (Compact) .
 - o Environmental Officer: \$ 7,232.49.
 - Salary \$ 6,177.09 (Compact) ;
 - Travel Expenses \$ 1,055.40 (Compact).

In our opinion, except for the questioned ineligible expenditures listed above, the Fund Accountability Statement presents fairly, in all material respects, the funds received, costs incurred, and disbursements made by MCA-Senegal for the period of January 1, 2011 to December 31, 2011, in accordance with the terms of the agreements and in conformity with the basis of Generally accepted Accounting Principles.

The funds managed directly by MCC as part of Compact agreement are not subject to the audit procedures. The scope of the audit procedures in respect to funds managed directly by MCC are limited to obtaining a direct confirmation from MCC the actual funds provided and expended. Funds managed directly by MCC are included in the Office of the Inspector General's (OIG) audit of MCC.

B. Internal Control System

In planning and performing our audit of the Fund Accountability Statement, we took into consideration the internal controls in order to determine our audit procedures for the purpose of expressing our opinion on the Fund Accountability Statement. Our work does not aim to express an opinion on the internal control system. Consequently, we do not express such an opinion.



During our fieldwork, we have identified several deficiencies to report, as defined by the applicable audit standards. It corresponds to material deficiencies in the internal control as listed below:

- *Material deficiencies identified in the procurement process:*
 - o Non availability of documentation supporting the small purchases and
 - o Non respect of the delivery deadlines.
- *Weaknesses in the management of Human Resources*
 - o Deficiencies in the filing and completeness of certain personnel files;
 - o Lack of a clock in/out time management system in the PMUs; and
 - o Non approval of key personnel's employment contracts by the Board.
- *Deficiencies in the management of the fleet of vehicles and the controls in fuel consumption.*

We noted other matters involving internal control and its operation that we have reported to the management of MCA Senegal in a separate letter dated July 13, 2012.

C. Compliance with Agreement Terms and Applicable Laws and Regulations

To obtain reasonable assurance about whether the Fund Accountability Statement does not contain significant errors or omissions, we have verified MCA Senegal's compliance with the terms of the Compact and the applicable rules and regulations.

For the period from January 1, 2011 to December 31, 2011, we identified significant instances of non compliance with the terms of the Compact and its annexes as it relates to the following applicable rules and regulations:

- Non compliance with the required number of members of the evaluation panels;
- Procurement contract not listed in the PP (Procurement Plan);
- Failure to establish the Past Performance Report on bidders of contracts evaluated or estimated to be superior to \$100,000.00;
- Contract amendments were not formally approved by the Board, and the conclusions of the Board meetings were not formalized; and
- Rental expenses for the offices of the PMUs SAED and AGEROUTE paid with MCC funds.



D. Follow Up On Prior Audit Recommendation

D. Follow Up On Prior Audit Recommendation						
CONDITION		AUDITOR RECOMMENDATION		Follow-up on Prior Period Audit Recommendation		
#	Finding Type	SOURCE: Schedule of Findings and Questioned Costs	SOURCE: Schedule of Findings and Questioned Costs"	Executed	In Progress	Non Executed
1a	FAS - Questioned Costs	SOURCE: Schedule of Findings and Questioned Costs \$26,299 questioned ineligible costs were paid under an expired Spending Authority. The questioned ineligible expenditures paid to Novosen, SSI, CONTECH and VOLTELEC relate to computer equipment and installation costs identified in the 4th quarter 2010 Disbursement Request (DR). The total DR amounted to \$284,680 (\$149,975 paid under Special Payment procedures and 134,705). The 4th quarter approved budget was \$108,407 and not \$134,705.	MCA must follow the requirement to use Working Capital or the Special Payment procedures.	X		MCC considers that all expenses at the sub activity level were eligible since there was enough funds at the activity level. additionally MCC stated that they will further clarify the use of Working Capital at its next CPS Manual update. We consider this recommendation as closed.
1b	FAS - Questioned Costs	Office furniture amounting to \$19,000 U.S. dollars (XOF 9,724,000/511.7 = 19,000 U.S. dollars) were not listed. In addition, the furniture was not tagged and was not listed in MCA Senegal's inventory. During the audited period, the questioned \$19,000 for the furniture was held at the supplier's warehouse awaiting distribution to MCA Senegal or at the Project Management Units. The questioned furniture, was to be delivered in August 2010, however, at the time of the audit in July 2011 the furniture was still maintained at the supplier's location.	1. We recommend that MCA-Senegal revisit its estimations of purchases before the execution of each purchase order in order to avoid unnecessary inventory. MCA Senegal must also take into consideration the option to make incremental orders. 2. We recommend that all goods purchased for MCA Senegal be received, immediately identified with a tag, and its custody adequately documented as property of MCA Senegal.	X		In 2011 these fixed assets were delivered and appropriately tagged. We consider this recommendation as closed.
2	INTERNAL CONTROL	We noted a weakness in the computerized accounting system, as it does not ensure adequate data security. The weakness relates to new entries and the modification of past entries. This weakness is noted in the following sections: - Invoice receipt date; - Entry Posting date; - Approval date by MCA Senegal; - Approval date by the FA; - Description; - Currency; and - The nature of the transaction.	We recommend that MCA Senegal put in place a system ensuring that: a. The accounting system be closed on time and be secured which will not allow any new modification; b. MCA Senegal maintains an adequate journal entry log; Instead of correcting errors on the original journal entry. It is also recommended that MCA Senegal post two new entries consisting of reversing the original erroneous entry, then inputting the correct journal entry into the system. This method will allow MCA Senegal to maintain a log of all entries and adjusting entries in a chronological manner.	X		- The reversal of journal entries is now being implemented. This part of our recommendation is considered closed. -We have tested the accounting system of the FA and we found that there are fields in addition to the three mentioned that are still modifiable such as the nature of the expense, WC, receipt date of approved invoice from MCA and the N/A field. The FA argues that these fields are still modifiable as it helps in periodic analysis of the data. We consider this recommendation as closed.
3	INTERNAL CONTROL	The processing, allocation, recording, consolidation and other accounting work, except ledger D entry recording, are executed by the Senior Accounting specialist whose work is not sufficiently supervised primarily by the FA or by MCA Senegal. The Fiscal Agent Manager (FAM) is not involved in accounting work	We recommend that: 1. The Senior Accounting Specialist delegate work to the Assistant and provide adequate supervision to the Assistant. 2. The FAM must provide adequate supervision to the Senior Accounting Specialist. 3. The Fiscal Agent hire additional staff. 4. MCA Senegal must finalize the setup of the IT Gateway.	X		The FA has indeed hired a Junior Accounting Specialist who inputs the journal entries under the supervision of the SAS and compiles the bank reconciliation schedules under the supervision of the SAS. The gateway between the MCA and FA is now functional. We consider this recommendation as closed.
4	INTERNAL CONTROL	In some instances the Transmittal Sheets, did not reflect the correct amounts available in the budget for the payment to be made. However when we verified if those payments were supported by an actual and existing budget we found that the FA had ensured that such budget was available before payment.	We recommend that the Transmittal Sheet signor ensure that complete, adequate and up to date documentation evidencing the budget availability/approval be attached at all times to the transmittal sheet.	X		Though our tests we have found that a new schedule is included in the payment supporting documents which gives an up to date amount of the budget at the time of payment. This schedule is signed by the SPS. We consider this recommendation as closed.
5	INTERNAL CONTROL	We noted that no receipt date or any evidence of validation was stamped on the following documents - Travel Budget de mission - Transmittal Sheet - Invoices	The system must formally put the receipt and/or validation date on each stage of the process in order to correctly monitor the deliverable dates.	X		Through our tests we have found in the last quarter of 2011, MCA has started stamping the arrival dates directly on invoices in addition to the separate register. On invoices, several dates are stamped (approval by DAF, DP, SPS, FAM). Date of arrival to the FA is also stamped. We consider this recommendation as closed.

6	INTERNAL CONTROL	There is a lack of segregation of duties related to the custodian of MCA Senegal's check books and signor of MCA Senegal's checks. We noted that the Fiscal Agent Manager sign and has custody of the checks. We also noted that there was no formal control of unused checks.	We recommend that funds be adequately controlled by MCA Senegal. The FAP, as a co-signor of the checks must leave the checkbook in the custody of either the Senior Accountant Specialist or his assistant. The check book must be kept in a secured safe deposit box. Also, the senior accountant who is a non signor (or any other non signor staff) of the checks must periodically perform unannounced controls of the unused checks.	X			During our first interview with the SAS, we noticed that the SAS was called upon to go open the safe. A verbal confirmation was given attesting to the fact that the SAS has the key to the safe and that the SPS and FAM have the code. The signors of the checks are the SPS and the FAM. The SAS keeps a sequential record of all checks used and unuses through a follow up registry. We consider this recommendation as closed.
7	INTERNAL CONTROL	We did not see evidence demonstrating that MCA Senegal complied with the requirement to maintain six (6) copies of each contract and send a copy to all parties concerned. We've seen transmittal memos from the DPM to FA and PA but there is no evidence showing that the proper number of copies were sent to the various offices.	MCA Senegal must adequately document the transmittal process demonstrating that recipients have received their copy of the contracts.		X		A transmission register was put in place starting in March 2011. However the transmission of the six copies is not systematically recorded in the register. We consider this recommendation as still open.
8	INTERNAL CONTROL	The list of contracts above \$10,000 received from the PA is different from the list received from DPM and the FA.	MCA Senegal must maintain a sequential numbering system of the contract at legal counsel office. The legal counsel must also be involved in the coordination process since the legal office has all contracts including those managed by MCA, DAF, DPM, FA and PA.			X	The DPM did not keep a list of the procurements. The list provided by the Procurement Agent was not complete as there were contracts that were not listed. We consider this recommendation as still open.
9	INTERNAL CONTROL	The correspondences between MCA Senegal and the PA concerning the preparation of the Scope of Work (SOW), the technical specifications and the Request for Quotations are not all systematically attached in the physical documents. Also the acknowledgement of the date of receipt and validation of bids are not systematically maintained in the bids files.	MCA Senegal must maintain adequate documentation in the files. Important emails must also be printed and properly filed			X	The filing of the various supporting documents for procurements is not systematic. We consider this recommendation as still open.
10	COMPLIANCE	We found that MCA Senegal's assets were not insured. The insurance policy on its building according to the contractual agreement starts in March 2011.	MCA Senegal must finalize the contracting process with a local Insurance Company to safeguard its assets. All assets must be insured.		X		MCA SENEGAL is subscribed to an insurance policy for its offices and assets for the period under audit. However there exist no insurance policy for the offices nor the assets of the PMUs. We consider this recommendation as still open.
11	COMPLIANCE	We found that there was a 2 to 25 day delay in transmitting invoices from MCA Senegal to the FA.	MCA Senegal must comply with FAP.		X		The change from the transmission of documents from the same day to a timeframe of five days is in progress. The version of the FAP which materializes this change takes effect in 2012. We consider this recommendation as still open.
12	COMPLIANCE	The following MCA Senegal's accounts are not in conformity with SYSCOHADA mandated charts of accounts: - 43100 Staff salaries instead of 422; - 422100 Advances instead of 44; and - 260000 is used for current assets when a Class 3 or 4 account must be used. The class 2 accounts are for fixed capital assets.	MCA Senegal must ensure that the accounts corresponds to the SYSCOHADA chart of accounts.	X			The change in the chart of accounts was done in 2011, however the version of the FAP materializing this change takes effect in 2012. We consider this recommendation as still open.



E. Common Payment System (CPS)

The Millennium Challenge Corporation (MCC) makes payments directly to vendors contracted with partner-country Millennium Challenge Account (MCA-Senegal in this case) accountable entities to implement activities under the MCC-funded compacts. The Common Payment System (CPS) is:

- A payment system that uses the U.S. Department of Treasury's International Treasury System (ITS) and the Secure Payment System (SPS). All U.S. bank payments utilize SPS and all non U.S. bank payments utilize a System implemented by the National Business Center (NBC), a Financial Services Provider.

CPS enables MCA Senegal (through NBC and Treasury) to pay vendors directly. Vendors can expect a payment from U.S. Treasury in U.S. \$ or local currency. The vendor may specify if they prefer a wire transfer (originating from U.S. Treasury) or a local bank check. The payments will originate from the U.S. Treasury, not the host country government. All valid and approved invoices are paid to the vendor within 30 days of certification. *The vendors provide the Fiscal Agent with:*

- Name of the bank;
- Bank account holder's name;
- Bank account number;
- Mailing address;
- Bank SWIFT or ABA number;
- Tax ID (for U. S. companies);
- Invoice number; and
- Payment denomination (U.S. \$ or local currency).

