



Promoting Accountability of Public Resources

# AUDITOR GENERAL'S REPORT



**On The Audit of the John F.  
Kennedy Medical Center  
(JFKMC)**

**For the period July 1, 2012  
to June 30, 2013**

**October, 2017**

**Yusador S. Gaye, CPA, CGMA  
Auditor General, R. L.**

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## **Acronym & Meaning**

<b>Acronym</b>	<b>Meaning</b>
JFKMC	John F. Kennedy Medical Center
AIDS	Acquire Immune Disease Syndrome
DOA	Dead On Arrival
FFS	Fees For Service
FY	Fiscal Year
LJFMH	Liberian-Japanese Friendship Maternity Hospital
PSIP	Public Special Investment Projects
GA	General Administration
CEO	Chief Executive Officer
CMO	Chief Medical Officer
COBIT	Control Objectives for Information and Related Technology
COSO	Committee of Sponsoring Organization of the Treadway Commission
CSA	Civil Service Agency
CGMA	Chartered Global Management Accountant
CPA	Certified Public Accountant
GoL	Government of Liberia
HR	Human Resource
ISSAI	International Standards of Supreme Audit Institutions
IT	Information Technology
MoF	Ministry of Finance
PFM Act	Public Financial Management Act of 2009
PFM Regulations	Public Financial Management Regulations of 2009
PPCC	Public Procurement & Concessions Commission
PPCA	Public Procurement & Concessions Act
SSC	Social Security Contributions
IAD	Internal Audit Department

## **AUDITOR GENERAL'S REPORT**

Dr. Wvannie Scott McDonald  
General Administrator / CEO  
John F. Kennedy Memorial Medical Center  
Tubman Boulard, Sinkor  
Monrovia, Liberia

October 31, 2017

Dear Dr. Scott McDonald:

### **Compliance Report on the John F. Kennedy Memorial Medical Center for the Period July 1, 2012 to June 30, 2013**

We have audited the activities and financial transactions of the John F. Kennedy Memorial Medical Center in compliance with relevant laws and regulations for the periods ended June 30, 2013 consistent with the Auditor General's mandate as provided for in Section 2.1.3 of the General Auditing Commission (GAC) Act of 2014 as well as the Audit Engagement Terms of Reference (ToR).

#### **Management's Responsibility**

Management is responsible for the preparation of financial records in accordance with the terms of local agreement and stated laws and regulations.

This audit was conducted on the basis or understanding that the Management of the John F. Kennedy Memorial Medical Center has the responsibility to establish and maintain internal controls necessary to:

- Enable it undertake its contracts award, goods delivery, projects execution, evaluation and reporting in an effective and efficient manner as well as the preparation of documentation on the procurement/projects that are free from material misstatements whether due to fraud or error and in compliance with authorities that govern them;
- Provide reasonable assurance that adopted policies and prescribed procedures are adhered to and errors and irregularities, including fraud and illegal acts are prevented or detected; and to provide us with access to the following:
- All information of which the John F. Kennedy Memorial Medical Center is aware of and that is relevant to its contracts award, goods delivery, projects execution, evaluation and reporting as well as their related documentation;
- Any additional information that we may request from Administration for the purposes of the review; and Unrestricted access to persons within the Institution Administration from whom we determine it necessary to obtain review evidence.

### **Auditor's Responsibility**

Our responsibility is to independently express a conclusion on the financial records of the John F. Kennedy Medical Center based on our audit. Our audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs), Fundamental Auditing Principles (FAP) and Guidelines for Compliance Audit (GCA). Those principles require that we comply with ethical requirements and plan and perform the audit so as to obtain reasonable assurance as to whether the use of John F. Kennedy Medical Center funds are in compliance, in all material respects, with stated laws and regulations.

An audit involves performing procedures to obtain sufficient appropriate evidence to support our conclusion. The procedures performed depend on the auditor's professional judgment, including assessing the risk of material non-compliance, whether due to fraud or error. The audit procedures performed are those we believe are appropriate in the circumstances. We believe that the audit evidence gathered is sufficient and appropriate to provide the basis for our conclusion.

### **Basis for Disclaimer Conclusion**

There was discrepancy in the revenue receipt resulting to a variance of US\$1,143,256.00 between the total amounts disbursed to JFKMC as per the Fiscal Outturn Report 2012/2013 and the total amount received as per the financial report prepared by the JFKMC, which could not be justified.

The JFKMC Management expended US\$1,464,776.00 above its approved budget without the approval by the Board of Directors.

The amount of US\$105,205.71 reported as donations and contributions by the Management of the JFKMC could not be supported by documentation.

The amount of US\$553,170.00 and L\$79,704,194.00 reported as internally generated revenue by the Management of the JFKMC could not be supported by adequate ledgers and other documentation.

There was discrepancy in financial reporting resulting to variances of US\$771,327.92 and L\$48,598,333.36 between the total expenditure as per the Bank Statements of the JFKMC and the total Expenditure as per the financial report prepared by JFKMC, which could not be justified. Further, the bank reconciliation statement could not explain the variances.

The JFKMC Management made several payments amounting to US\$1,256,563.15 and L\$53,877,986.68 for professional fees, drugs and medical supplies, travels and various goods, works and services without adequate supporting documents.

The JFKMC Management ended its operations with a deficit of US\$71,477.00 as per its financial report whereas the total bank statements balances at June 30,2013 amounted to US\$1,165,582.96 and L\$405,629,596.19. Additionally, the bank reconciliation statement did not explain the differences.

The JFKMC Management did not perform bank reconciliations for the period under audit. Due to the lack of bank reconciliation statements, we could not confirm that the cash and bank balances that should have been recorded were actually recorded and disclosed.

The JFKMC Management did not maintain fixed Assets Register/listing to provide detailed information, including cost of asset, date of purchase and coding. Due to the absence of fixed assets Register/listing that meets the requirement of the Public Financial Management Act, we were unable to obtain reasonable assurance as to the accuracy and completeness of the assets owned by JFKMC.

The JFKMC Management carried out procurement splitting for the purchase of petroleum products, local food and various goods and services amounting to US\$608,718.30 and L\$3,906,967.38 respectively.

The JFKMC Management carried out its procurement processes in the absence of an approved procurement plan.

**Disclaimer Conclusion**

Based on the audit work performed, because of the significance of the matter noted in the Basis for Disclaimer paragraph's above, we are unable to, and therefore do not express a conclusion on the John F. Kennedy Memorial Medical Center's compliance in all material respects, with stated laws and regulations.

  
**Yusador S. Gaye CPA, CGMA  
Auditor General, R.L.**

**Monrovia, Liberia  
October, 2017**

## **Background of the John F. Kennedy Memorial Medical Center Audit**

The audit of the John F. Kennedy Memorial Medical Center was commissioned by the Auditor General for period July 1, 2012 to June 30, 2013.

### **A Brief History of JFKMC**

The John F. Kennedy Medical Center (JFKMC) was established by an Act of National Legislature and Executive Law of 1956 Chapter 60, Section 60.1, as autonomous agency mandated and shall be maintained for treatment of human illness, training in the medical, paramedical and public health fields and shall be under the authority of the BOARD OF DIRECTORS, hereinafter referred to as the "Board", with succession of members to be appointed as hereinafter provided and with such powers as are herein prescribed.

To participate insofar as the circumstances may warrant in assisting the Ministry of Health and Social Welfare to promote the general health of the Nation.

The John F. Kennedy Memorial Medical Center has the following personnel who handled the administrative and financial affairs of the institution for the period under audit.

### **Key Personnel of JFKMC**

<b>Name</b>	<b>Title / Position Held</b>	<b>Period</b>
Dr. Wvannie Scott- McDonald	General Administrator & CEO	July 1, 2012 to present
Ms. Munah Tarpeh	Deputy for Administration	July 1, 2012 to present
Dr. Billy C. Johnson	Chief Medical Officer	July 1, 2012 to present
Kaifa Dennis	Planning & Development Manager	July 1, 2012 to present
Mrs. Serina Gbaba	Former Chief Financial Officer	July 1, 2012 to June 30, 2015
Ms. Mordu Lawrence	Human Resource	July 1, 2012 to present

### **Audit Objectives**

The main objective of the audit is to gather sufficient appropriate audit evidence to conclude whether the activities and financial information of the John F. Kennedy Memorial Medical Center for the period July 1, 2012 to June 30, 2013 are in compliance, in all material respects with policies, procedures, applicable laws, regulations, and are free of material errors.

### **Audit Methodology**

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial information provided by the Management of the John F. Kennedy Memorial Medical Center is in compliance, in all material respects with policies, procedures, applicable laws, regulations, and are free of material errors. In furtherance of this, we undertook audit procedures as would enable us to attain the above objective.

Our audit also took cognizance of the requirements under the Auditor General's mandate as provided for under Section 2.1.3 of the GAC Act of 2014 well as the Audit Engagement Terms of Reference (ToR). Our audit approach included observation, inquiries, inspections, re-performance, confirmation, and analytical procedures on areas we considered as high risk.

While the audit was not directed at reporting the following, we have reported on the below issues which came to our attention during the course of the audit:

- Non- effective performance of the program - relates to Management's responsibility to undertake activities in a non-effective and non-efficient manner.
- Non-delivery of goods and services – relates to Management's non-exercise of responsibility to ensure that all goods and services procured are delivered.
- Instances of non-compliance with applicable laws and regulations - relates to Management's non-exercise of responsibility to use resources, and fulfill accountability requirements, in accordance with applicable agreements, laws and regulations governing contracts award, goods and service delivery, projects execution, evaluation and reporting.
- Waste – relates to Management's non-exercise of responsibility to obtain and apply resources in an economical manner, without any public money being wasted.
- Instances of abuse- relates to Management's non- exercise of responsibility to meet the expectations of the National Legislature and the public as they relate to appropriate standards of behavior.

### **Limitation of Responsibility**

We reviewed the systems and management controls operated by the John F. Kennedy Memorial Center only to the extent we considered necessary for the effective conduct of this audit. As a result, our review may not have detected all weaknesses that existed or all improvements that could be made.

## 1 DETAILED FINDINGS AND RECOMMENDATIONS

### 1.1 Discrepancy in Revenue Receipts

#### Observation

1.1.1.1 Regulation C. 8 (2) of the PFM Acts of 2009 stipulates that "A head of agency or spending unit shall have overall responsibility and accountability for the collection and receipt of all revenues or the financial administration of the monies voted by Legislature for, or applied by statute to, the services under the control of his or her ministry or agency".

1.1.1.2 During the audit, a variance of **US\$1,143,256.00** was observed between the total amount disbursed to JFKMC as per the Fiscal Outturn Report 2012/2013 and the total amount received as per the financial report prepared by the JFKMC. **See table 1 for detail:**

**Table-1: Discrepancy in Revenue Receipts**

Amount disbursed as per Fiscal Outturn Report US\$ (A)	Amount Reported as Receipts By the JFKMC. US\$ (B)	Variance US\$ (C=A-B)
7,675,702.00	6,532,446.00	1,143,256.00

#### Risk

1.1.1.3 The inconsistencies between the JFKMC Financial Report and the MOF Fiscal Outturn Report could cast doubt on the reliability of the financial report.

#### Recommendation

1.1.1.4 The Management of the JFKMC should provide justification for the difference.

#### Management's Response

1.1.1.5 *Management notes the auditor's recommendation requesting the provision of justification for the variance of US\$1,143,256.00 noted between the fiscal outturn report and the amount reported as receipt by John F. Kennedy Medical Center (JFKMC) for the period under audit.*

1.1.1.6 *The Management of JFKMC wishes to clarify that the variance of US\$1,143,256.00 above its financial report is a result of payment made directly by the MOF on behalf of JFKMC to the Liberia Electricity Corporation. Moreover, the Management of JFKMC was not aware of such payment and neither did the MOF issued receipts nor other supporting documents to the JFKMC for payments made to the LEC.*

1.1.1.7 *During the period 2012/2013, the Management of JFKMC made payments on several occasions directly to the LEC for electricity bills. Notwithstanding, it was noticed that the MOF made electricity bills payment to the LEC on the Medical Center's behalf.*

Management on 1 July 2013 notified the MOF requesting for clarification of the source of funding used to pay the bill, budget line to which the payment of US\$493,431.52 was charged, and any other payment made directly by MOF on behalf of the JFKMC for the fiscal period 2012-2013. Our request to the MOF remains futile as we could not confirm the amount reported by the MOF and therefore, could only report and support the total amount received from the MOF during the period under audit. **See attachment #1**

### Auditor General's Position

- 1.1.1.8 The Justification provided by the JFKMC is not backed by any documentary evidence. A letter of request to MoF (MFDP) does not suffice for the evidence of the payments that were made on behalf of JFKMC. The JFKMC should liaise with the MoF (MFDP) to ensure that difference is supported. Therefore, Management is in breach of financial discipline in line with Regulation A.20 of the PFM Act of 2009.

## 1.2 Over Expenditure

### Observation

- 1.2.1.1 Chapter 60.5 (Count 4) of the John F. Kennedy Medical Center Act, (2013) states "The powers and functions of the Board shall be to approve and recommend an annual budget to Government for the Center, and accordingly, ensure its proper implementation".

- 1.2.1.2 During the audit, a difference of US\$1,464,776.00 was observed between the Approved Budget of the JFKMC total expenditure and the total Expenditure as per the financial report prepared by JFKMC without evidence of an approval by the Board of Directors.  
**See table 2 for details:**

**Table 2: Over Expenditure**

No.	Description	Approved Budget US\$ (A)	Total Expenditure per financial report US\$ (B)	Variance US\$ (C=A-B)
1.	Personnel Cost	4,122,953.00	4,469,519.00	(346,566.00)
2.	Goods and Services	2,386,624.00	3,247,801.00	(861,177.00)
3.	Capital Expenditure	362,011.00	619,044.00	(257,033.00)
	<b>TOTAL</b>	<b>6,871,588.00</b>	<b>8,336,364.00</b>	<b>(1,464,776.00)</b>

### Risk

- 1.2.1.3 Over expenditure is a violation of the Budget Law which could lead to misapplication of the JFKMC Resources.

### Recommendation

- 1.2.1.4 Management of the JFKMC should provide justification for the expenditure above the approved budget.

### **Management's Response**

1.2.1.5 *The Management notes the auditor's recommendation and wishes to clarify that during the period under audit, the approved budgetary appropriation could not fully sustained the medical center operations for the fiscal period 2012/2013. Moreover, at one instance, a communication dated 3 April 2013 from the MOF informed us of a reduction in the JFKMC 4th Quarter 2012/2013 Allotment ceiling to an amount of US\$987,852.00.*

1.2.1.6 *JFKMC is a tertiary and teaching institution whose primary focus is service to patients/clients. The General Administrator on 18 April 2013 wrote the Deputy Minister for Budget and cited that with the reduction in the Medical Center's Budget by the MOF, Management found it difficult to budget within the ceiling provided due to the following reason: **See attachment #2***

- *Personnel expenditure which account for 60% of the expenditures is US\$1,100,000.00 per quarter;*
- *Drugs and medical consumables, which are indispensable for the safe and effective delivery of medical services amounted to US\$150,000.00;*
- *Electricity bill from the LEC amount to US\$180,000.00 per quarter;*
- *Fuel for running the generators during LEC power outages valued US\$60,000.00; and*  
  
*Cleaning materials and supplies which are required to maintain a clean and sanitized medical facility totals US\$25,000.00 per quarter.*

1.2.1.7 *It is against this back drop, that the Board through the management of the JFKMC used the internally generated revenue for the period to enable the Medical Center sustained its operations for the period under audit. The total expenditure of the JFKMC surpassed the approved budget amount due to additional revenue which was used from the internally generated revenue. **See attachment #2 for details.***

### **Auditor General's Position**

1.2.1.8 The GAC is not questioning the use of the internally generated revenue of the JFKMC. If the initial budget were revised to reflect the existing realities at that time, the Board of Directors of the JFKMC should had approved the revised budget. This certainly did not happen. The JFKMC expended above the approved budget without approval by the Board of Directors. Therefore, the Management should be held liable for the breach of Chapter 60.5 Count 4 of the JFKMC Act of 2013.

### 1.3 Donations and Contributions

#### Observation

1.3.1.1 Regulation A.3 (1) of the PFM Act of 2009 states, "Any public officer concerned with the conduct of financial matters of the Government of Liberia, or the receipt, custody and disbursement of public and trust moneys, or for the custody, care and use of government stores and inventories shall keep books of accounts and proper records of all transactions and shall produce the books of accounts and records of the transactions for inspection when called upon to do so by the Auditor-General, the Comptroller General, the relevant internal auditor or any officers authorized by them, by the Minister."

1.3.1.2 Also, Regulation G.3 (D) of the PFM Act of 2009 states that "Where loans, grants and donations are receivable in kind, the value of such donations shall be determined and included in the estimates and reflected as expenditure in the financial year".

1.3.1.3 During the period under audit, the Management of JFKMC did not provide a full list of contributions and donations made to JFKMC by various individuals, institutions etc.