With the CPS configuration, some wires or checks come from the permitted accounts (bank accounts opened in a local bank) which is controlled by the Fiscal Agent of MCA Senegal.

Papa Alboury NDAO



Partner in Charge
Certified Public Accountant

**AUDITOR'S OPINION ON THE FUND ACCOUNTABILITY STATEMENT OF MCA-SENEGAL FOR
THE PERIOD FROM JANUARY 1, 2011 TO DECEMBER 31, 2011 (609g, COMPACT
IMPLEMENTATION FUNDING AND COMPACT FUNDING)**



INDEPENDENT AUDITOR'S REPORT ON THE FUND ACCOUNTABILITY STATEMENT

Dakar, October 18, 2012

Millennium Challenge Account Senegal (MCA- Senegal)
06 Route de Ngor X Hôtel Ngor Diarama
BP: 45002 DAKAR Fann
DAKAR – Senegal

We have audited the Fund Accountability Statement of MCA Senegal for the period from January 1, 2011 to December 31, 2011. The Fund Accountability Statement is the responsibility of MCA Senegal's management. Our responsibility is to express an opinion on the Fund Accountability Statement (609g, Compact Implementation Funding, and Compact Funding) based on our audit.

Except as discussed in the following paragraphs, we conducted our audit of the Fund Accountability Statement in accordance with "U.S. 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 Fund Accountability Statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Fund Accountability Statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In Senegal, the professional Board does not perform the requirement set forth in paragraph 3.55 of Chapter 3 of U. S. Government Auditing Standards. However, we do not consider this as a significant weakness since our firm is compliant with the International Federation of Accountants (IFAC) standards on quality control NO. 1. Our current internal quality program is described below:

- Application of specialized audit guides required for each sector;
- Team leader, Manager, and Partner reviews; and
- A second independent review by another Manager or Partner not implicated in the audit (Audit Referencer).

We do not have a continuing education program that fully satisfies the requirement set forth in Chapter 3, paragraph 3.46 of U. S. Government Auditing Standards. However, prior to the audit start, we have undertaken for all staff involved in this audit a training relating to the MCC program specifics and the Guidelines. We are taking appropriate steps to implement a continuing professional education program that fully satisfies the requirement. Furthermore, we have recruited an American Certified Public Accountant (CPA) who satisfies the continuing education requirements for this audit.



Our audit revealed questioned ineligible costs totaling \$465,036.84 detailed in the notes to the Fund Accountability Statement (FAS).

- Ineligible questioned expenses in the table below amounting to \$84,957.24 relating to the small purchases for which MCA Senegal did not provide adequate documentations. In the samples tested, it was determined that MCA Senegal was unable to provide adequate documentation for the small purchases. In most of the small purchase files, we noted several missing documents such as the PRN (Purchase Requisition Note), the evaluation memo, and the mail supporting the bid invitation to three or more suppliers.

Labelled	Amounts in (USD)
OASIS MEDIA GROUP	\$32,491.77
TOUBA TELEPHONE PORTABLE	\$12,940.49
MONA LISA PAPETERIE	\$5,527.78
OFFICE CONSOMMABLES	\$4,414.55
OFFICE CONSOMMABLES	\$4,166.67
OFFICE CHOICE	\$2,950.98
SEN SERVICES INFORMATIQUES	\$4,006.81
DIOP, MAPENDA	\$3,147.95
QUANTEC	\$5,614.50
DIA, YORO	\$2,625.82
OFFICE CONSOMMABLES	\$2,562.20
MASTER OFFICE	\$2,485.98
Gael IMPRIMERIE	\$2,021.74
TOTAL	\$84,957.24

- Expenses in the amount of \$64,322.20 (detailed in Annex 01) relating to procurements for which the number of evaluation panelists is inferior to the minimum stipulated in the PPG. The panel is composed of two members contrary to the PPG guidelines which require an evaluation panel composed of three to five members. Among the questioned ineligible costs, we found transactions amounting to \$29,673.75 for which the procurement is not in the PP (Procurement Plan): the procurement PA05 TER for the purchase of Air Conditioners ordered through Office Informatique is not listed in the Procurement Plan for the semester going from April to September 2011.
- Ineligible questioned expenses amounting to \$152,839.37 relate to the second amendment of the FIT Conseils contract which did not have the prior approval of the Board of MCA Senegal. The Board discussed this amendment on October 27, 2011 however the contract was signed 10 days before the Board's discussion. The review disclosed that the contract was signed on October 17, 2011 and discussed with the Board on October 27, 2011.
- Ineligible questioned expenses in the amount of \$24,169.92 relate to the rent expenses for the offices of the PMUs (Project Management Units). The questioned rental expenses for the offices of the PMUs AGEROUTE and SAED were paid for by MCA Senegal. However the terms of the Compact states that the rental expenses for the offices used by MCA Senegal is the responsibility of the Senegalese Government and not MCA Senegal.



- Ineligible questioned expenses amounting to \$138,748.11 relate to the salary and travel expenses of the key staff recruited in 2011 whose recruitment was not approved by the governing body of MCA Senegal. The questioned salary and travel expenses are as follows:

- o Director Road: \$ 63,814.72
 - Salary \$ 55,793.09 (609g) ;
 - Travel expenses \$ 8,021.63 (Compact).
- o Gender Officer: \$67,700.90
 - Salary \$35,242.62 (Compact :\$25,921.43 and CIF : \$9,321.19) ;
 - Travel Expenses \$32,458.28 (Compact) .
- o Environmental Officer: \$ 7,232.49
 - Salary \$ 6,177.09 (Compact) ;
 - Travel Expenses \$ 1,055.40 (Compact).

In our opinion, except those questioned ineligible cost expenditures listed above, the Fund Accountability Statement presents fairly, in all material respects, the funds received, costs incurred, and disbursements made by MCA Senegal for the period from January 1, 2011 to December 31, 2011, in accordance with the terms of the agreements and in conformity with the basis of Generally accepted Accounting Principles described in note 1.1 to the FAS.

The funds managed directly by MCC as part of MCA Senegal Compact agreement are not subject to the MCA Senegal audit procedures. Funds managed directly by MCC are limited to obtaining a direct corfirmation from MCC of the actual funds provided and expended. Funds managed directly by MCC are audited by the OIG.

In agreement with U.S. Government Auditing Standards, we have reported to the management of MCA Senegal in a separate report dated August 3, 2012 our analysis of the internal control system of MCA Senegal for the period January 1, 2011 to December 31, 2011 and a report on compliance with Compact terms and applicable rules and regulations.

This report is intended for the information of MCA Senegal and MCC. However, upon release by MCC, this report is a matter of public record and its distribution is not limited.

Papa Alboury NDAO



**Partner in Charge
Certified Public Accountant**



INDEPENDENT AUDITOR'S REPORT ON THE INTERNAL CONTROL



INDEPENDENT AUDITOR'S REPORT ON THE INTERNAL CONTROL

Dakar, October 18, 2012

Millennium Challenge Account Senegal (MCA Senegal)

06 Route de Ngor X Hôtel Ngor Diarama

BP: 45002 DAKAR Fann

DAKAR – Senegal

We have audited the Fund Accountability Statement of MCA Senegal for the period from January 1, 2011 to December 31, 2011.

Except as discussed in the the following paragraph, we conducted our audit in accordance with U.S. 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 Fund Accountability Statement is free of material misstatement.

In Senegal, the professional Board does not perform the requirement set forth in paragraph 3.55 of Chapter 3 of U. S. Government Auditing Standards. However, we do not consider this as a significant weakness since our firm is compliant with the International Federation of Accountants (IFAC) standards on quality control NO. 1. Our current internal quality program is described below:

- Application of specialized audit guides required for each sector;
- Team leader, Manager, and Partner reviews; and
- A second independent review by another Manager or Partner not implicated in the audit (Audit Referencer)

We do not have a continuing education program that fully satisfies the requirement set forth in Chapter 3, paragraph 3.46 of U. S. Government Auditing Standards. However, prior to the audit start, we have undertaken for all staff involved in this audit a training relating to the MCC program specifics and the Guidelines. We are taking appropriate steps to implement a continuing professional education program that fully satisfies the requirement. Furthermore, we have recruited an American Certified Public Accountant (CPA) who satisfies the continuing education requirements for this audit.

The management or those in charge of governance of MCA Senegal are responsible for establishing and maintaining internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies and procedures. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that the assets are safeguarded against loss from unauthorized use or disposition; transactions are executed in accordance with management's authorization and in accordance with the terms of the Agreements; and 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 the Fund Accountability Statement . Because of inherent limitations in



internal control, errors or fraud 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.

In planning and performing our audit of the Fund Accountability Statement of MCA Senegal for the period from January 1, 2011 to December 31, 2011, in accordance with U.S. Government Auditing Standards, we evaluated MCA Senegal internal control in order to determine the nature, extent of the necessary auditing procedures for the purpose of expressing our opinion on the Fund Accountability Statement of MCA Senegal. Consequently, our work is less than a full study whose objective is to express an opinion on the whole internal control system. Accordingly, we do not express an opinion on the entity's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all the internal control deficiencies that might be significant deficiencies or material weaknesses. However, as mentioned below, we identified some deficiencies in the internal control that we consider as significant deficiencies.

A significant deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect, and correct misstatements on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. This can cause a risk that could be undetected or limited by the internal control structure in place.

Our evaluation of the internal control system identified significant deficiencies as defined in the auditing standards. We consider the following deficiencies to be significant in internal control:.

- Material deficiencies identified in the procurement process:
 - o Non availability of documentation supporting the small purchases and
 - o Non respect of the delivery deadlines.
- Weaknesses in the management of Human Resources
 - o Deficiencies in the filing and completeness of certain personnel files;
 - o Lack of a clock in/out time management system in the PMUs; and
 - o Non approval of key personnel's employment contracts by the Board.
- Deficiencies in the management of the fleet of vehicles and the controls in fuel consumption.

A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's Fund Accountability Statement will not be prevented or detected and corrected on a timely basis. We believe that the aggregate of the above findings constitute a significant deficiency in MCA Senegal's procurement process.



We noted other matters involving internal control and its operation that we have reported to the management of MCA Senegal in a separate letter dated August 3, 2012.

This report is intended for the information of MCA-Senegal and the Millennium Challenge Corporation (MCC). However, upon release by MCC, this report is a matter of public record and its distribution is not limited.

Papa Alboury NDAO



Partner in Charge
Certified Public Accountant



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH AGREEMENT TERMS AND APPLICABLE
LAWS AND REGULATIONS**



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS, RULES AND REGULATIONS

Dakar, October 18, 2012

Millennium Challenge Account Senegal (MCA Senegal)

06 Route de Ngor X Hôtel Ngor Diarama

BP: 45002 DAKAR Fann

DAKAR – Senegal

We have audited the Fund Accountability Statement of MCA Senegal for the period from January 1, 2011 to December 31, 2011.

Except as discussed in the following paragraph, we conducted our audit in accordance with U.S. Government Auditing Standards issued by the Comptroller General of the United States. As stated on the report on the FAS, we do not have an external quality control program conducted by a non affiliated CPA firm. 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 resulting from violations of agreement terms and laws and regulations that have a direct and material effect on the determining of the Fund Accountability Statement amounts.

In Senegal, the professional Board does not perform the requirement set forth in paragraph 3.55 of Chapter 3 of U. S. Government Auditing Standards. However, we do not consider this as a significant weakness since our firm is compliant with the International Federation of Accountants (IFAC) standards on quality control NO. 1. Our current internal quality program is described below:

- Application of specialized audit guides required for each sector;
- Team leader, Manager, and Partner reviews; and
- A second independent review by another Manager or Partner not implicated in the audit (Audit Referencer).

We do not have a continuing education program that fully satisfies the requirement set forth in Chapter 3, paragraph 3.46 of U. S. Government Auditing Standards. However, prior to the audit start, we have undertaken for all staff involved in this audit a training relating to the MCC program specifics and the Guidelines. We are taking appropriate steps to implement a continuing professional education program that fully satisfies the requirement. Furthermore, we have recruited an American Certified Public Accountant (CPA) who satisfies the continuing education requirements for this audit.

Compliance with the terms and conditions of the Compact and related agreements and laws and regulations applicable to MCA Senegal is the responsibility of MCA Senegal's management. As part of obtaining reasonable assurance about whether the FAS is free from material misstatement, we verified certain provisions of applicable agreements, 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.



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 and the cost-sharing schedule (if applicable).

The results of our tests disclosed the following material instances of noncompliance, the effects of which are shown as questioned cost in the Fund Accountability Statement. We report these noncompliances in accordance with U.S. Government Auditing Standards. The significant instances of non-compliance to Compact provisions, related agreements and applicable rules and regulations are:

- Non compliance with the required number of members of the evaluation panels;
- Procurement contract not listed in the PP (Procurement Plan);
- Failure to establish the Past Performance Report on bidders of contracts evaluated or estimated to be superior to \$100,000.00;
- Contract amendments were not formally approved by the Board, and the conclusions of the Board meetings were not formalized as well; and
- Rental expenses for the offices of the PMUs SAED and AGEROUTE paid with MCC funds.

We considered these material instances of noncompliance in forming our opinion on whether MCA-Senegal's January 1, 2011 to December 31, 2011 Fund Accountability Statement is presented fairly, in all material respects, in accordance with the terms of the agreements and in conformity with the basis of accounting described in Note 1.1 to the Fund Accountability Statement. This report does not affect our report on the Fund Accountability Statement dated August 3, 2012.

This report is intended for the information of MCA-Senegal and the Millennium Challenge Corporation (MCC). However, upon release by MCC, this report is a matter of public record and its distribution is not limited.

Papa Alboury NDAO



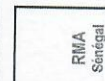
Partner in Charge
Certified Public Accountant



THE CONSOLIDATED FUND ACCOUNTABILITY STATEMENT JANUARY 1 2011 – DECEMBER 31 2011

(Amounts are in U. S. Dollars)

Report Period : 31 December 2011 Budget Period : 31 December 2015 Submitting Date : 15 May 2012 Source of Fund:	606g				CIF				COMPACT			
	Budget	Cumulative on 31.12.2010	Actual for the period	Burn Rate	Budget	Cumulative on 31.12.2010	Actual for the period	Burn Rate	Budget	Cumulative on 31.12.2010	Actual for the period	Burn Rate
REVENUE												
Income - Direct payments via CPS	\$3,008,026.52	\$3,152,686.12	\$6,161,712.64			\$430,222.78	\$56,936.93	\$517,159.71	\$0.00	\$4,965,546.82	\$4,969,546.82	
Income - Transfers into Permitted Account	\$475,889.25	\$1,014,719.18	\$1,480,558.43			\$340,315.09	\$263,356.26	\$603,711.35	\$0.00	\$1,381,140.30	\$1,381,140.30	
Total Revenue	\$3,484,865.77	\$4,167,405.30	\$7,652,271.07			\$770,537.87	\$350,333.19	\$1,120,871.06	\$0.00	\$6,350,687.12	\$6,350,687.12	
COSTS INCURRED												
1 INRM Project												
Const. sup. proj. mgmt activity	\$6,994,587.66	\$251,339.71	\$3,216,849.26	51.81%	\$0.00	\$0.00	\$0.00	\$0.00	0%	\$170,008,860.00	\$277,132.27	0.16%
Land Tenure Security activity	\$3,205,350.00	\$236,482.64	\$1,011,738.59	38.94%	\$0.00	\$0.00	\$0.00	\$0.00	0%	\$163,634,900.00	\$267,047.75	0.16%
ESM Activity	\$2,720,000.00	\$8,409.86	\$2,028,420.12	74.57%	\$0.00	\$0.00	\$0.00	\$0.00	0%	\$3,795,960.00	\$0.00	0.00%
Soc. safeguards Meas. Activity	\$750,000.00	\$6,447.21	\$172,964.23	23.02%	\$0.00	\$0.00	\$0.00	\$0.00	0%	\$1,378,000.00	\$0.00	0.00%
Gender & Social Integration Ac	\$19,237.66	\$0.00	\$12,136.18	63.09%	\$0.00	\$0.00	\$0.00	\$0.00	0%	\$1,036,511.29	\$0.00	0.00%
2 Road Rehabilitation Project	\$1,250,000.00	\$0.00	\$90,654.35	7.25%	\$650,000.00	\$0.00	\$0.00	\$0.00	0%	\$163,488.71	\$10,064.52	6.17%
Const. sup. proj. mgmt activity	\$1,250,000.00	\$0.00	\$90,654.35	7.25%	\$650,000.00	\$0.00	\$0.00	\$0.00	0%	\$24,712,499.00	\$1,895,646.89	0.59%
Env & Soc Mitigation Activity	\$0.00	\$0.00	\$0.00		\$0.00	\$0.00	\$0.00	\$0.00	0%	\$319,720,500.00	\$1,095,646.89	0.35%
Gender & Social Integration Ac	\$0.00	\$0.00	\$0.00		\$0.00	\$0.00	\$0.00	\$0.00	0%	\$19,174,361.00	\$0.00	0.00%
3 Monitoring and Evaluation	\$1,305,412.34	\$4,320.98	\$29,849.79	2.66%	\$0.00	\$0.00	\$0.00	\$0.00	0%	\$3,751,500.00	\$113,574.06	3.02%
Monitoring and Evaluation	\$1,305,412.34	\$4,320.98	\$29,849.79	2.66%	\$0.00	\$0.00	\$0.00	\$0.00	0%	\$3,751,500.00	\$113,574.06	3.02%
4 Program Management & Oversight	\$4,140,000.00	\$3,196,134.66	\$758,837.36	95.55%	\$1,120,871.06	\$747,351.37	\$373,519.69	\$1,120,871.06	100%	\$40,400,289.94	\$3,915,695.26	9.69%
MCA-Senegal Program Admin	\$4,140,000.00	\$3,196,134.66	\$758,837.36	95.55%	\$1,120,871.06	\$747,351.37	\$373,519.69	\$1,120,871.06	100%	\$40,400,289.94	\$3,915,695.26	9.69%
Fiscal Agent Costs	\$1,657,998.19	\$684,132.84	\$1,452,770.21	88.66%	\$0.00	\$0.00	\$0.00	\$0.00	0%	\$6,000,000.00	\$1,898,395.99	6.65%
Procurement Agent Costs	\$1,315,274.28	\$1,186,727.53	\$0.00	100.00%	\$0.00	\$0.00	\$0.00	\$0.00	0%	\$6,000,000.00	\$1,100,589.00	18.34%
Audit	\$1,186,727.53	\$1,186,727.53	\$0.00	100.00%	\$200,000.00	\$0.00	\$0.00	\$0.00	0%	\$6,000,000.00	\$996,128.00	16.60%
Total Costs Incurred	\$13,390,000.00	\$3,452,395.35	\$4,085,990.76	56.37%	\$1,120,871.06	\$747,351.37	\$373,519.69	\$1,120,871.06	100%	\$1,200,000.00	\$10,702.27	0.89%
Excess of Revenue Over Costs Incurred		\$32,470.42	\$71,414.54			\$23,186.50	\$23,186.50	\$0.00		\$0.00	\$6,202,048.48	1.15%
Available Funds / Cash and Bank										\$0.00	\$148,638.64	
FUND BALANCE AT BEGINNING OF PERIOD												
+ Receipts of the period		\$3,484,865.77	\$4,167,405.30			\$0.00	\$26,512.18	\$0.00		\$0.00	\$0.00	
- Disbursements of the period		\$3,452,395.35	\$4,085,990.76			\$770,537.87	\$350,333.19	\$1,120,871.06		\$0.00	\$6,350,687.12	
FUND BALANCE AT END OF PERIOD		\$32,470.42	\$106,716.70			\$23,186.50	\$3,325.68	\$0.00		\$0.00	\$6,202,048.48	
Represented by:												
Cash and Bank at the end of the period		\$35,302.16	\$103,955.48			\$26,512.18	\$0.00	\$0.00		\$0.00	\$148,928.05	
Reconciling Items:												
Interests Payables		\$2,831.74	\$2,761.22			\$3,325.68	\$3,325.68	\$0.00		\$0.00	\$290.41	
= Total Cash at the end of the period + Reconciling Items		\$32,470.42	\$106,716.70			\$23,186.50	\$3,325.68	\$0.00		\$0.00	\$148,638.64	





THE FUND ACCOUNTABILITY STATEMENT AS OF DECEMBER 31, 2011 (609g)

(Amounts are in U. S. Dollars)

		Budget	Total Prior Period (s)*	Current Period	Cumulative	Questioned costs		Notes
REVENUE						Ineligible	Unsupported	
Income - Direct payments via CPS			\$3,009,026.52	\$3,152,686.12	\$6,161,712.64			
Income - Transfers into Permitted Account			\$475,839.25	\$1,014,719.18	\$1,490,558.43			
Total Revenue			\$3,484,865.77	\$4,167,405.30	\$7,652,271.07			2.1
COSTS INCURRED								
1	1000000	1999999	IWRM Project	\$6,694,587.66	\$251,339.71	\$3,216,849.26	\$3,468,188.97	
	1100000	1199999	Const, sup, proj mgmt activity	\$3,205,350.00	\$236,482.64	\$1,011,738.59	\$1,248,221.23	
	1200000	1299999	Land Tenure Security activity	\$2,720,000.00	\$8,409.86	\$2,020,010.26	\$2,028,420.12	\$152,839.37
	1300000	1399999	ESM Activity	\$750,000.00	\$6,447.21	\$172,964.23	\$179,411.44	3
	1400000	1499999	Soc safeguards Meas. Activity	\$19,237.66	\$0.00	\$12,136.18	\$12,136.18	
	1500000	1599999	Gender & Social Integration Ac	\$0.00	\$0.00	\$0.00	\$0.00	
2	2000000	2999999	Road Rehabilitation Project	\$1,250,000.00	\$0.00	\$90,654.35	\$90,654.35	4
	2100000	2199999	Const, sup, proj mgmt activity	\$1,250,000.00	\$0.00	\$90,654.35	\$90,654.35	
	2200000	2299999	Env & Soc Mitigation Activity	\$0.00	\$0.00	\$0.00	\$0.00	
	2300000	2399999	Gender & Social Integration Ac	\$0.00	\$0.00	\$0.00	\$0.00	
3	3000000	3999999	Monitoring and Evaluation	\$1,305,412.34	\$4,920.98	\$29,849.79	\$34,770.77	5
	3100000	3199999	Monitoring and Evaluation	\$1,305,412.34	\$4,920.98	\$29,849.79	\$34,770.77	
4	4000000	4999999	Program Management & Oversight	\$4,140,000.00	\$3,196,134.66	\$758,637.36	\$3,954,772.02	6
	4100000	4199999	MCA-Senegal Program Admin	\$1,637,998.19	\$694,132.84	\$758,637.37	\$1,452,770.21	\$55,793.09
	4200000	4299999	Fiscal Agent Costs	\$1,315,274.28	\$1,315,274.29	-\$0.01	\$1,315,274.28	6.1
	4300000	4399999	Procurement Agent Costs	\$1,186,727.53	\$1,186,727.53	\$0.00	\$1,186,727.53	
	4400000	4499999	Audit	\$0.00	\$0.00	\$0.00	\$0.00	
Total Costs Incurred			\$13,390,000.00	\$3,452,395.35	\$4,095,990.76	\$7,548,386.11	\$208,632.46	
Excess of Revenue Over Costs Incurred				\$32,470.42	\$71,414.54	\$103,884.96		7
Available Funds / Cash and Bank								
FUND BALANCE AT BEGINNING OF PERIOD			\$0.00	\$35,302.16	\$0.00			
+ Receipts of the period			\$3,484,865.77	\$4,167,405.30	\$7,652,271.07			
- Disbursements of the period			\$3,452,395.35	\$4,095,990.76	\$7,548,386.11			
FUND BALANCE AT END OF PERIOD			\$32,470.42	\$106,716.70	\$103,884.96			
Represented by:								
Cash and Bank at the end of the period			\$35,302.16	\$103,955.48	\$103,955.48			
Reconciling Items : Interests Payables			-\$2,831.74	\$2,761.22	-\$70.52			1.2
= Total Cash at the end of the period + Reconciling Items			\$32,470.42	\$106,716.70	\$103,884.96			

* Prior periods include cost from the beginning of the Compact to end of the last audited period



NOTES TO THE FUND ACCOUNTABILITY STATEMENT (609g)

(Amounts are in U. S. Dollars)

Period January 1, 2011 to December 31, 2011

(1) MAIN ACCOUNTING POLICIES

(1.1) Basis of Presentation

The Fund Accountability Statement was prepared in accordance with the cash basis of accounting where incomes and assets are recognized when received, and expenses are recognized when paid.

(1.2) Interests

The interests generated on MCC funds are kept in a bank account and reimbursed on a quarterly basis to the United States to an account designated by MCC.

The monitoring of interests accrued on the local account is the responsibility of the Fiscal Agent (refer to Fiscal Accountability Plan). As at December 31, 2011, we identified an amount of \$70.52 to be transferred to MCC.