#### Risk

1.3.1.4 The actual value of contributions and donations received by the JFKMC cannot be assured in the absence of a full disclosure of the required information.

#### Recommendation

1.3.1.5 The Management of the JFKMC should provide a full list of contributions and donations made by various individuals, institutions etc.

#### Management's Response

1.3.1.6 *Management acknowledges the auditor's observation and recommendation with respect to the general ledger details or full listing of all donations and contributions for the period under audit. Management wishes to clarify that all the donations and contributions made during the period were all in kinds. These Donations and Contributions were made by individuals, groups and organizations during the fiscal year 2012/2013. See table below for detail*

No.	Date of Donation	Name of Donor	Items Donated	Cost (US\$)
1	August 2012	United States Department of Defense and Project-Cure-HIV/AIDS Prevention Program	Assorted Drugs and medical supplies for HIV/AIDS Patients	89,707.00
2	August 2012	Mrs. Jennie J. Bernard	Refrigerators, Washing machines, Dryers, & other Medical Supplies	1,075.00
3	September 25, 2012	Direct Relief International	Assorted Medical Supplies	743.96
4	October 10, 2012	Breast Cancer Society	Assorted Medical Supplies	5,000.00

No.	Date of Donation	Name of Donor	Items Donated	Cost (US\$)
5	November 2012	Government of China	Assorted Medical Supplies	5,278.90
5	December 22, 2012	Miss Muriel Gordon	Hospital Bed sheets, Gowns & Other materials	2,450.00
7	April	Mrs. Annie Zeon Yorly Fairview Medical Center Minneapolis, Minnesota, USA	Books- TNIMA	950.85
		<b>Total</b>		<b>105,205.71</b>

1.3.1.7 In order to determine the cost of these donations and contributions, the Management, through its Procurement and Material Management Department reviews existing purchase records of similar items and quantified it. The cost is then reported in the Medical Center's financial report for the period.

#### **Auditor General's Position**

1.3.1.8 The justification provided by the JFKMC Management on donations and contributions is inadequate and does not address the issue raised. Therefore, the Management of the JFKMC is in breach of financial discipline in line with Regulation A.20 of the PFM Act of 2009.

### **1.4 Internally Generated Revenue**

#### **Observation**

1.4.1.1 Regulation C. 8 (2) of the PFM Act of 2009 states that "A head of agency or spending unit shall have overall responsibility and accountability for the collection and receipt of all revenues or the financial administration of the monies voted by Legislature for, or applied by statute to, the services under the control of his or her ministry or agency".

1.4.1.2 During the audit, it was observed that there were no ledger details or breakdowns to support the figures reported as internally generated revenue of the JFKMC. **See the table 3 for details:**

**Table -3 Internally Generated Revenue**

Category	Amount US\$	Amount L\$
Memorial Hospital	274,659	49,140,733
Maternity Hospital	75,492	23,390,603
E. S. Grant Hospital	25	1,140,155
Insurance Companies	202,544	5,696,328
Others	15	0
TNIMA	435	336,375
<b>Total</b>	<b>553,170</b>	<b>79,704,194</b>

#### **Risk**

1.4.1.3 The accuracy of the internally generated revenue cannot be assured in the absence of a breakdown/ ledger.

### Recommendation

- 1.4.1.4 The Management of the JFKMC should provide ledger details or breakdowns to support figures reported as internally generated revenue.

### Management's Response

- 1.4.1.5 *The Auditor asserted that the JFKMC should provide ledger details or breakdowns to support the figures reported as internally generated revenue. Management wishes to clarify that during the audit, box files containing internally generated revenue details were presented to the audit team for review.*

- 1.4.1.6 *However, we are providing the monthly summary of the internally generated revenue as reported in our financial report for the period 2012/2013. The monthly collection summary outlined the month, name of hospital, and the amount collected. **See attachment #3***

### Auditor General's Position

- 1.4.1.7 The justification provided by the JFKMC Management is inadequate and does not address the issue raised. Therefore, the Management of the JFKMC is in breach of financial discipline in line with Regulation A.20 of the PFM Act of 2009.

## 1.5 Discrepancy in financial reporting

### Observation

- 1.5.1.1 Regulation A.3 (1) of the PFM Act of 2009 states, "Any public officer concerned with the conduct of financial matters of the Government of Liberia, or the receipt, custody and disbursement of public and trust moneys, or for the custody, care and use of government stores and inventories shall keep books of accounts and proper records of all transactions and shall produce the books of accounts and records of the transactions for inspection when called upon to do so by the Auditor-General, the Comptroller General, the relevant internal auditor or any officers authorized by them, by the Minister."

- 1.5.1.2 During the audit, the variances of US\$771,327.92 and L\$48,598,333.36 were observed between the total expenditure as per the Bank Statements of the JFKMC and the total Expenditure as per the financial report prepared by JFKMC. **See table 4 for details:**

**Table-4: Discrepancy in financial reporting**

Description	Amount US\$	Amount L\$
Total expenditure per bank statements <b>(A)</b>	5,543,340.08	198,830,492.36
Total expenditure per Financial Report <b>(B)</b>	6,314,668.00	150,232,159.00
<b>Variance (C=A-B)</b>	<b>(771,327.92)</b>	<b>48,598,333.36</b>

**Risk**

- 1.5.1.3 The accuracy of the financial report could be in doubt in the presence of the above variances.

**Recommendation**

- 1.5.1.4 The Management of JFKMC should provide justification for the variances.

**Management's Response**

- 1.5.1.5 *Management notes your recommendation and herein clarifies that the total expenditure per the financial report for the period under audit could not agree with the expenditure as per the bank statement bank due to two distinct reasons.*

a. *The uncompensated care reported in the financial report for the period under audit is not reported on the bank statement, due to the fact that these are services rendered patients below cost or free. The total United States Dollars amount of expenditure as per the financial report exceeded the total amount of expenditure reported by the bank statement was due to the uncompensated care. The uncompensated care are free medical services offered by the JFKMC. The free services rendered are:*

- *Parenting the Parent for pregnant teenagers;*
- *Under 5 Clinic which serves children less than 5 years of age;*
- *HIV/AIDS patients;*
- *Elderly;*
- *Mentally/Physically Disabled;*
- *Abandoned; and*
- *Indigent.*

- 1.5.1.6 *Find attached the uncompensated care amount reported on the 2012/2013 financial report. **See attachment #4***

b. *The discrepancy noted between the total expenditure reported per bank statement and the expenditure in the financial report is due to the lack of adequate bank reconciliation by staff of the department of Fiscal. Moreover, the huge difference may have occurred due to outstanding checks which were processed and issued by the JFKMC, but did not reach the bank before the preparation of the year-end financial report.*

**Auditor General's Position**

- 1.5.1.7 The justification provided by the JFKMC Management is inadequate and does not address the issue raised. In the absence of evidence of bank reconciliation statements for the period, the assertions by the JFKMC Management cannot be supported. Therefore, the Management of the JFKMC is in breach of financial discipline in line with Regulation A.20 of the PFM Act of 2009.

## 1.6 Payment without Adequate Supporting Documents

### Observation

1.6.1.1 Regulations P.9 (2) of the PFM Act of 2009 states that "Payments except for statutory transfers and debt service shall be supported by invoices, bills and other documents in addition to the payment vouchers".

1.6.1.2 During the audit, it was observed that JFKMC Management made several payments amounting to US\$1,421,550.07 and L\$63,944,241.51 for professional fees, drugs and medical supplies, travels and various goods, works and services without adequate supporting documents. **See Annexure -1 for details.**

### Risk

1.6.1.3 The authenticity of the transactions could be in doubt in the absence of adequate supporting documentation.

### Recommendation

1.6.1.4 The Management of JFKMC should provide the supporting documentation for the transactions.

### Management's Response

1.6.1.5 *Management is pleased to acknowledge your recommendation regarding the provision of supporting documents for several payments amounting to US\$1,421,550.07 and L\$63,944,241.51.*

1.6.1.6 *Management wishes to clarify that all payments made for professional service, petty cash, drugs and medical supplies, travels, petroleum products, stationeries and others were supported by the appropriate documentation. For petty cash request made by heads of various departments, such request or its replenishment is accompanied by a petty cash replenishment summary. **See attachment # 5***

1.6.1.7 *The auditor asserted that we expended the amount of US\$137,573 as TNIMA students feeding and housing allowance for the period under audit. However, the information provided is not supported by voucher and check numbers. Management wishes to clarify that we did not report this figure neither did we present it in our financial report for the period under audit. The source of the transaction should be revisited by the auditor.*

1.6.1.8 *The auditor also asserted that the Management of JFK should provide supporting documentation for the un-compensated care amounting to US\$644,372.00.*