(1.3) Property and Equipment

The assets of the program are recorded at cost and accounted as assets and are depreciated on the same date.

(1.4) Foreign Exchange Transactions

The FAS is stated in the current U.S.D/XOF exchange rate applicable at the transaction date. Incurred expenditures by MCA Senegal local bank account are converted to XOF using the FIFO method (First in First Out) at the applicable exchange rate on the day of receipt of funds. This rate is different from the one applied to funds received from MCC, which is the rate at the date of transaction set by the Central Bank (BCEAO).

(1.5) Tax exemption

In accordance with section 2.8 of the compact, the program, MCC funding, accrued interest, any project or activity implemented under the program terms, MCA Senegal or the Mission de Formulation et du Gestion du MCA Senegal "MFG-MCA Senegal", program assets, services, technological work and others ressources or activities related to the program shall be free from any taxes imposed under the laws currently or hereafter in effect in the republic of Senegal during the compact term. This exemption shall apply to any use of MCC funding, accrued Interest, and any other program asset. Salaries also are equally exempt from social and fiscal taxes.



(2) FUNDS FROM MCC

The following table shows the funds received from MCC during the period from January 1, 2011 to December 31, 2011.

(2.1) Funds

Description	609g (Amounts in \$)
Direct payments via CPS	\$3,152,686.12
Transfers into Permitted Account	\$1,014,719.18
Total	\$4,167,405.30

(2.2) Reconciliation of the NBC statement with MCA Senegal accounting

Description	609g (Amounts in \$)
Cumulated Funds received according to the NBC Monthly statement	\$ 4,417,408.90
Funds accounted (MCA Senegal)	\$ 4,167,405.30
Difference	\$ 250,003.60

We were not able to reconcile the amount in the Fund Accountability Statement of MCA Senegal with the amounts in the CPS report since inception requested in the confirmation sent to MCC as there were discrepancies explained by several factors one being the later transcription of MCA Senegal entries at NBC level.

However we were able to reconcile the Fund Accountability Statement with the CPS monthly reports by source of funding. We noted a difference of \$250,003.60 corresponding to:

- Returned payments for an amount of \$216,731.80
- Expenses paid through the local permitted accounts but not yet affected an activity code (NANA) at NBC's level for an amount of \$33,271.80. These unaffected funds are referred to as "Prepayments" in the CPS monthly reports.

**(3) IRRIGATION PODOR (DELTA and PODOR)**

The resources mobilized under the period for the irrigation project are detailed below :

Labelled	609g (Amounts in \$)	Ineligible	Unsupported
Const, sup, proj mgmt activity	\$1,011,738.59		
Land Tenure Security activity	\$2,020,010.26	\$ 152,839.37 ⁽²⁾	
ESM Activity	\$172,964.23		
Social safeguards Meas Activity	\$12,136.18		
Gender & Social Integration	\$0.00		
Total	\$3,216,849.26⁽¹⁾	\$ 152,839.37	

- (1) The amount of **\$3,216,849.26** corresponds to expenses for various studies relating to the irrigation project and consulting fees for the period under audit.
- (2) Ineligible questioned expenses amounting to \$152,839.37 relate to the second amendment of the FIT Conseils contract which did not have the prior approval of the Board of MCA Senegal. The Board discussed this amendment on October 27, 2011 however the contract was signed 10 days before the Board's discussion. The review discloses that the contract was signed on October 17, 2011 and discussed with the Board on October 27, 2011.

(4) ROAD REHABILITATION PROJECT

Labelled	609g (Amounts in \$)	Ineligible	Unsupported
Const, sup, proj mgmt activity	\$90,654.35		
Land Tenure Security activity	\$0.00		
ESM Activity	\$0.00		
Social safeguards Meas Activity	\$0.00		
Gender & Social Integration	\$0.00		
Total	\$90,654.35⁽¹⁾		

- (1) The amount of **\$90,654.35** corresponds to expenses for various studies done for the road project during the period under audit.



- (4) The ineligible questioned amount of \$55,793.09 corresponds to the 2011 salary of the Road Director for whom the recruitment did not receive the approval of the governing body. MCA Senegal did not provide adequate documentation to demonstrate the required prior approval.

(6.2) FISCAL AGENT FEES

No payment was made to the Fiscal Agent company (GFA) during the period under audit from January 1, 2011 to December 31, 2011.

(6.3) PROCUREMENT AGENT FEES

No payment was made to the Procurement Agent company (CKP) during the period under audit from January 1, 2011 to December 31, 2011.

(7) EXCESS OF REVENUES OVER EXPENSES

At December 31, 2011, the excess of revenues over expenses corresponds to the cash balance of the program. The detail in \$ is as follows :

Labbeled	609g (Amounts in \$)
Bank	\$ 103,884.96
Cash	\$ 0.00
Total	\$ 103,884.96

(7.1) MONITORING AND ACCOUNTABILITY OF INTERESTS GENERATED ON MCA Senegal FUNDS 609(g)

The monitoring of interest accrued on the local account is the responsibility of the Fiscal Agent (refer to the Fiscal Accountability Plan). As at December 31, 2011 we identified an amount of \$70.52 as interests to be transferred to MCC.

Total amount of interests paid from January 1, 2011 to December 31, 2011 is \$5,550.06 for 609(g).



THE FUND ACCOUNTABILITY STATEMENT AS AT 31 DECEMBER 2011 Compact Implementation Fund (CIF)

(Amounts are in U. S. Dollars)

		Budget	Total Prior Period (s)*	Current Period	Cumulative	Questioned costs		Notes	
						Ineligible	Unsupported		
REVENUE									
Income - Direct payments via CPS			\$430,222.78	\$86,936.93	\$517,159.71				
Income - Transfers into Permitted Account			\$340,315.09	\$263,396.26	\$603,711.35				
Total Revenue			\$770,537.87	\$350,333.19	\$1,120,871.06			2.1	
COSTS INCURRED									
1	1000000	1999999	IWRM Project	\$0.00	\$0.00	\$0.00	\$0.00		3
	1100000	1199999	Const, sup, proj mgmt activity	\$0.00	\$0.00	\$0.00	\$0.00		
	1200000	1299999	Land Tenure Security activity	\$0.00	\$0.00	\$0.00	\$0.00		
	1300000	1399999	ESM Activity	\$0.00	\$0.00	\$0.00	\$0.00		
	1400000	1499999	Soc safeguards Meas. Activity	\$0.00	\$0.00	\$0.00	\$0.00		
	1500000	1599999	Gender &Social Integration Ac	\$0.00	\$0.00	\$0.00	\$0.00		
2	2000000	2999999	Road Rehabilitation Project	\$650,000.00	\$0.00	\$0.00	\$0.00		4
	2100000	2199999	Const, sup, proj mgmt activity	\$650,000.00	\$0.00	\$0.00	\$0.00		
	2200000	2299999	Env & Soc Mitigation Activity	\$0.00	\$0.00	\$0.00	\$0.00		
	2300000	2399999	Gender &Social Integration Ac						
3	3000000	3999999	Monitoring and Evaluation	\$0.00	\$0.00	\$0.00	\$0.00		5
	3100000	3199999	Monitoring and Evaluation	\$0.00	\$0.00	\$0.00	\$0.00		
4	4000000	4999999	Program Management & Oversight	\$1,120,871.06	\$747,351.37	\$373,519.69	\$1,120,871.06		6
	4100000	4199999	MCA-Senegal Program Admin	\$1,120,871.06	\$747,351.37	\$373,519.69	\$1,120,871.06	\$9,321.19	6.1
	4200000	4299999	Fiscal Agent Costs	\$0.00	\$0.00	\$0.00	\$0.00		
	4300000	4399999	Procurement Agent Costs	\$0.00	\$0.00	\$0.00	\$0.00		
	4400000	4499999	Audit	\$200,000.00	\$0.00	\$0.00	\$0.00		
Total Costs Incurred			\$1,120,871.06	\$747,351.37	\$373,519.69	\$1,120,871.06	\$9,321.19		
Excess of Revenue Over Costs Incurred				\$23,186.50	-\$23,186.50	\$0.00			7
Available Funds / Cash and Bank									
FUND BALANCE AT BEGINNING OF PERIOD			\$0.00	\$26,512.18	\$0.00				
+ Receipts of the period			\$770,537.87	\$350,333.19	\$1,120,871.06				
- Disbursements of the period			\$747,351.37	\$373,519.69	\$1,120,871.06				
FUND BALANCE AT END OF PERIOD			\$23,186.50	\$3,325.68	\$0.00				
Represented by:									
Cash and Bank at the end of the period			\$26,512.18	\$0.00	\$0.00				
Reconciling Items : Interests Payables			-\$3,325.68	\$3,325.68	\$0.00				1.2
= Total Cash at the end of the period + Reconciling Items			\$23,186.50	\$3,325.68	\$0.00				

* Prior periods include cost from the beginning of the Compact to the last audited period.



NOTES TO THE FUND ACCOUNTABILITY STATEMENT (CIF)

(Amounts in U. S. Dollars)

Period January 2011 to December 31, 2011

(1) MAIN ACCOUNTING POLICIES

(1.1) Basis of Presentation

The Fund Accountability Statement was prepared in accordance with the cash basis of accounting where incomes and assets are recognized when received, and expenses are recognized when paid.

(1.2) Interests

The interests generated on MCC funds are kept in a bank account and reimbursed on a quarterly basis to the United States to an account designated by MCC.

The monitoring of interests accrued on the local account is the responsibility of the Fiscal Agent (refer to Fiscal Accountability Plan). As at December 31, 2011, we did not identify any interest to be transferred to MCC.

(1.3) Property and Equipment

The assets of the program are recorded at cost and accounted as assets and are depreciated on the same date.

(1.4) Foreign Exchange Transactions

The FAS is stated in the current U.S.D./XOF rate applicable at the transaction date. Incurred expenditures by MCA Senegal local bank account are converted to XOF using the FIFO method (First in First Out) at the applicable exchange rate on the day of receipt of funds. This rate is different from the one applied to funds received from MCC which is the rate at the date of transaction set by the Central Bank (BCEAO).

(1.5) Tax exemption

In accordance with section 2.8 of the compact, the program, MCC funding, accrued interest, any project or activity implemented under the program terms, MCA Senegal or the Mission de Formulation et du Gestion du MCA Senegal "MFG-MCA Senegal", program assets, services, technological work and others resources or activities related to the program shall be free from any taxes imposed under the laws currently or hereafter in effect in the republic of Senegal during the compact term. This exemption shall apply to any use of MCC funding, accrued Interest, and any other program asset. Salaries also are equally exempt from social and fiscal taxes.



(2) FUNDS FROM MCC

The following table shows the funds received from MCC during the period from January 1, 2011 to December 31, 2011.

(2.1) Funds

Description	CIF (Amounts in \$)
Direct payments via CPS	\$86,936.93
Transfers into Permitted Account	\$263,396.26
Total	\$350,333.19

(2.2) Reconciliation of the NBC statement with MCA Senegal accounting

Description	CIF (Amounts in \$)
Cumulated Funds received according to the NBC Monthly statement	\$877,886.96
Funds accounted (MCA Senegal)	\$350,333.19
Difference	\$527,553.77

We were not able to reconcile the amount in the Fund Accountability Statement of MCA Senegal with the amounts in the CPS report since inception requested in the confirmation sent to MCC as there were discrepancies explained by several factors one being the later transcription of MCA Senegal entries at NBC level.

However we were able to reconcile the Fund Accountability Statement with the CPS monthly reports by source of funding. We noted a difference of \$527,553.77 corresponding to the very same transactions appearing in several monthly CPS reports for which the detail is listed in the table below:

FONDS	Payment Date	Schedule Number (for NBC use)	PRF Number	Project Code	Activity Code	US Dollar Amount
CIF	06-mai-11	00000522100089A	PRF # 91	PGM ADMIN	0017	\$44,942.92
CIF	06-mai-11	00000522100089B	PRF # 91	NA	NA	\$23,186.57
CIF	27-juin-11	00000522110002A	0	PGM ADMIN	0017	\$10,487.65
CIF	27-juin-11	00000522110021A	PRF # 24	PGM ADMIN	0017	\$56,159.46
CIF	27-juin-11	00000522110021B	PRF # 24	NA	NA	\$11,845.24
CIF	27-juin-11	00000522100089C	PRF # 91	PGM ADMIN	0017	\$23,186.57
CIF	27-juin-11	00000522110008A	PRF #007	PGM ADMIN	0017	\$56,835.00
CIF	27-juin-11	00000522110009A	PRF #008	PGM ADMIN	0017	\$56,220.84



CIF	27-juin-11	00000522110017A	PRF #17	PGM ADMIN	0017	\$21,000.00
CIF	13-juil-11	00000522110002B	0	NA	NA	\$10,487.65
CIF	13-juil-11	00000522110021C	PRF # 24	NA	NA	\$56,159.46
CIF	13-juil-11	00000522110008D	PRF # 91	NA	NA	\$23,186.57
CIF	13-juil-11	00000522110008B	PRF #007	NA	NA	\$56,835.00
CIF	13-juil-11	00000522110009B	PRF #008	NA	NA	\$56,220.84
CIF	13-juil-11	00000522110017B	PRF #17	NA	NA	\$21,000.00
TOTAL						\$527,753.77
DIFFERENCE						\$527,553.77
GAP						\$200.00⁽¹⁾

⁽¹⁾ \$ 200.00 gap corresponds to a UN DEV payment effected in January 2011.

(3) IRRIGATION PODOR (DELTA and PODOR)

There were no payments for the Irrigation Podor (Delta and Podor) project for the period January 1, 2011 to December 31, 2011.

(4) ROAD REHABILITATION PROJECT

There were no payment for the Road Rehabilitation project for the period January 1, 2011 to December 31, 2011.

(5) MONITORING AND EVALUATION

There were no payment for the Monitoring and Evaluation project for the period January 1, 2011 to December 31, 2011.

(6) PROGRAM MANAGEMENT

The details are as follows:

Description	CIF (Amounts in \$)	Ineligible	Unsupported
Program Administration	\$373,519.69	\$ 9,321.19	
Fiscal Agent fees	\$0.00		
Procurement Agent fees	\$0.00		
Audit fees	\$0.00		
Total	\$373,519.69	\$ 9,321.19	



(6.1) ADMINISTRATIVE EXPENSES

Labelled	CIF (Amount in \$)	Ineligible	Unsupported
Personnel salaries and benefit	\$266,923.40 ⁽¹⁾	\$ 9,321.19 ⁽⁸⁾	
Consultants and interim staff.	\$29,626.96 ⁽²⁾		
Communication costs	\$2,496.79 ⁽³⁾		
Training and capacity building	\$0.00		
Administrative expenses	\$12,735.72 ⁽⁴⁾		
Transportation expenses	\$2,602.46 ⁽⁵⁾		
Office setup&tech.inst,equip	\$27,158.69 ⁽⁶⁾		
Travel	\$31,975.67 ⁽⁷⁾		
Total	\$373,519.69	\$ 9,321.19	

- (1) The amount of \$266,923.40 corresponds to salary expenses paid during the period from January 1, 2011 to December 31, 2011 and the personnel medical insurance provided by « Sonam »
- (2) The amount of \$29,626.96 corresponds to the recruitment expenses paid to ADIRA for the recruitment of MCA Senegal's personnel.
- (3) The amount of \$2,496.79 corresponds to the publication expenses paid for the publishing of specific notices.
- (4) The amount of \$12,735.72 corresponds to various recurring expenses for providers such as SDE, NICKEL, SAGAM.
- (5) The amount of \$2,602.46 Corresponds to various expenses relating to the maintenance of the vehicle and the purchase of gas.
- (6) The amount of \$27,158.69 corresponds to the installation and put in service of the inter-office communication service "PABX".
- (7) The amount of \$31,975.67 corresponds to travel expenses.
- (8) The ineligible questioned amount of \$9,321.19 corresponds to the 2011 salary of the Gender Specialist for whom the recruitment was not approved MCA Senegal's governing body. MCA Senegal did not provide adequate documentation to demonstrate the required prior approval.

(6.2) FISCAL AGENT FEES

No payment was made to the Fiscal Agent company (GFA) during the period under audit from January 1, 2011 to December 31, 2011.



(6.3) PROCUREMENT AGENT FEES

No payment was made to the Procurement Agent company (CKP) during the period under audit from January 1, 2011 to December 31, 2011.

(7) EXCESS OF EXPENSES OVER REVENUES

As of December 31, 2011, the excess of expenses over revenues corresponds to the excess of revenues over expenses of the prior period. The CIF local bank account was zeroed but it has not been closed as of December 31, 2011. The remaining funds were reallocated into the Compact. The unliquidated commitments concern security deposits for Voltelec and SSI for which their maturity date have not arrived. These security deposits were transferred to the Compact as well. The details are as follows:

Labelled	CIF (Amounts in \$)
Bank	\$0.00
Cash	\$0.00
Total	\$0.00

(7.1) MONITORING AND ACCOUNTABILITY OF INTERESTS GENERATED ON MCA Senegal FUNDS

The monitoring of interest accrued on the local account is the responsibility of the Fiscal Agent (refer to the Fiscal Accountability Plan). For period we identified an amount of \$0.00 as interests to be transferred to MCC.

The total amount of interest transferred to MCC from the CIF accounts amounted to \$4,929.60 for the period January 1, 2011 to December 31, 2011.



THE FUND ACCOUNTABILITY STATEMENT AS AT 31 DECEMBER 2011 Compact Funding
(Amounts are in U. S. Dollars)

			Budget	Total Prior Period (s)*	Current Period	Cumulative	Questioned costs		Notes
							Ineligible	Unsupported	
REVENUE									
Income - Direct payments via CPS				\$0.00	\$4,969,546.82	\$4,969,546.82			
Income - Transfers into Permitted Account				\$0.00	\$1,381,140.30	\$1,381,140.30			
Total Revenue				\$0.00	\$6,350,687.12	\$6,350,687.12			2.1
COSTS INCURRED									
1	1000000	1999999	IWRM Project	\$170,008,860.00	\$0.00	\$277,132.27	\$277,132.27		
	1100000	1199999	Const. sup. proj mgmt activity	\$163,634,900.00	\$0.00	\$267,047.75	\$267,047.75	\$4,721.96	3
	1200000	1299999	Land Tenure Security activity	\$3,795,960.00	\$0.00	\$0.00	\$0.00		
	1300000	1399999	ESM Activity	\$1,378,000.00	\$0.00	\$0.00	\$0.00		
	1400000	1499999	Soc safeguards Meas. Activity	\$1,036,511.29	\$0.00	\$0.00	\$0.00		
	1500000	1599999	Gender & Social Integration Ac	\$163,488.71	\$0.00	\$10,084.52	\$10,084.52		
2	2000000	2999999	Road Rehabilitation Project	\$324,712,499.00	\$0.00	\$1,895,646.89	\$1,895,646.89		
	2100000	2199999	Const. sup. proj mgmt activity	\$319,720,500.00	\$0.00	\$1,895,646.89	\$1,895,646.89	\$19,447.96	4
	2200000	2299999	Env & Soc Mitigation Activity	\$4,910,254.64	\$0.00	\$0.00	\$0.00		
	2300000	2399999	Gender & Social Integration Ac	\$81,744.36	\$0.00	\$0.00	\$0.00		
3	3000000	3999999	Monitoring and Evaluation	\$3,757,500.00	\$0.00	\$113,574.06	\$113,574.06		
	3100000	3199999	Monitoring and Evaluation	\$3,757,500.00	\$0.00	\$113,574.06	\$113,574.06	\$38,106.27	5
4	4000000	4999999	Program Management & Oversight	\$40,400,269.94	\$0.00	\$3,915,695.26	\$3,915,695.26		
	4100000	4199999	MCA-Senegal Program Admin	\$27,200,269.94	\$0.00	\$1,808,295.99	\$1,808,295.99	\$137,956.03	6.1
	4200000	4299999	Fiscal Agent Costs	\$6,000,000.00	\$0.00	\$1,100,569.00	\$1,100,569.00		6.2
	4300000	4399999	Procurement Agent Costs	\$6,000,000.00	\$0.00	\$996,128.00	\$996,128.00		6.3
	4400000	4499999	Audit	\$1,200,000.00	\$0.00	\$10,702.27	\$10,702.27		6.4
Total Costs Incurred			\$538,879,128.94	\$0.00	\$6,202,048.48	\$6,202,048.48	\$162,125.95	\$84,957.24	
Excess of Revenue Over Costs Incurred				\$0.00	\$148,638.64	\$148,638.64			7
Available Funds / Cash and Bank				\$0.00	\$0.00	\$0.00			
FUND BALANCE AT BEGINNING OF PERIOD				\$0.00	\$6,350,687.12	\$6,350,687.12			
+ Receipts of the period				\$0.00	\$6,202,048.48	\$6,202,048.48			
- Disbursements of the period				\$0.00	\$148,638.64	\$148,638.64			
FUND BALANCE AT END OF PERIOD									
Represented by:									
Cash and Bank at the end of the period				\$0.00	\$148,929.05	\$148,929.05			
Reconciling Items : Interests Payables				\$0.00	-\$290.41	-\$290.41			1.2
= Total Cash at the end of the period + Reconciling Items				\$0.00	\$148,638.64	\$148,638.64			

* Prior periods includes cost from the beginning of the Compact to the end of the last audited period.



NOTES TO THE FUND ACCOUNTABILITY STATEMENT (COMPACT)

(Amounts in U. S. Dollars)

Period January 1, 2011 to December 31, 2011

(1) MAIN ACCOUNTING POLICIES

(1.1) Basis of Presentation

The Fund Accountability Statement was prepared in accordance with the cash basis of accounting where incomes and assets are recognized when received, and expenses are recognized when paid.

(1.2) Interests

The interests generated on MCC funds are kept in a bank account and reimbursed on a quarterly basis to the United States to an account designated by MCC.

The monitoring of interests accrued on the local account is the responsibility of the Fiscal Agent (refer to Fiscal Accountability Plan). As at December 31, 2011, we identified an amount of \$290.41 which will be transferred to MCC.

(1.3) Property and Equipment

The assets of the program are recorded at cost and accounted as assets and are depreciated on the same date.

(1.4) Foreign Exchange Transactions

The FAS is stated in the current U.S.D./XOF rate applicable at the transaction date. Incurred expenditures by MCA Senegal local bank account are converted to XOF using the FIFO method (First in First Out) at the applicable exchange rate on the day of receipt of funds. This rate is different from the one applied to funds received from MCC which is the rate at the date of transaction set by the Central Bank (BCEAO).

(1.6) Tax exemption

In accordance with section 2.8 of the compact, the program, MCC funding, accrued interest, any project or activity implemented under the program terms, MCA Senegal or the Mission de Formulation et du Gestion du MCA Senegal "MFG-MCA Senegal", program assets, services, technological work and others ressources or activities related to the program shall be free from any taxes imposed under the laws currently or hereafter in effect in the republic of Senegal during the compact term. This exemption shall apply to any use of MCC funding, accrued Interest, and any other program asset. Salaries also are equally exempt from social and fiscal taxes.



(2) FUNDS FROM MCC

The following table shows the funds received from MCC during the period from January 1, 2011 to December 31, 2011.

(2.1) Funds

Description	Compact (Amounts in \$)
Direct payments via CPS	\$4,969,546.82
Transfers into Permitted Account	\$1,381,140.30
Total	\$6,350,687.12

(2.2) Reconciliation of the NBC statement with MCA Senegal accounting

Description	Compact (Amounts in \$)
Cumulated Funds received according to the NBC monthly statements	\$6,450,806.42
Funds accounted (MCA Senegal)	\$6,350,687.12
Difference	\$100,119.30

We were not able to reconcile the amount in the Fund Accountability Statement of MCA Senegal with the amounts in the CPS report since inception requested in the confirmation sent to MCC as there were discrepancies explained by several factors one being the later transcription of MCA Senegal entries at NBC level.

However we were able to reconcile the Fund Accountability Statement with the CPS monthly reports by source of funding. We noted a difference of \$100,119.30 as indicated below:

- Returned payment related to SAGAM in the amount of \$1,186.24;
- Expenses paid through the local permitted accounts but not yet affected an activity code (NANA) at NBC's level for an amount of \$99,133.06; and
- Minus a payment in the amount of \$200.00 effected in January on the CIF Funds was carried over to the Compact Funds.



(3) IRRIGATION PODOR (DELTA and PODOR)

The compact funds used in the furtherance of the Irrigation project are detailed as follows:

Labelled	Compact (Amounts in \$)	Ineligible	Unsupported
Const, sup, proj mgmt activity	\$267,047.75 ⁽¹⁾	\$ 4,721.96 ⁽³⁾	
Land Tenure Security activity	\$0.00		
ESM Activity	\$0.00		
Social safeguards Meas Activity	\$0.00		
Gender & Social Integration	\$10,084.52 ⁽²⁾		
Total	\$277,132.27	\$ 4,721.96	

- (1) The amount of \$267,047.75 corresponds to the various expenses relating to the PMU SAED for the period under audit.
- (2) The amount of \$10,084.62 corresponds to travel expenses.
- (3) Ineligible questioned expenses in the amount of \$4,721.96 relate to the rent expenses for the offices of the PMU SAED. The questioned rental expenses for the offices of the PMU SAED were paid by MCA Senegal. However the terms of the Compact states that the rental expenses for the offices used by MCA Senegal is the responsibility of the Senegalese Government and not MCA Senegal.