1.6.1.9 *Management wishes to clarify that at the JFKMC, there exist a department known as Social Service through which free medical services are rendered to underprivileged patients. The free medical services rendered patients are quantified and captioned Un-compensated care and reported in our financial report. So, the amount of*

*US\$644,372.00 is the value of the free medical services rendered underprivileged patients. **Reference attachment # 4***

- 1.6.1.10 *Moreover, uncompensated care is the total amount of health care services, based on full established charges (Price listing), provided to patients who are either unable or unwilling to pay. The uncompensated care provided by the JFKMC through its Department of Social Service include the following:*
- i. Parenting the Parent- these are school going females below the age of 18 who gets impregnated and are rendered free medical treatment at the medical center;*
  - ii. Gratis- the Management of the JFKMC awards free medical services to children under the age of five (5) and HIV/AIDS patients under the IDC program;*
  - iii. The Elderly- the JFKMC through its Department of Social Service also award free medical services to the elderly. These are patients in the age range above seventy (70) years and cannot afford to pay their medical bills;*
  - iv. Disability- the JFKMC award free medical service to patients who are physically or mentally challenged. The medical Center provides these free medical services at two of its health facilities. The ES Grant Hospital and the Monrovia Rehabilitation Center;*
  - v. Abandoned Patients – these are patients left in the hospital by family members and friends and are been catered to by the JFKMC through its Department of Social Service. The Department of Social service ensure that these patients received free medical care and at the point of being discharged, the JFKMC assist in re-uniting these patients with their families and communities;*
  - vi. Indigent – these are patients who are poor and needy in the provision of their basic needs (such as food, clothing, decent shelter etc.), prisoners and/or patients without sufficient income who receives free counseling and free medical services; and*
  - vii. HIV Aids– Patients- HIV/AIDS patients receive free medical treatment from the medical center.*
- 1.6.1.11 *In conclusion, management quantified all these free medical services rendered during the period under audit. It is therefore reported to show the total value of free medical services and supplies used by the Management of the JFKMC for patients who fall in either of the categories mentioned above.*

### Auditor General's Position

- 1.6.1.12 The documentation provided by the JFKMC Management could only support US\$164,986.92 and L\$10,066,254.83 respectively; thereby leaving the amounts of US\$1,256,563.15 and L\$53,877,986.68 expended without adequate documentation to be accounted for by Management. Further, the JFKMC Management is in breach of financial discipline in line with Regulation A.20 of the PFM Act of 2009.

## 1.7 Undisclosed Bank Balances

### Observation

- 1.7.1.1 Regulation I.11 of the PFM Act of 2009, states that "There shall be prepared by the head of government agency or an administrator or head of any Government agency and transmitted to the Minister and the Comptroller-General in respect of the year, accounts covering all Public Funds under his control".
- 1.7.1.2 During the audit, it was observed that the JFKMC ended its operations with a deficit of US\$71,477.00 as per its financial report whereas the total bank statements balances at June 30,2013 amounted to **US\$1,165,582.96** and **L\$405,629,596.19**. Additionally, the end of year bank reconciliation statement did not explain the differences observed. **See tables -5a and 5b for details:**

**Table-5a: Undisclosed Bank Balances (US\$)**

NO	Bank Name	Type of Account	Account Number	Closing Bank Balance US\$
1.	International Bank of Liberia	USD-FEES FOR SERVICE	USD-02.2010-12666-01	216,428.87
2.	International Bank of Liberia	USD-LABORATORY PROJECT	USD-02.2010-12666-07	8,572.98
3.	International Bank of Liberia	USD-SPECIAL PROJECT	USD-02.2010-12666-08	524,790.86
4.	International Bank of Liberia	USD-ESTHER PROJECT	USD-02.2010-19288-01	11,073.70
5.	ECO Bank	SUBSIDY-GLOBAL FUND	USD-0011134700253801	99,273.70
6.	ECO Bank	MRC	USD-0011134700355701	1,627.78
7.	Liberia Bank for Development	USD-RESTRICTIVE/DRUG	002USD21223287201	136,242.98
8.	Liberia Bank for Development	USD-TNIMA RESTRICTIVE	002USD21815764101	8,880.12
9.	Central Bank of Liberia	USD-SUBSIDY	02-206-300065-00	158,691.97
	<b>Total</b>			<b>1,165,582.96</b>

**Table-5b: Undisclosed Bank Balances (L\$)**

No	Bank Name	Type of Account	Account Number	Closing Bank Balance L\$
1.	International Bank of Liberia	LD-FEES FOR SERVICE	LRD-01.2000-12666-02	163,918,213.32
2.	International Bank of Liberia	LD-PAYROLL	LRD-01.2000-12666-03	7,384,397.52
3.	International Bank of Liberia	PENSIONERS	LRD-01.2020-12666-06	3,830.00

No	Bank Name	Type of Account	Account Number	Closing Bank Balance L\$
4.	ECO Bank	TNIMA RESTRICTIVE	LRD-0010134700109701	6,319,461.3
5.	Liberia Bank for Development & Investment	LD-SUBSIDY	002 LRD21611088601	66,613,430.08
6.	Liberia Bank for Development & Investment	LD-FFS DRUGS	002LRD21011039201	48,547,363.10
7.	Liberia Bank for Development & Investment	LD-PAYROLL	002LRD21610253701	246,269.46
8.	Central Bank Of Liberia	LD-PAYROLL	01-206-300065-01	829,994.07
9.	Central Bank Of Liberia	LD-SUBSIDY	01-206-300065-02	111,766,637.34
	<b>Total</b>			<b>405,629,596.19</b>

### **Risk**

1.7.1.3 The unreported closing bank balances could be misapplied or misappropriated.

### **Recommendation**

1.7.1.4 The Management of JFKMC should provide justification for not disclosing the closing bank balances.

### **Management's Response**

1.7.1.5 *Management acknowledges your recommendation and herein states that we report on cash basis accounting, where cash accounting records revenue when cash is received, and expenses when cash is paid.*

1.7.1.6 *Moreover, we operate for a specific period and therefore we account for amount received and the amount expended during the specified period in which receipts and payments were made.*

1.7.1.7 *Going forward, we will ensure that the beginning and ending bank balances are adequately disclosed.*

### **Auditor General's Position**

1.7.1.8 We acknowledge Management's acceptance of our finding. We will make a follow-up on the implementation of the finding. However, Management is in breach of financial discipline in line with Regulation A.20 of the PFM Act of 2009.

## **1.8 Unauthorized Bank Transfers**

### **Observation**

1.8.1.1 Regulation A.3 (1) of the PFM Act of 2009 states, "Any public officer concerned with the conduct of financial matters of the Government of Liberia, or the receipt, custody and disbursement of public and trust moneys, or for the custody, care and use of government stores and inventories shall keep books of accounts and proper records of all transactions and shall produce the books of accounts and records of the transactions

for inspection when called upon to do so by the Auditor-General, the Comptroller General, the relevant internal auditor or any officers authorized by them, by the Minister."

- 1.8.1.2 During the audit, it was observed that the Management of JFKMC made several transfers from one account of the entity to another without adequate supporting documentation to back said transfers. **See Annexures- 2a and 2b for details.**

#### **Risk**

- 1.8.1.3 Transfers of public funds without adequate supporting documents could cast doubt on the authenticity of the transfers.

#### **Recommendation**

- 1.8.1.4 The Management of JFKMC should provide justification for the several transfers made without adequate supporting documentation.

#### **Management's Response**

- 1.8.1.5 *Management notes your recommendation and wishes to clarify that majority of these transactions were internal or in house transfers except for four which were outward transfers. All these transactions were legitimately authorized.*

- 1.8.1.6 *The amounts of US\$179,068.06 and L\$102,044,258.04 were used by the JFKMC to procure drugs and medical supplies, advertisement of position to be filled, invitation to bid, half page publication, payment of Board sitting fees, payment for professional service etc during the period under audit. For instance, the amount L\$50,000,000.00 represents the transfer from the Liberian Dollars Subsidy Account (002LRD216110886-01) at the Liberian Bank for Development and Investment (LBDI) to the Liberian Dollars Drugs Account (01210110392-01) at the LBDI to purchase drugs and medical supplies at the Medical Center. **See attachment #6***

- 1.8.1.7 *Moreover, the outward transfers were made to also purchase drugs and medical supplies including re-agent from abroad. The drugs and medical supplies procured from oversea are not found locally and are invaluable to the provision of medical service at the JFKMC.*

#### **Auditor General's Position**

- 1.8.1.8 The documentation provided by the JFKMC Management could only support L\$100,000.00 thereby leaving US\$179,068.06 and L\$2,044,258.40 as amounts transferred without adequate documentation. Therefore, the Management of the JFKMC is in breach of financial discipline in line with Regulation A.20 of the PFM Act of 2009.