(4) ROAD REHABILITATION PROJECT

Labelled	Compact (Amount in \$)	Ineligible	Unsupported
Const, sup, proj mgmt activity	\$1,895,646.89 ⁽¹⁾	\$ 19,447.96 ⁽²⁾	
Land Tenure Security activity	\$0.00		
ESM Activity	\$0.00		
Social safeguards Meas Activity	\$0.00		
Gender & Social Integration	\$0.00		
Total	\$1,895,646.89	\$ 19,447.96	

- (1) The amount of \$1,895,646.89 corresponds to the various expenses relating to the PMU AGEROUTE for the period under audit.
- (2) Ineligible questioned expenses in the amount of \$19,447.96 relate to the rent expenses for the offices of the PMU AGEROUTE. The questioned rental expenses for the offices of the PMU AGEROUTE were paid by MCA Senegal. However the terms of the Compact states that the rental expenses for the offices used by MCA Senegal is the responsibility of the Senegalese Government and not MCA Senegal.



(5) MONITORING AND EVALUATION

The various expenses paid from the funds of the Compact as it relates to the monitoring and evaluation of projects amounted to **\$113,574.06**.

(6) PROGRAM MANAGEMENT

The details are as follows:

Labelled	Compact (Amounts in \$)	Ineligible	Unsupported
Program Administration	\$1,808,295.99	\$ 137,956.03	\$ 46,850.97
Fiscal Agent fees	\$1,100,569.00		
Procurement Agent fees	\$996,128.00		
Audit fees	\$10,702.27		
Total	\$3,915,695.26	\$ 137,956.03	\$ 46,850.97

(6.1) ADMINISTRATIVE EXPENSES

Labelled	Compact (Amounts in \$)	Ineligible	Unsupported
Personnel salaries and benefit	\$559,259.95 ⁽¹⁾	\$ 32,098.52 ⁽⁹⁾	
Consultants and interim staff.	\$75,235.21 ⁽²⁾		\$ 5,773.77 ⁽¹⁰⁾
Communication costs	\$152,068.49 ⁽³⁾		
Training and capacity building	\$57,738.99 ⁽⁴⁾		
Administrative expenses	\$299,115.43 ⁽⁵⁾	\$ 15,227.78 ⁽¹¹⁾	\$ 17,153.15 ⁽¹²⁾
Transportation expenses	\$200,011.86 ⁽⁶⁾		
Office setup&tech.inst,equip	\$265,098.55 ⁽⁷⁾	\$ 64,322.20 ⁽¹³⁾	\$ 23,924.05 ⁽¹⁴⁾
Travel	\$199,767.51 ⁽⁸⁾	\$ 26,307.53 ⁽¹⁵⁾	
Total	\$758,637.36	\$ 137,956.03	\$ 46,850.97

(1) The amount of \$559,259.95 corresponds to the salary expenses for the period January 1, 2011 to December 31, 2011 and the medical insurance for the personnel administered by "Sonam".

(2) The amount of \$75,235.21 corresponds to the fees paid to the recruitment panels.

(3) The amount of \$152,068.49 corresponds to the communication and publication expenses.

(4) The amount of \$57,738.99 corresponds to per diems.



- (5) The amount of \$299,115.43 corresponds to various administrative expenses as well as small purchases of various supplies.
- (6) The amount of \$200,011.86 corresponds to the maintenance expense for the vehicles of MCA Senegal and gas expenses.
- (7) The amount of \$265,098.55 corresponds to the acquisition of various IT and communication equipments.
- (8) The amount of \$199,767.51 corresponds to travel expenses.
- (9) The ineligible questioned amount of \$32,098.52 relates to the salary of the Gender Officer and Environmental Officer that MCA Senegal did not provide adequate documentation to demonstrate prior Board approval for the recruitment.
- (10) The questioned unsupported amount of \$5,773.77 corresponds to the small purchases that MCA Senegal did not provide adequate documentation.
- (11) The ineligible questioned amount of \$15,227.78 relates to travel expenses of the Key staff that MCA Senegal did not provide adequate documentation to demonstrate the Board's prior approval.
- (12) The questioned unsupported amount of \$17,153.15 corresponds to small purchases that MCA Senegal did not provide adequate documentation.
- (13) The ineligible questioned amount of \$ 64,322.20 relates to a procurement contract. The documentation provided by MCA Senegal demonstrated that the number of panelist was inferior to the minimum required by the PPG.
- (14) The questioned unsupported amount of \$ 23,924.05 corresponds to small purchases that MCA Senegal did not provide adequate documentation.
- (15) The ineligible questioned amount of \$26,307.53 relates to travel expenses of the key staff that MCA Senegal did not provide adequate documentation to demonstrate the Board's prior approval.

(6.2) FISCAL AGENT FEES

The Fiscal Agent fees paid during 2011 to GFA for the period October 2010 to September 2011 amounted to \$1,100,569.00.

(6.3) PROCUREMENT AGENT FEES

The Procurement Agent fees paid during 2011 to CKP for the period October 2010 to September 2011 amounted to \$996,128.00.

(6.4) AUDIT FEES

The audit fees paid during 2011 to the audit firm "RMA Senegal" for 20% of the base period audit (April 2009 to December 2009) amounted to \$10,702.27.



(7) EXCESS OF REVENUES OVER EXPENSES

At December 31, 2011, the excess of revenues over expenses corresponds to the cash balance of the program. The detail in \$ is as follows :

Labelled	Compact (Amounts in \$)
Bank	\$148,295.42
Cash	\$343.22
Total	\$148,638.64

(7.1) MONITORING AND ACCOUNTABILITY OF INTERESTS GENERATED ON MCA Senegal FUNDS

The monitoring of interest accrued on the local account is the responsibility of the Fiscal Agent (refer to the Fiscal Accountability Plan). we identified an amount of **\$290.41** as interests to be transferred to MCC.

The total amount of interest transferred to MCC from the Compact accounts amounted to **\$2,150.92** for the period January 1, 2011 to December 31, 2011.



F Schedule Of Findings And Questioned Costs

Questioned Ineligible Cost: Total \$465,036.84

- The ineligible questioned expenses in the table below amounting to \$ 84,957.24 relate to the small purchases that MCA Senegal did not provide adequate documentations. In the samples tested, it was determined that MCA Senegal was unable to provide adequate documents relating to the small purchases. In most of the small purchase files, we noted several missing documents such as the PRN, the evaluation memo, and the mail supporting the invitation of the three or more suppliers.

Labelled	Amounts in (USD)
OASIS MEDIA GROUP	\$32,491.77
TOUBA TELEPHONE PORTABLE	\$12,940.49
MONA LISA PAPETERIE	\$5,527.78
OFFICE CONSOMMABLES	\$4,414.55
OFFICE CONSOMMABLES	\$4,166.67
OFFICE CHOICE	\$2,950.98
SEN SERVICES INFORMATIQUES	\$4,006.81
DIOP, MAPENDA	\$3,147.95
QUANTEC	\$5,614.50
DIA, YORO	\$2,625.82
OFFICE CONSOMMABLES	\$2,562.20
MASTER OFFICE	\$2,485.98
Gael IMPRIMERIE	\$2,021.74
TOTAL	\$84,957.24

- Ineligible questioned expenses amounting to \$64,322.20 (details found in Annex 1) relate to procurements for which the number of evaluation panelists was not adequate as stipulated in the PPG. The panel was composed of two members. However, the PPG guidelines require an evaluation panel composed of three to five members. Among the questioned ineligible costs, we found transactions amounting to \$29,673.75 for which the procurement is not in the Procurement Plan. In addition, the procurement PA05 TER which is for the acquisitions of Air Conditioners ordered through Office Informatique is not listed in the Procurement Plan for the semester going from April to September 2011.
- Ineligible questioned expenses amounting to \$152,839.37 relate to the second amendment of the FIT Conseils contract did not have the prior approval of the Board of MCA Senegal. The Board discussed this amendment on October 27, 2011 however the contract was signed 10 days before the Board's discussion. The review disclosed that the contract was signed on October 17, 2011 and discussed with the Board on October 27, 2011.
- Ineligible questioned expenses in the amount of \$24,169.92 relate to the rent expenses for the offices of the PMUs. The questioned rental expenses for the offices of the PMUs AGEROUTE and SAED was paid by MCA Senegal. However the terms of the Compact states that the rental expenses for the offices used by MCA Senegal is the responsibility of the Senegalese Government and not MCA Senegal.



- Ineligible questioned expenses amounting to \$138,748.11 relate to the salary and travel expenses of the key staff recruited in 2011 whose recruitment was not approved by the Board. The questioned salary and travel expenses are as follows:
 - o Director Road: \$ 63,814.72
 - Salary \$ 55,793.09 (609g) ;
 - Travel expenses \$ 8,021.63 (Compact).
 - o Gender Officer: \$67,700.90
 - Salary \$35,242.62 (Compact :\$25,921.43 and CIF : \$9,321.19;
 - Travel Expenses \$32,458.28 (Compact) .
 - o Environmental Officer: \$ 7,232.49
 - Salary \$ 6,177.09 (Compact) ;
 - Travel Expenses \$ 1,055.40 (Compact).



INTERNAL CONTROL

1. Material Deficiencies Identified In the Procurement Process

CONDITION

Our tests identified the deficiencies detailed below in the procurement process.

1.A Non Availability Of Documentation Supporting Small Purchases

In most of the small purchases files, MCA Senegal did not provide adequate documentation. We noted missing documents such as:

- a. The Procurement Request Notice;
- b. The evaluation memo; and
- c. The mail evidencing the sending of bid invitation to due likely suppliers.

It was also determined that there exist no list containing the small purchases effected in the period.

1.B Non Respect Of The Delivery Deadlines

The suppliers in Annex 2 did not comply with the agreed upon delivery deadlines or the reporting deadlines. Late penalties were applied. It was determined that the supplier Office Informatique, had already been charged a late penalty on a late delivery of 49 days on the purchase of air conditionners, and was awarded a second procurement contract. In addition, our review shows that on Office Informatique second contract, the Office Informatique was 56 days late in the delivery of the products to MCA Senegal.

CRITERIA

- In the documentation, the standards of the United States Federal Government (GAO/AIMD-00-21.3.1) as it relates to the internal control stipulate 1) that all internal transactions and all significant events must be clearly documented and 2) that documentation must be available upon request for verifications. This standard further stipulates that all documentation and all files must be adequately stored;
- Good commercial practice in Senegal recommend evaluation and approval procedures for suppliers of goods and services for a better and more efficient follow up and choice in the pool of qualified suppliers;
- The Program Procurement Guidelines in its point P1.A.1.2 c, covers MCA against the Non respect of the delivery deadlines by the suppliers and contracting consultants because it states that procurement contracts should be awarded only to suppliers and consultants who are both qualified and competent; and having the necessary tools to execute the contracts according to its terms and conditions in an efficient and timely manner.



CAUSE

- Inexistence of a filing and follow-up for the files relating to the small purchases effected through the DPM (Department of Procurement) of MCA Senegal;
- Inexistence of evaluation and approval procedure for suppliers of goods and services at the DPM of MCA Senegal level;
- Inexistence of coercitive measures (specially late penalties) in certain contracts; and
- Terms of reference not precise.

EFFECT

The non availability of documents creates a problem in the follow-up and control of small purchases. The inability to comply with the agreed-upon deadlines give rise to delays in the implementation and progress of the Compact. There is a risk of litigation and significant breaches in contracts. There is also a risk associated to validity period of the bids which leads to further/additional delays.

RECOMMENDATION 1

We recommend that MCA Senegal:

- 1.A Establish and implement a filing system as well as maintain an adequate documentation follow-up system for the small purchases effected through the DPM;
- 1.B Establish and implement an evaluation and approval procedures for suppliers of goods and services at the DPM level which allows MCA Senegal to evaluate the quality of services received from the suppliers;
- 1.C Ensure the systematic integration of coercitive measures in every procurement contract in order to attenuate the failure (late deliveries) rate of suppliers; and
- 1.D Adequately define the terms of reference of bids to avoid the possibility of misinterpretation of the terms.