## 1.9 Bank Reconciliation Statements

### Observation

- 1.9.1.1 Regulation C.8 (4a) of the PFM Act of 2009 states that "The head of agency or spending unit shall manage and reconcile the bank accounts authorized for the agency. This is done to ensure accuracy and accountability for all cash and bank transactions. It is also intended to detect and remedy frauds and errors on the bank statements".
- 1.9.1.2 It was observed during the audit that the JFKMC Management did not prepare bank reconciliation statements for its 19 bank accounts reported to the GAC for eight (8) Months (July 2012–December 2012 and April 2013 - May 2013). **See table 6 for details.**

**Table-6: Bank Reconciliation Statements**

No.	Bank	Account Title	Account No.	Months
1	International Bank (Liberia)	Fees for services	01-2000-12666-02 (LRD)	July 2012 - Nov 2012
2	International Bank (Liberia)	Payroll	01-2000-12666-03 (LRD)	July 2012- Nov 2012
3	International Bank (Liberia)	Fees for services	02-2010-12666-01 (USD)	July 2012- Nov 2012
4	International Bank (Liberia)	Payroll	02-2010-12666-04 (USD)	July 2012- Nov 2012
5	International Bank (Liberia)	Lab project	02-2010-12666-07 (USD)	July 2012- Nov 2012
6	International Bank (Liberia)	Under 5 project	02-2010-19288-02 (USD)	May 2012 –Nov 2012 & May 2013
7	International Bank (Liberia)	Esther project	02-2010-19288-01 (USD)	July 2012 – Nov 2012 & Apr-May 2013
8	International Bank (Liberia)	Special project	02-2010-12666-08 (USD)	July-Nov2012 & Apr-May 2013
9	International Bank (Liberia)	Fees for services	01-2000-12666-02 (LRD)	Jan. 2013-June 2013
10	Central Bank of Liberia	Payroll	01-206-300065-01 (LRD)	Dec 2012-April 2013
11	Central Bank of Liberia	Subsidy	02-206-300065-02 (LRD)	July 2012 - Nov 2012
12	Central Bank of Liberia	Subsidy	02-206-300065-00 (USD)	July 2012 -Nov.2012
13	Liberia Bank for Development & Investment	TNIMA Res	002-21815764101 (USD)	July 2012 -Dec. 2012
14	Liberia Bank for Development & Investment	Drugs	0221223287201 (USD)	July 2012 -Nov.2012
15	Liberia Bank for Development & Investment	Payroll	00221610253701 (LRD)	July 2012 - Nov 2012
16	Liberia Bank for Development & Investment	Drugs	00221011039201 (LRD)	July 2012 -Nov. 2012
17	Liberia Bank for Development & Investment	Subsidy	00221611088601 (LRD)	July 2012 - Nov 2012
18	ECO-Bank	MRC	00111134700355701 (USD)	July 2012 - Nov 2012
19	ECO-Bank	TNIMA Res	0010134700109701 (LRD)	July 2012 - Nov 2012

**Risk**

1.9.1.3 The failure to prepare Bank Reconciliation Statements could result in errors and omissions not being identified on a timely basis.

1.9.1.4 Further, the maintenance of 19 bank accounts could make reconciliation burdensome.

**Recommendation**

1.9.1.5 The JFKMC Management should provide justification for not preparing the monthly bank reconciliation statement.

1.9.1.6 Also, the Management of the JFKMC should maintain a manageable number of bank accounts that can be easily reconciled monthly and which could also lead to a reduction in the monthly bank charges.

**Management's Response**

1.9.1.7 *The Management acknowledges your recommendation and wishes to clarify that during the period under audit, we could not adequately preformed monthly bank reconciliation for all our accounts, due to the low capacity of staff.*

1.9.1.8 *However, Management has augmented the strength of its Fiscal Department and is currently performing a regular monthly bank reconciliation of all its accounts.*

1.9.1.9 *Management also notes your recommendation in maintaining manageable bank accounts. We wish to clarify further that some accounts are created for projects as specified by the agreement. In compliance with the recommendation, we have closed about four (4) bank accounts.*

**Auditor General's Position**

1.9.1.10 We acknowledge Management's acceptance of our finding. We will make a follow-up on the implementation of the audit finding. However, Management is in breach of financial discipline in line with Regulation A.20 of the PFM Act of 2009.

**1.10 Stamping of Payment Document**

**Observation**

1.10.1.1 The Committee of Sponsoring Organization of the Treadway Commission (COSO) Internal Control framework on control activities emphasizes that Institutions deploy control activities through policies that established what is expected and procedures that put policies into action. Policy and Procedures are established and implemented to help ensure the risk responses are effectively carried out within an organization.

1.10.1.2 During the audit, it was observed that payment vouchers that have been processed were not stamped paid.

**Risk**

1.10.1.3 An invoice could be paid more than once in the absence of it not being stamped "paid".

**Recommendation**

- 1.10.1.4 The Management of JFKMC should ensure that a paid invoice is duly stamped as paid.

**Management's Response**

- 1.10.1.5 *We acknowledge and accept your recommendation and will ensure that all payment documents which are processed are stamped "paid".*

**Auditor General's Position**

- 1.10.1.6 We acknowledge Management's acceptance of our finding. However, we will make a follow-up on the implementation of the audit finding..

**1.11 Approved Procurement Plan**

- 1.11.1.1 Section 40 (3) of the PPC Act of 2005 as amended and restated in 2010 states that " After review and any revisions by the Procurement Committee, the Procurement Committee shall furnish a copy of the annual procurement plan to the Commission for approval".

- 1.11.1.2 It was observed during the audit that JFKMC Management carried out its procurement processes in the absence of an approved procurement plan.

**Risk**

- 1.11.1.3 In the absence of an approved procurement plan, the JFKMC Management could engage in discretionary procurement practices which could undermine the achievement of value for money.

**Recommendation**

- 1.11.1.4 The Management of JFKMC should provide justification for carrying out its procurement processes in the absence of an approved procurement plan.

**Management's Response**

- 1.11.1.5 *We sent the management letter on 28 July, 2017, but management did not provide a response.*

**Auditor General's Position**

- 1.11.1.6 The JFKMC Management should be held liable for the breach of the PPC Act of 2005 as amended and restated in 2010 in the absence of a response on the above finding.

**1.12 Procurement Splitting**

**Observation**

- 1.12.1.1 Section 40 (4) of the Public Procurement and Concession (PPC) Act of 2005 as amended and restated in 2010 states that "A Procuring Entity shall not divide a procurement order into parts or lower the estimated contract price of a procurement order to avoid the application of the procedures for public procurement prescribed in this Act. Such Actions if carried out shall constitute contravention of this Act".

1.12.1.2 It was observed during the audit that, the JFKMC Management carried out procurement splitting for the purchase of petroleum products, local food and various goods and services amounting to US\$608,718.30 and L\$3,906,967.38 respectively. **See Annexure-3 for details.**

**Risk**

1.12.1.3 Procurement splitting is a violation of the PPC Act which could lead to the non-achievement of value for money.

**Recommendation**

1.12.1.4 The JFKC Management should provide justification for engaging into procurement splitting.

**Management's Response**

1.12.1.5 *Management acknowledges your recommendation and wishes to clarify that it is not its intention to engage in noncompliance with statutory regulations. Most of the goods procured include mostly perishable local food items which are procured on a weekly basis for in-patients at the various hospitals.*

1.12.1.6 *Going forward, Management will ensure that all goods procure are done is full compliance with the PPC Act and Regulations.*

**Auditor General's Position**

1.12.1.7 We acknowledge Management's acceptance of our finding. We will make a follow-up on the implementation of the audit finding. However, Management should be liable for breach of Section 40 (4) of the Public Procurement and Concession (PPC) Act of 2005 as amended and restated in 2010.

**1.13 Taxes not withheld**

**Observation**

1.13.1.1 Section 905 (N) of the Revenue Code of Liberia Act of 2000 as amended in 2011 states that "A government agency that makes a payment to a resident in circumstances other than those described in subsections (a) through (i) is required to withhold a portion of the payment as specified in regulations, but not more than 4%.

1.13.1.2 Also, Section 905 (E) of the Revenue Code of Liberia Act of 2000 as amended in 2011 states that "Payments of Wages or Salary to Employees. A payer who makes a payment of wages or salaries to an employee in an amount that during the tax year exceeds the standard deduction amount of Section 205(a) is required to withhold tax from each payment in accordance with the income tax rates specified in Section 200(a)".