MANAGEMENT COMMENTS

The bulk of the documentation on small purchases is available. The DPM will make the necessary arrangements to improve the classification of small purchases with all the required documentation per file. All emails will henceforth be printed and filed. It will also institute a system to certify and evaluate the suppliers' performance.

With regard to late penalties, the Group FIT Conseil/CIRAD/SONED D'AFRIQUE discharged its mission to the satisfaction of MCA-Senegal and MCC. What is considered here as a delay is actually the time spent correcting the reports which were submitted in time. The consultant submitted 22 deliverables and a socio-land database within 15 months. On 4 January 2012, the consultant submitted his last report, which was scheduled for 16 January 2012, i.e. almost two weeks before the date scheduled in the contract.

With regard to delays in submitting the intermediate deliverables, MCA-Senegal held meetings and sent



reminder letters. It also validated a rescheduling of the submission of deliverables without moving the final date of submission of the final deliverables. The contract was completed without any delay.

With regard to the CIRA firm, a first reminder was sent on 20 May 2011, and a second on 2 February 2012. Since the firm failed to address its shortfalls, the contract was terminated by a letter dated 7 March 2012. Late penalties were not applied because the MCC contract model does not provide for them. The non-existence of penalties for delays on consultants' contracts was discussed by the Supervisory Board on 23 December 2010 and with MCC. The MCC and MCA-Senegal lawyers later agreed on a standard late penalty clause which was approved in May 2011 through a letter addressed by MCA-Senegal Director General to the MCC Resident-Director. This clause is henceforth incorporated in the new contracts.

AUDITOR'S COMMENTS

We acknowledge the comments of MCA Senegal. However, adequate documentation as it relates to the small purchases sampled were not provided to us during our audit. We also extended the fieldwork by a week after the exit conference. Furthermore, we consider that for recommendation 1.A, the same deficiencies were identified during MCA Senegal's prior audit and therefore we maintain this finding.

For recommendation 1.B, we acknowledge MCA Senegal's acceptance to correct these deficiencies. We will ensure of the systematic application of the corrective actions during our next audit. We maintain our finding.

For recommendation 1.C the insertion of the new clause "standard late penalty" constitute an improvement. We will ensure that this clause is systematically inserted in contracts during our next audit.

For recommendation 1.D, we noted that MCA Senegal did not provide comments as it pertains to this recommendation. Therefore we maintain this finding until MCA Senegal initiate corrective actions.

2. Deficiencies in Human Resources Management

CONDITION

The different responsibilities of the Human Ressources Manager were given to the DAF who delegated the work to an accounting officer who have been overseeing this process since the first Human Ressources manager resigned in August 2010. The following subsequent weaknesses were identified:

- Deficiencies in the filing and completeness of certain recruiting documents specially that of the AAF (Administrative and Financial Assistant) of the Program Management Unit - *Societe Nationale D'amenagement Et D'exploitation Des Terres Du Delta Du Fleuve Senegal Et Des Valleees Du Fleuve Senegal Et De La Faleme* (PMU-SAED) and of an Environmental Officer;
- Lack of centralized filing at the DAF level of recruitment files and the non-systematic signature of those files for authentication ;
- Lack of a in/out clock time management system in the PMUs as well as the non existence of a daily follow up of absences, travels, vacations, sick leaves. etc...



- No documents furnished evidencing the approval of the Board of MCA Senegal of the recruitment of the key staffs in 2011 as well as the Non objection notice of MCC regarding the two experts recruited during the period; and
- Absence of a personnel evaluation.

CRITERIA

The position of a Human Ressources manager within MCA Senegal was stipulated in part 9 of the Fund Accountability Plan. Part 9.2.1 of the FAP states that the HR must document all staff movements (resignation, dismissal, absence, annual leave, maternity leave, illness...) within the month, obtain the required approval of the employee's supervisor, and adjust the payroll accordingly.

Chapter 37: Cost Principles for Government Affiliates Involved in MCC Compact Implementation, 4.2, h5 states that In all cases, employee compensation must be documented by after-the-fact reports of the actual time worked and payments made.

Accordingly, In the PMUs, the schedule detailing the actual time worked should be included in the Coordinators monthly report for payment of agreed fees.

Part 9.1 of the FAP, French version further states that key Staff of MCA (also referred to as "Officers" in the Program Implementation Agreement) shall be employed through employment agreements, a form and substance of which must be approved by MCC and the Board. Furthermore as a complement to the FAP rules, Article 8 of the (Decree n° 2009-1447 dated 30 December 2009) states clearly that:

- MCA Senegal is headed by a Management unit (Direction Générale) headed by the CEO. The CEO is recruited by the Board as delineated in the directives of the MCC;
- The MCC is implicated in the recruiting procedures of the personnel of the Management unit (Direction Générale) by providing its Non Objection Advice; and
- The key personnel of MCA Senegal is recruited or terminated by the CEO in conformity with the directives of the MCC and with the approval of the Board.

CAUSE

The position of a Human Ressources manager was not filled. In addition, the management of the PMUs staff was not adequately supervised.

EFFECT

The absence of a centralized Human Ressources management at the DAF level causes several deficiencies in the transparency and efficiency in the management of the personnel. A potential risk of abuse exists with unjustified absences. Impossibility of evidencing the actual time worked by the personnel of the PMUs.



RECOMMENDATION 2

We recommend that MCA Senegal:

- 2.A Immediately fill the position of the Human Ressources manager to comply with the FAP.Mandate the Human Ressources manager review the personnel files and correct all deficiencies noted during this audit;
- 2.B Ensure that the Human Ressources manager maintain responsibility of the recruitment process under the supervision of the DAF, CEO and the Directors affected by the recruitment;
- 2.C Require that the Human Ressources manager ensures the respect of the existing procedures and further assures the transparency and the absence of conflicts of interest in the recruiting process;
- 2.D Establish and implement a formal daily staff follow-up system which records employees labor effort, leave-deductible or non deductible absences coordinated by the AAF in the PMUs and centralized at the Human Ressources manager of MCA Senegal. Ensure that MCA Senegal has an accurate tracking of actual time worked.

MANAGEMENT COMMENTS

RMA: Deficiencies in the filing and completeness of certain recruiting documents specially that of the AAF(Administrative and Financial Assistant) of the PMU SAED and of an Environmental Officer

MCA Senegal: MCA takes note of the recommendation and will ensure that the recruitment records are better documented.

RMA: Lack of centralized filing at the DAF level of recruitment files and the non-systematic signature of those files for authentication

MCA Senegal:MCA takes note of the recommendation and will ensure that the recruitment records are centralized at the AFD.

RMA:Lack of a clock in/out time management system in the PMUs as well as the non existence of a daily follow up of absences, travels, vacations, sick leaves etc...

MCA Senegal:The wording does not reflect the reality of the observation since the auditor, during the exit conference, mentioned the documentation of staff movements, notably those on mission while the mission order that should be approved by the Administration services is in the possession of the person himself during the mission.

In the two (2) PMUs audited, staff movements are monitored with absence request forms, permission and leave application forms. The daily working time is monitored by the PMU Coordinator who certifies the number of hours worked in the monthly PMU report, which serves as a basis for the payment.



As an additional measure, MCA will request PMUs to attach a summary statement of these movements to the monthly invoices.

CONCLUSION- MCA Senegal

Keeping staff records alone cannot justify the recruitment of additional staff, the relevance and timeliness of which is a management decision.

- No documents were furnished to us evidencing the approval of the Board of MCA Senegal of the recruitment of the key staffs in 2011 as well as the Non objection notice of MCC regarding the two experts recruited during the period;

1. Concerning the approval of staff contracts by the Supervisory Board

Article 4 of Decree n° 2009-1447 dated 30 December 2009 creating and fixing the rules of organization and functioning of the Millennium Challenge Account « MCA-Senegal » determines the prerogatives of the Supervisory Board as follows:

it is mandated to define the strategic orientations of the MCA-Senegal programme,

- approve the administrative organisation of MCA-Senegal,
- approve any decision changing the structure of MCA-Senegal or its dissolution,
- adopt the annual MCA-Senegal activity report prepared by the Director General,
- approve the annual MCA-Senegal budget,
- approve the financial statements issued by the Director General, not later than three months after the end of the financial year,
- recruit the Director General,
- approve the Director General's contract and the organizational chart of the General Management as well as the form of employment contract for the key staff,
- dismiss the Director General and approve the dismissal of management staff or key staff of MCA-Senegal,
- approve procurement plans, and
- carry out all other tasks prescribed by MCC directives and the rules of procedure of the Supervisory Board.

Article 3 of the MCA-Senegal Rules of Procedure which has the same purpose stipulates that In accordance with article 4 of the Decree, (decree of 30 December 2009 establishing MCA-Senegal) the Board is mandated to approve the Director General's contract, the organization chart of the General Management and the form of the employment contract for the Key Staff (as defined below).

Point (5) of article 5 of the rules of procedure, states that: shall be submitted for the Board's approval the recruitment plan (organization chart) of the General Management and all other related amendments, the employment contract model used for each Key Staff and salary scale proposed for the Key Staff and all other members of the General Management.



In the light of the foregoing, the Supervisory Board shall approve:

- 1. the Director General's contract;*
- 2. the General Management's organization chart or the recruitment plan;*
- 3. the employment contract model used for the Key Staff; and*
- 4. the salary scale.*

Only the Director General's contract should be submitted for the Board's approval.

2. Concerning the approval by MCC of the recruitment of two (2) experts

The recruitment of these Experts is not subject to MCC's non-objection notification. The acts submitted to MCC's NON are listed in Section 2.10 of the PIA and in the « Governance Guideline ». These texts concern the key staff only, with the exclusion Experts.

AUDITOR'S COMMENTS

We acknowledge the comments of MCA Senegal. We consider that for recommendations 2.A, 2.B and 2.C that MCA Senegal appears to limit the role and duties of the HRM (Human Resources Manager) to "Keeping staff records alone" however our recommendation points directly to the position of HRM which was already planned and filled in the past and considered as a key personnel by the Program. Our audit also identified major weaknesses in the management of human resources (scattered documents, deficiencies in the supervision of the personnel of the PMUs, recruitment problems, non compliance with the salary grid, etc...).

In addition, the terms of reference of the HRM states "The management of the recruitment plan and the management of competencies", "career management" and "social interactions". Currently, the fact that the size of MCA Senegal's personnel is significant. It is apparent that the recruitment of a HRM will allow for better management of the personnel. Thus our recommendations 2.A, 2.B and 2.C remains unchanged.

For recommendation 2.D, the absence of a formal daily recordkeeping of the actual time worked was observed during our visits at the sites of the PMUs, does not allow for adequate controls of the information sent to MCA Senegal by the coordinators which are the basis for remunerations. Therefore we maintain our finding.

Concerning the approval of personnel work contracts by the Governing Body and the MCC, we maintain the point under the Article 8 of the (Decree n° 2009-1447 dated 30 December 2009) which states clearly that:

- MCA Senegal is headed by a Management Unit "Direction Generale" headed by the CEO. The CEO is recruited by the Board as delineated in the directives of the MCC.
- The MCC is implicated in the recruiting procedures of the personnel of the Management Unit "Direction Generale" by providing its Non Objection Notice.
- The key personnel of MCA Senegal is recruited or terminated by the CEO in conformity with the directives of the MCC and with the approval of the Board.



3. Deficiencies in the Management of MCA Senegal's Fleet of Vehicles and the Controls over Fuel Consumption.

CONDITION

The new logbooks kept aboard the vehicles of MCA Senegal were not adequate. The new logbooks do not contain the necessary informations to efficiently and effectively conduct the checks stipulated in the FAP such as the person transported in the vehicle and a section where the fleet manager formalizes the periodic checks mentioned in the FAP.

The monthly assesment of the balance of the fuel cards (scheduled for the 20th of each month) and the weekly checks by the DAF were not performed in accordance with the FAP 12.2.3.

Our tests revealed several weaknesses in the management of the fuel cards. It was noted that on several of the fuel cards, the license plate of the vehicle was not transcribed. Our tests also showed that there were four (4) fuel cards which the license plate were not mentioned and one vehicle was able to use three (3) different fuel cards during the period. However, our tests on the fuel consumption did not reveal abuse such as consumption levels above manufacturer's recommended fuel consumption per 100 kilometers.

CRITERIA

Part 12.2.1 of the FAP states that Vehicle use will be at two levels. Some vehicles will be in the motor pool and controlled by the DAF. Usage of these vehicles will require approval of the staff member's manager and the DAF. The DAF will be responsible to ensure that standard log books are maintained in each vehicle that will include details of daily mileage and all operating and maintenance costs.

Good practice also require that all fuel cards be inscribed with a license plate number for which identifies each specific vehicle.