1.13.1.3 It was observed during the audit that the JFKMC Management did not withhold and subsequent remit taxes from vendors for the procurement of drugs and medical supplies, travels, professional fees and various goods and services. **Reference Annexure-1 for details.**

**Risk**

- 1.13.1.4 Failure to deduct and remit withholding taxes could deny GoL of much needed resources.

**Recommendation**

- 1.13.2 The JFKMC Management should provide justification for not withholding and subsequently remitting taxes from vendors for the procurement of various goods and services.

**Management's Response**

- 1.13.2.1 *Management is pleased to acknowledge your recommendation regarding the provision of justification for not holding and subsequently remitting taxes from vendors during the period under audit.*

- 1.13.2.2 *However, Management wishes to clarify that taxes cannot be withheld from petty cash and daily subsistence allowance for travels. Moreover, vendors supplying drugs and other materials and supplies to the JFKMC made payment of taxes on these goods themselves upon the point of entry into the country. We therefore ensure that at the time of procuring these goods from the vendors, tax clearance is provided by vendors before the procurement of these goods can take effect.*

**Auditor General's Position**

- 1.13.2.3 The justification provided by the JFKMC Management is inadequate and does not address the issue raised. Therefore, the Management of the JFKMC should be held liable for the breach of Section 905 (N) of the Revenue Code of Liberia Act of 2000 as amended in 2011.

**1.14 Store Room Management**

**Observation**

- 1.14.1.1 Regulation A.3 (1) of the PFM Act of 2009 states, "Any public officer concerned with the conduct of financial matters of the Government of Liberia, or the receipt, custody and disbursement of public and trust moneys, or for the custody, care and use of government stores and inventories shall keep books of accounts and proper records of all transactions and shall produce the books of accounts and records of the transactions for inspection when called upon to do so by the Auditor-General, the Comptroller General, the relevant internal auditor or any officers authorized by them, by the Minister."

- 1.14.1.2 It was observed during the audit that the JFKMC Management did not institute relevant controls over movement of supplies in and out of the warehouse.

**Risk**

- 1.14.1.3 The lack of relevant controls over movement of supplies in and out of the warehouse could result to diversion of the supplies to personal use.

**Recommendation**

- 1.14.1.4 The Management of JFKMC should provide substantive justification over the movement of supplies in and out of the warehouse.

**Management's Response**

- 1.14.1.5 *Management is pleased to acknowledge receipt of your recommendation regarding the movement of supplies in and out of the warehouse. We would like to clarify that there are controls in place to receive supplies in and out of the warehouse.*

- 1.14.1.6 *Let it be established that a formal requisition is normally made by an officer making the request and signed by the head of Department to the Department of Procurement and Material Management where it is reviewed, approved and supplied. Supplies are issued to staff only upon requisition. Thereafter, the items issued are recorded on the stock cards. Few copies of storeroom requisition used during the period 2012/2013 for the movement of supplies in and out of the warehouse are attached. **See attachment #7***

**Auditor General's Position**

- 1.14.1.7 The assertions made by the JFKMC Management are not backed by any documentation. However, the JFKMC Management should ensure that the audit finding is implemented. Therefore, Management is in breach of financial discipline in line with Regulation A.20 of the PFM Act of 2009.

**1.15 Accounting Procedures Manual**

**Observation**

- 1.15.1.1 Regulation 7(1) of the PFM Act of 2009 requires that the Management shall develop and recommend to the Board of Directors / President for approval regulations, where required in this Act, for the implementation of the provisions of the Act. The Management may issue regulations, instructions and guidelines, as the need arises, to further clarify specific responsibilities and tasks related to the implementation of this Act and its regulations consistent with the Administrative Procedure Act and the Executive Law.

- 1.15.1.2 During the audit, it was observed that the Management of the JFKMC did not develop an approved accounting procedures manual that would enable the effective implementation of the PFM Act of 2009.

**Risk**

- 1.15.1.3 In the absence of accounting procedure manual, the financial processes of the JFKMC could be carried out arbitrarily.

**Recommendation**

- 1.15.1.4 The Management of JFKMC should develop and approved an accounting procedure manual for its financial operations.

**Management's Response**

- 1.15.1.5 *Management acknowledges and accepts your observation and will ensure that an accounting procedure manual is developed, approved and utilized.*

**Auditor General's Position**

- 1.15.1.6 We acknowledge Management's acceptance of our finding. We will make a follow-up on the implementation of the audit finding. However, Management is in breach of financial discipline in line with Regulation A.20 of the PFM Act of 2009.

**1.16 Proper Records and Books of Accounts**

**Observation**

- 1.16.1.1 Regulation A.3 (1) of the PFM Act of 2009 states that "Any public officer concerned with the conduct of financial matters of the Government of Liberia , or the receipt, custody and disbursement of public and trust moneys, or for the custody, care and use of government stores and inventories shall keep books of accounts and proper records of all transactions and shall produce the books of the transactions for inspection when called upon to do so by the Auditor General, the Comptroller General, the relevant internal auditor or any officers authorized by them".

- 1.16.1.2 It was observed during the audit, that the JFKMC Management did not prepare a cash book and General ledger to support figures in the financial report.

**Risk**

- 1.16.1.3 The lack of cashbook and general ledger could lead to non-disclosure of important financial information which could lead to fraud and abuse of JFKMC's resources.

**Recommendation**

- 1.16.1.4 The JFKMC Management should provide justification for not preparing and maintaining a proper book of accounts.

**Management's Response**

- 1.16.1.5 *The management acknowledges and accepts the recommendation contained in your management letter and therefore assures that, despite the presentation of its check disbursement ledger to the audit team during the period under audit, we will further ensure that other books of accounts are maintained.*

**Auditor General's Position**

- 1.16.1.6 We acknowledge Management's acceptance of our finding. We will make a follow-up on the implementation of the audit finding. However, Management is in breach of financial discipline in line with the PFM Act of 2009.

**1.17 Employees' Files**

**Observation**

- 1.17.1.1 Chapter 1, Section 1.2.5 of the civil services Agency regulation of 1983 states that

"Personnel Records on all classified civil servants throughout their careers are maintained by the human resource department".

- 1.17.1.2 It was observed during the audit the JFKMC Management did not maintain essential personnel records such as; Letter of Applications, Employment Letter, Photograph of employees, Job descriptions, Performance evaluations, Medical Examination Certificates, Police Clearance, and Recommendations. **See Annexure-4 for detail.**

**Risk**

- 1.17.1.3 The absence of vital records on the personnel files could lead to ghost names being placed on the payroll.

**Recommendation**

- 1.17.1.4 The JFKMC Management should ensure that all employees' files are updated to reflect their position at the entity.

**Management's Response**

- 1.17.1.5 *Management notes your recommendation and will ensure that personnel files are updated on a periodic basis.*

**Auditor General's Position**

- 1.17.1.6 We acknowledge Management's acceptance of our finding. However, we will make a follow-up on the implementation of the audit finding.

**1.18 Employees for Retirement**

**Observation**

- 1.18.1.1 Chapter 26, Section 2501 of the Labor Law of Liberia states "An employee within the application of this chapter is entitled to receive from his employer retirement pension on retirement from the undertaking at the age of 60 and if such employee has completed at least fifteen years of continuous service, or he may retire at any age after he has completed twenty-five years of continuous service in such undertaking. The amount of pension paid annually to an employee shall be at least forty percent of the average monthly earnings for the last five years immediately preceding his retirement. One-twelfth of such amount shall be paid each month from the time of retirement until the death of the employee".

- 1.18.1.2 During the audit, it was observed that some staff of JFKMC have met the requirements for retirement but were still employed with the institution. **See Annexure-5 for details.**

**Risk**

- 1.18.1.3 Maintaining employees who have met the requirements for retirement could lead to inefficiency in the operations of the JFKMC.

**Recommendation**

- 1.18.1.4 The JFKMC Management should ensure that the employees who have reached the retirement age are retired in line with the law.

**Management's Response**

- 1.18.1.5 *Management acknowledges your observation and wishes to inform you that we have begun the implementation of the recommendation, as we have retired twenty two staff who met the age and tenure retirement status. See attachment #8*

**Auditor General's Position**

- 1.18.1.6 We acknowledge Management's acceptance of our finding. However, we will make a follow-up on the implementation of the audit finding.

**1.19 Audit Committee**

**Observation**

- 1.19.1.1 Regulation K.10 of the PFM Act of 2009 states that "The Head of government agency or government organization shall in consultation with the Internal Audit Governance Board establish and maintain an audit committee for the government agency or organization for which he/she is responsible. The purpose of the audit committee is to review internal controls, including the scope of internal audit, internal audit plans, internal audit findings, and recommend to the head of government agency the appropriate action to be taken. The audit committee is responsible for resolution of any disagreement between Management, Internal Auditors and the Auditor General regarding internal controls and financial reporting".

- 1.19.1.2 During the audit, it was observed that the JFKMC Management did not establish an audit committee.

**Risk**

- 1.19.1.3 In the absence of an audit committee, the effectiveness of the internal audit unit cannot be assured.

**Recommendation**

- 1.19.1.4 The Management of JFKMC should establish an audit committee.

**Management's Response**

- 1.19.1.5 *We acknowledge and accept your observations and will ensure in close consultation with the Board of Directors that an audit committee is instituted at the JFKMC.*

**Auditor General's Position**

- 1.19.1.6 We acknowledge Management's acceptance of our finding. We will make a follow-up on the implementation of the audit finding. However, Management is in breach of financial discipline in line with Regulation A.20 of the PFM Act of 2009.

## 1.20 Internal Audit

### Observation

1.20.1.1 Paragraph 1100 of the International Standards for the Professional Practice of Internal Auditing, states that "the internal audit activity maintained by ministries and agencies must be independent, and internal auditors must be objective in performing their work."

1.20.1.2 In addition to Paragraph 1130.A1, of the above Standards Internal Auditors must refrain from assessing specific operations for which they were previously responsible. Objectivity is presumed to be impaired if an Internal Auditor provides assurance services for an activity for which the internal auditor had responsibility within the previous year.

1.20.1.3 During the audit, it was observed that Internal Auditors were involved in pre –audit (clearing vouchers before they are processed for payment).

### Risk

1.20.1.4 Pre-audits are time consuming and burdensome to implement. Additionally, the internal audit unit could appear to be self-reviewing its own work in the event of a post audit by the unit.

### Recommendations

1.20.1.5 The JFKMC Management should ensure that the Internal Audit Unit engages into an independent, objective assurance and consulting activity designed to add value and improve the JFKMC's operations

### Management's Response

1.20.1.6 *Management acknowledges and accepts your recommendation and will ensure full implementation.*

### Auditor General's Position

1.20.1.7 We acknowledge Management's acceptance of our finding. However, we will make a follow-up on the implementation of the audit finding.

## 1.21 Double Emoluments

### Observation

1.21.1.1 Article 90 (b) of the Liberian Constitution states that "No person holding public office shall demand and receive any perquisites, emoluments or benefits, directly or indirectly on account of any duty required by Government."

1.21.1.2 It was observed during the audit that, staff of the JFKMC and other employees of the Government of Liberia received emoluments for the performance of services at the JFKMC. **See table- 9 for details:**

**Table-7. Double Emoluments**

No	Name & GoL Entity	Total Board Fees-US\$ (A)	Total Professional Fees-US\$ (B)	Total Interview Fees-US\$ (C)	Review of JFKMC Act Fees-US\$ (D)	Total Amount-US\$ (E=A+B+C+D)
1.	Dr. Vuyu Kanda Golakai A.M Dogliotti School of Medicine , UL	7,000.00	25,000.00	1,000.00	-	33,000.00
2.	Dr. Peter Coleman Senator/Senate Committee on Health & Welfare Legislative Branch, Republic of Liberia	1,000.00	5,000.00	-	-	6,000.00
3.	Dr. Billy C. Johnson Chief Medical Officer JFK Medical Center	7,000.00	-	-	-	7,000.00
4.	Benedict Sannoh Ministry of Justice , Republic of Liberia	2,000.00	-	-	-	2,000.00
5.	Serina Gbagba Chief Financial Officer JFK Medical Center	-	6,784.00	-	-	6,784.00
6.	John G. Kemoh PSU Officer/Commander/ Liberia National Police	-	10,930.00	-	-	10,930.00
7.	G. Pewu Subah Ministry of Health and Social Welfare	-	-	-	5,000.00	5,000.00
	<b>Total</b>	<b>17,000.00</b>	<b>47,714.00</b>	<b>1,000.00</b>	<b>5,000.00</b>	<b>70,714.00</b>

### **Risk**

- 1.21.1.3 The disbursement of double emoluments to staff of the JFKMC and other employees of the Government of Liberia is a breach of Article 90 (b) of the Liberian Constitution.

### **Recommendation**

- 1.21.1.4 The Management of the JFKMC should provide justification for the disbursement of the amount.

### **Management's Response**

- 1.21.1.5 *Management acknowledges your observation and wishes to clarify that services provided by the JFKMC staff and other public officials were in the public interest of the JFKMC and the general public as the services provided did not conflict with those concerned principal functions.*

1.21.1.6 *JFKMC is a tertiary and teaching institution whose primary focus is service to patients/clients. Therefore, those with specialized skills, like doctors, medical/health instructors' etc. rendered services to help meet the health care delivery system of the Medical Center and at the same time are given allowance. Let it be known that we have very few medical doctors in the country, and those with the skills at other institutions of the Government are asked to provide these professional services.*

**Auditor General's Position**

1.21.1.7 The justification provided by the JFKMC Management is inadequate and does not address the issue raised. Therefore, the Management of the JFKMC should be held liable for breach of Article 90 (b) of the Liberian Constitution.

**1.22 NASSCORP'S Contributions**

**Observation**

1.22.1.1 Part III (11) of the National Social Security & Welfare (General) Regulation states "An employer shall pay the employer's contribution and the employee's contribution each month by the due date to the Corporation either into the account of the Corporation through an approved bank, or directly to any office of the Corporation".

1.22.1.2 During the audit, it was observed that the JFKMC Management did not provide evidence of payment amounting to US\$41,976.00 and L\$1,121,535.00 as contributions to NASSCORP.

**Risk**

1.22.1.3 Failure to deduct and remit NASSCORP'S contributions is violation of Part III (11) of the National Social Security & Welfare (General) Regulation which could lead to employees not benefiting from the scheme upon retirement.

**Recommendation**

1.22.1.4 The Management of the JFKMC should provide justification for not withholding and subsequently remitting contributions to NASSCORP.

**Management's Response**

1.22.1.5 *Management acknowledges your recommendation and wishes to clarify that the JFKMC staff withholding tax and NASSCORP Contribution is withheld by the Ministry of Finance. The MOF withhold and remit the NASSCORP's Contribution to the NASSCORP. However, MOF did not present to us copy of flag receipts for NASSCORP's Contribution withheld.*

**Auditor General's Position**

1.22.1.6 The justification provided by the JFKMC Management is inadequate and does not address the issue raised. Therefore, the Management of the JFKMC should be held liable for the breach of Part III (11) of the National Social Security & Welfare (General) Regulation.

## 1.23 Lack of Policies

### Observation

1.23.1.1 The Committee of Sponsoring Organization of the Treadway Commission (COSO) Internal Control framework on control activities emphasizes that "Institutions deploy control activities through policies that established what is expected and procedures that put policies into action". Policy and Procedures are established and implemented to help ensure the risk responses are effectively carried out within an organization.

1.23.1.2 During the audit, it was observed that the Management of the JFKMC did not develop various policies to guide its operations. For example, no human resources policy, no policies on board fees, salary advances, overtime, annual leave, interns, honorarium, fuel distribution and training plan, even though several payments were made from these activities. **See Annexure 7a to 7e for details.**

### Risk

1.23.1.3 The Failure to develop policies to guide the activities of the JFKMC could lead to arbitrary conduct of its operations which could deny the achievement of the institution's objectives.

### Recommendation

1.23.1.4 The Management of JFKMC should ensure that the various policies are done.

### Management's Response

1.23.1.5 *Management notes your recommendation and wishes to clarify that we have a Human Resource Manual that addresses the issue of salary, overtime, annual leave, interns, training etc. On the other hand, we will ensure that policies are developed for fuel distribution and honorarium as recommended. **See attachment #9***

### Auditor General's Position

1.23.1.6 The Human Resource Manual presented and labeled as attachment- 9 was dated March 3, 2015 and does not address 2012/2013. Therefore, the JFKMC Management should ensure that the audit finding is implemented.

## 1.24 General Allowance

### Observation

1.24.1.1 The Committee of Sponsoring Organization of the Treadway Commission (COSO) Internal Control framework on control activities emphasizes that "Institutions deploy control activities through policies that established what is expected and procedures that put policies into action". Policy and Procedures are established and implemented to help ensure the risk responses are effectively carried out within an organization.