The FAP in its part 12.2.3 states that before the 20th of the month, the senior accountant estimates the fuel endowments for the next month. It further states that the office of the DAF keeps track of the fuel cards or ticket in a register and Manages the fuel refill of the administrative cars on a weekly basis.

CAUSE

- The controls in the new logbooks are not materialized;
- The controls stipulated in the FAP have not been effected; and
- The management of newly introduced fuel cards in the place of fuel tickets as a mean of control is not fully maintained by all users.



EFFECT

There is a risk of abuse in the use of the vehicles and the fuel consumption. There is a potential that a fuel card may be used for a non intended personal vehicles and create the risk of fraud.

RECOMMENDATION 3

We recommend that MCA Senegal:

- 3.A Improve the format of the logbooks by adding columns for the following information: passenger transported, time, reason for the trip, mileage covered, fuel consumption test dates, etc.;
- 3.B Implement procedures to perform tests as stipulated in the FAP; and
- 3.C Make sure that each fuel card is assigned to a particular vehicle and its license plate inscribed on the fuel card which provides effective controls of fuel consumption.

MANAGEMENT COMMENTS

1. Lack of essential information on the new logbook.

The new road map contains the following columns:

- Date
- Driver's name
- Mission, itinerary
- Meter reading (reading on departure and reading on arrival)
- Fuel (quantity used)

It is incorrect to say that the mileage does not show because it can be obtained by verifying the difference between the reading on arrival and reading on departure.

MCA will henceforth provide more information on the mission and itinerary column by requesting drivers to state the mission order reference in the event of a mission or the name of the person transported when it involves travelling within Dakar.

Besides, the control by the Head of Logistics will henceforth be indicated on the logbook.

2. Monthly DAF expertise scheduled by the FAP

The procedures applicable in 2011 concerned the use of fuel tickets; But MCA-Senegal uses fuel cards. The control is not on a monthly basis but daily whenever the card is used. Actually, after every use the terminal prints a ticket mentioning the date, quantity supplied and card balance. This ticket is supported by the logbook. The AFD undertakes control whenever the cards need to be recharged because at that moment, the movements of each card is attached to a summary statement prepared by the Head of Logistics and approved



EFFECT

The presence of panel members contribute transparency and efficiency in the procurement process by minimizing the risk of an inadequate evaluation which could lead to low quality goods or services being contracted.

RECOMMENDATION 4

We recommend that MCA Senegal comply with the rules stipulated by the PPG as it relates to the minimum number of evaluation panelists during the procurement process.

MANAGEMENT COMMENTS

Annex (attachment) 14 of the PPG provides that « the Panel generally comprises 3 to 5 technical members, but the size varies according to the types of expertise required for specific procurements». The MCA-Senegal understood this provision as a simple indication and not an obligation. The size of the panel depends on the size of the contract. For low-value contracts, the panel should comprise up to three (3) members.

It is also worth noting that the sittings of the panels concerning the two contracts referred to in the report were respectively held on 20 April 2011 and 24 January 2011 while the 2010 audit report which raised this issue was transmitted to MCA-Senegal only in October 2011.

MCA-Senegal has taken all the necessary measures to ensure that the panels are henceforth composed of at least three (3) members.

AUDITOR'S COMMENTS

MCA Senegal accepted our recommendation. We maintain this finding. We will ensure of its implementation during our next audit.

5. Procurement Contract Not Listed In the Semestrial Procurement Plan (PP)

CONDITION

The procurement contract PA05 TER in the amount of \$29,673.75 relating to the acquisition of air conditioners through Office Informatique is not in the semestrial procurement plan for the period April to September 2011.

CRITERIA

Part P2.1.2 of the PPG stipulates that the MCA Entity shall ensure that all goods, works, and consultant and non-consultant services shall be procured using the procurement method approved in the Procurement Plan. Section 6.2 of the POM stipulates that all goods acquired, small works or consultant services must be in the approved procurement plan. The plan must be approved before any procurement action is taken.



CAUSE

According to the DPM, this is a case of a bad presentation of the information in the Procurement Plan. According to the DPM the confusion stems between the PA05 TER (acquisition of air conditioners) and the PA03 (Office set-up (supply/installation of curtains, blinds, carpet, water fountains, etc..)). The section identified in the Procurement Plan by the office of the DPM does not correspond with the PA05 TER.

EFFECT

The expenses in the amount of \$29,673.75 corresponds to the acquisition of air conditioners not approved through the semestrial procurement plan covering the period April to September 2011 and therefore is ineligible to be funded through the funds of MCA.

RECOMMENDATION 5

We recommend that MCA Senegal comply with the rules stipulated in the PPG.

MANAGEMENT COMMENTS

After verification, it was observed that the acquisition of splits was included in the procurement plan from April to September 2010 with the reference PA05

The procurement procedure was launched in September 2010 and the contract awarded to the supplier SOCOMAF.

However, the contract could not be concluded with this supplier. In fact, on 2 March 2011 SOCOMAF sent a letter to inform MCA-Senegal that its offer was no longer valid because the LG factories had stopped manufacturing 'splits plasma'. The supplier made a new proposal to replace the 'splits plasma' by the NEW TITAN PLASMA. However this new proposal was to fundamentally change the SOCOMAF bid found compliant during the panel meeting. Thus, it was decided that the DPM would relaunch the request for quotations.

The RFQ for the acquisition of splits was relaunched on 29 March 2011, in implementation of the PPM for April/September 2010.

AUDITOR'S COMMENTS

MCA Senegal's management responsibility is to ensure that the procurement contract is updated in accordance with the Procurement Plan, and in compliance with the point P2.1.3 of the PPG which states that each Procurement Plan will cover a specific minimum period of time, which shall be at least six (6) months in duration (longer periods are strongly encouraged where appropriate), and be updated, at a minimum every six (6) months. It is to be noted that the information pertaining to the republishing of the PA05 TER procurement was communicated to our audit team after publishing our draft report. Therefore we could not test the procurement



contract during our fieldwork. This finding remains unchanged until MCA Senegal provides an adequate analysis of the documentation supporting this new information.

6. The Non Compilation of a Past Performance Report on Those Contractors Awarded Contracts over \$100,000.00

CONDITION

We noted that the report on the past performance was not generated by MCA Senegal for bidders awarded total contracts evaluated or estimated to be over \$100,000.00.

CRITERIA

Part 2.4.1 of the PPG states that the MCA Entity shall (a) ensure that, for each procurement resulting in a total contract awarded that is valued or estimated to be valued in excess of 100,000USD, a past performance report on the contractor's performance is submitted at least annually (quarterly if one or more aspects of performance are problematic) during the period of contract performance.

CAUSE

MCA Senegal did not comply with the rules set by the PPG in relation to awarded contracts above \$100,000.00.

EFFECT

Deficiencies in the monitoring and evaluation of contractors awarded contracts above the \$100,000 U. S. dollar threshold could lead to the non compliance.

RECOMMENDATION 6

We recommend tha MCA Senegal generate the past performance report on the contractors whose contracts are estimated or evaluated to be over \$100,000.00.

MANAGEMENT COMMENTS

MCA takes note of this relevant recommendation and will undertake these evaluations.

AUDITOR COMMENTS

MCA Senegal accepted this recommendation. We maintain the finding. We will ensure that this report is established during our next audit.



7. Contract Amendments Not Receiving Prior Approval of the Governing Body and the Non Formalization of the Governing Body's Conclusions Concerning Contract Amendments

CONDITION

Expenses amounting to \$152,839.37 relating to the second amendment of the FIT Conseils contract did not have the prior approval of the Governing Body of MCA Senegal. The Board discussed this amendment on October 27, 2011 however the contract was signed 10 days before the Board's discussion. We noted that the Board does not materialize its conclusions approving contract amendments.

CRITERIA

Attachment 1 of the PPG states that If an individual contract modifications or change orders (i) raise a contract which did not require approval above an approval threshold, or (ii) extend the original contract term by 25% or more without an increase in value, or (iii) increase the original contract value by 10% or more, the approval of the Board is required.

CAUSE

The dispositions of the PPG are not applied correctly by MCA Senegal and the conclusions of the Board are not materialized.

EFFECT

The frequent recourse to amending contracts has a negative impacts on the efficiency of the program. However this situation increases the risk of litigation with suppliers in cases where the governing body refuses to approve the signed contract amendment afterwards.

RECOMMENDATION 7

We recommend that MCA Senegal comply with the rules stipulated in the PPG as it relates to the approval by the governing body of the amendments where the amount equals or surpasses 10% of the original contract.

MANAGEMENT COMMENTS

This amendment which received MCC's Non Objection Notification on 28 September 2011 was signed on 17 October 2011. It was submitted to the Board for approval at its very next meeting held on 27 October 2011.

In its understanding, MCA-Senegal does not consider that the Board's approval should necessarily precede the signing of the amendment. This perception has the major disadvantage of seriously delaying the projects' progress, on the one hand, of having the validity of the bid expire before the Board's meeting held every three months, and on the other.



AUDITOR'S COMMENTS

The approval procedure delineated in attachment 1 of the PPG defines the approval hierarchy as follows: Procurement Director, The Governing Body of MCA and finally the MCC. The chronological steps must be strictly followed by MCA Senegal. Our finding and recommendation remain unchanged.

8. Rental Expense for the Office of the PMU SAED and AGEROUTE

CONDITION

Expenses in the amount of \$24,169.92 relating to the rent expenses for the offices of the PMUs. The questioned rental expenses for the offices of the PMUs AGEROUTE and SAED was paid for by MCA Senegal. However the terms of the Compact states that the rental expenses for the offices used by MCA Senegal is the responsibility of the Senegalese Government and not MCA Senegal.

CRITERIA

Section 8.1 Additional Government Resources.

(a) Without limiting the generality of Section 2.6(a), the Government will contribute, through provision in the law containing the annual governmental budget for Senegal, an amount necessary and adequate to cover all costs associated with the following (no MCC Funding, proceeds thereof, or Program assets may be applied by the Government in satisfaction of its obligations under this Section 8.1(a)):

iv) required office space for MFG-MCA, MCA Senegal, the "Cellule d'Appui au MCA-Senegal," and the MCC resident country mission.

CAUSE

MCA Senegal believes that the disposition of the compact in Section 8 does not include the PMU which they judge to be entities distinct from MCA Senegal.

EFFECT

The rental charges in the amount of \$24,169.92 for the PMU was paid for from MCC funds however rental expenses for the offices used by MCA Senegal is the responsibility of the Senegalese Government.

RECOMMENDATION 8

We recommend that MCA Senegal comply with the rules stipulated in section 8 of the Compact.



MANAGEMENT COMMENTS

Section 8.1(a)(iv) of the Compact specifically targets four office spaces which should be paid by the Government budget. These are the offices for:

- 1. MFG-MCA,*
- 2. MCA-Senegal,*
- 3. The MCA- Senegal Support Unit, and*
- 4. The MCC Resident Mission.*

This clause, which gives an exhaustive list, should be read and interpreted carefully and restrictively.

In trying to add the PMU offices to this Compact list, the auditors made an addition to the Law, which is a violation. The offices hosting the PMU are not mentioned in Section 8.1. (a) (iv) of the Compact.

PMUs are components of the Projects. Thus, each project budget comprises PMU expenditures which include rental costs and charges. These budgets are an integral part of the Implementation Entity Agreements approved by the MCA-Senegal and MCC Supervisory Board.

No other Compact document states that the Government should provide the offices hosting the different PMUs.

AUDITOR'S COMMENTS

MCA Senegal has an interpretation of the rules delineated in section 8.1(a)(iv) of the Compact which differs from ours. MCA Senegal, in its interpretation excludes in the rental charges of MCA Senegal, the rental expenses of the PMUs. We do not share this view. Our review demonstrates that the PMUs are an integral part of MCA Senegal and do not stand as a distinct legal entity.


G Annex
ANNEX 1 : The members of the evaluation panel inferior to PPG guidelines

Contractor	Procurement Description	Amount in USD
Office informatique	Fournitures et installation de splits	\$ 29,673.75
SINPAC SARL	Fournitures et installation de matériels de communication	\$ 34,648.45
Total		\$64,322.20

ANNEX 2 : Non-respect of delivery deadlines

Contractor	Amount in USD	Days late	Penalties
Office informatique	\$ 26,581.14	49	Applied
SSI	\$ 71,179.04	4	Non Applied
Plateform technologie	\$ 28,881.95	4	Non Applied
Office Informatique	\$ 29,561.06	56	Applied
Office Choice	\$ 22,856.92	28	Applied
CFAO Motors	\$ 328,646.36	14	Applied