1.24.1.2 During the audit, it was observed that employees of the JFKMC in comparable ranks were paid different amount as general allowances. **See Annexure 8 for details.**

1.24.1.3 Additionally, there was no policy at the JFKMC for the payment of general allowances.

**Risk**

1.24.1.4 The lack of policy to guide the payment of general allowance could lead to discretionary payment.

**Recommendation**

1.24.1.5 The Management of the JFKMC should formulate a policy to guide the payment of general allowance.

**Management's Response**

1.24.1.6 *Management acknowledges and accepts your recommendation and will ensure full implementation.*

**Auditor General's Position**

1.24.1.7 We acknowledge Management's acceptance of our finding. However, we will make a follow-up on the implementation of the audit finding.

**1.25 Fixed Assets Registry**

**Observation**

1.25.1.1 Regulation V.4 (1-2) of the PFM Act of 2009 provides that Furniture, and equipment issued for Government quarters or offices or vehicle and other fixed asset shall be brought on a master inventory of the Government Agency. The master inventory shall record under each category of item: (a) The date and other details of the voucher or other document on which the items were received or issued; (b) Their serial numbers where appropriate; and (c) Their distribution to individual locations and the total quantity held.

1.25.1.2 During the audit, it was observed that the inventory listing provided by the JFKMC Management lack the requisite pieces of information as required by Regulation V.4 (1-2) of the PFM Act of 2009 as stated above.

1.25.1.3 Also, during the physical verification exercise, some assorted furniture and equipment were not coded while some vehicles and other assorted equipment were not functional.  
**See Annexure 9a and 9b for details.**

**Risk**

1.25.1.4 Failure to develop a complete inventory listing and coding of some assets could result to theft of the assets.

**Recommendation**

1.25.1.5 The Management of the JFKMC should develop a fixed asset registry or listing and ensures that its fixed assets are coded in accordance with Regulation V.4 (1-2) of the PFM Act of 2009 as stated above.

**Management's Response**

- 1.25.1.6 *Management acknowledges and accepts your recommendation and will ensure the development of a Fixed Asset Register (FAR) and coding of assets.*

**Auditor General's Position**

- 1.25.1.7 We acknowledge Management's acceptance of our finding. We will make a follow-up on the implementation of the audit finding. However, Management should compile a fixed assets register/listing that meets the requirement of Regulation V.4 (1-2) of the PFM Act of 2009 and submit it to the Office of the Auditor General within 30 days after the issuance of this report to the National Legislature.

**1.26 Risk Management Policy**

**Observation**

- 1.26.1.1 In terms of the COSO Framework, the Management of an organization should develop a documented Risk Management Policy. This policy forms part of an organization's internal control and governance arrangements. The policy will further explain the organization's underlying approach to risk management. It gives key aspects of the risk management process, and identifies the main reporting procedures. This policy also defines roles and responsibilities of various levels of management.

- 1.26.1.2 During the audit, it was that observed that the Management of JFKMC did not develop a Policy on Risk Management.

**Risk**

- 1.26.1.3 The Failure to develop a documented Risk Management Policy could lead to management's inability to clearly conduct risk assessment and respond to risk that may impact on the achievement of institution's objectives.

**Recommendations**

- 1.26.1.4 The Management of the JFKMC should develop a Risk Management Policy.

**Management's Response**

- 1.26.1.5 *Management acknowledges and accepts your observation and will ensure that a risk management policy is developed, approved and utilized.*

**Auditor General's Position**

- 1.26.1.6 We acknowledge Management's acceptance of our finding. However, we will make a follow-up on the implementation of the audit finding.

## 1.27 Organizational Structure

### Observation

1.27.1.1 According to COSO Internal Control Framework, an entity should have an organizational structure that defines the entity's key areas of authority and responsibility. The organizational structure of an entity provides a basis for assignment of authority and responsibility, empowerment and accountability and appropriate lines of reporting. Empowerment and accountability relate to the manner in which this authority and responsibility are delegated throughout the organization. The organizational structure should be approved by an appropriate authority and there should be evidence of approval.

1.27.1.2 During the audit, there was no evidence of an approved organizational structure of the JFKMC.

### Risk

1.27.1.3 Non availability of an approved organizational structure could lead to roles and responsibilities of an organization not being clearly defined.

### Recommendation

1.27.1.4 The Management of JFKMC should develop an approved organizational structure.

### Management's Response

1.27.1.5 *Management notes your recommendation and wishes to clarify that we have an organogram which was presented to the auditors. However, we will ensure that the organogram is updated and approved.*

### Auditor General's Position

1.27.1.6 We acknowledge Management's acceptance of our finding. However, we will make a follow-up on the implementation of the audit finding.

## 1.28 IT Security Policy

### Observation

1.28.1.1 In terms of COBIT 4.1 DS5 in ensuring System Security an organization need to maintain the integrity of information and protect IT assets requires a security management process. This process includes establishing and maintaining IT security roles and responsibilities, policies, standards, and procedures. Security management also includes performing security monitoring and periodic testing and implementing corrective actions for identified security weaknesses or incidents. Effective security management protects all IT assets to minimize the business impact of security vulnerabilities and incidents.

1.28.1.2 Furthermore, the PFM Regulation A.14 of the PFM Act of 2009, states that all Public Sector computerized electronic records and systems shall be consistent with an approved integrated financial management automated system consistent with the (IT)

Security Policy issued by the Management. The IT Security Policy defines that each user of a computerized accounting, records, inventories, assets, human resource management, payroll or any similar system must be given a user identification number (User ID) and a password or personal identification number (PIN) by the system administrator.

- 1.28.1.3 During the audit, it was observed that the JFKMC Management did not develop a policy on IT Security.

**Risk**

- 1.28.1.4 The absence of an IT Security Policy, responsibilities and accountabilities may not be assigned for ensuring security; measures supporting the management of IT security could not be implemented.

**Recommendation**

- 1.28.1.5 The Management of JFKMC should develop an IT Security Policy to safe guard its accounting and other records.

**Management's Response**

- 1.28.1.6 *Management acknowledges and accepts your recommendation and will ensure full implementation.*

**Auditor General's Position**

- 1.28.1.7 We acknowledge Management's acceptance of our finding. However, we will make a follow-up on the implementation of the audit finding.

**1.29 IT Strategic Plan**

**Observation**

- 1.29.1.1 According to COBIT PO1 on an Organization Information Technology Strategic Plan states that strategic planning is required to manage and direct all IT resources in line with the business strategy and priorities. The IT function and the management of John F. Kennedy Medical Center are responsible for ensuring that optimal value is realized in IT services. The strategic plan improves the management of John F. Kennedy Medical Center understanding of IT opportunities and limitations, assesses current performance, identifies capacity and human resource requirements, and clarifies the level of investment required. The business strategy and priorities are to be reflected in the strategic plan which specifies concise objectives, action plans and tasks that are understood and accepted by both business and IT.

- 1.29.1.2 During the audit, it was observed that the JFKMC Management did not develop an IT Strategic Plan.

**Risk**

- 1.29.1.3 The lack of an IT Strategic plan could lead to the Management of JFKMC not being unaware that IT Strategic Planning is needed to support business goals. The lack of IT

Strategic Plan could also lead to business requirements not aligned with IT resources.

**Recommendation**

1.29.1.4 The Management of JFKMC should develop an IT Strategic Plan that would align IT resources with the entity's strategy and priorities.

**Management's Response**

1.29.1.5 *Management acknowledges and accepts your recommendation and will ensure full implementation.*

**Auditor General's Position**

1.29.1.6 We acknowledge Management's acceptance of our finding. However, we will make a follow-up on the implementation of the audit finding.

**1.30 Disaster Recovery Plan**

**Observation**

1.30.1.1 According to the COSO frame work on Control Environment, management of an entity should develop a documented Disaster Recovery Plan that would provide procedures to be followed in the event of a mishap or disaster. In addition this would enable the entity to prevent assets and information loss.

1.30.1.2 During the audit, it was observed that the JFKMC Management operated without a disaster recovery plan.

**Risk**

1.30.1.3 The lack of disaster recovery plan could result to management not having clearly defined disaster management procedures to recover assets and information in the event of a disaster.

**Recommendation**

1.30.1.4 The Management of JFKMC should develop a disaster recovery plan.

**Management's Response**

1.30.1.5 *Management notes and accepts your recommendation and will ensure that a Disaster Recovery Plan is developed by the JFKMC.*

**Auditor General's Position**

1.30.1.6 We acknowledge Management's acceptance of our finding. However, we will make a follow-up on the implementation of the audit finding.

## **2 ACKNOWLEDGEMENT**

We acknowledge the cooperation and assistance provided to the GAC Audit Team by the Management and staff of the John F. Kennedy Medical Center during the audit. The efforts and commitment of the GAC staff in conducting this audit are also gratefully acknowledged.

  
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**Auditor General, R.L.**

**Monrovia, Liberia**  
**October, 2017**

**See Annexure on CD Attached**