



Promoting Accountability of Public Resources

AUDITOR GENERAL'S REPORT



**On the Compliance Audit on the
Contractual Agreement between Liberia
Petroleum Refining Company (LPRC)
and Bea Mountain Mining Corporation
(BMMC)**

**For the period February 1, 2022, to July
31, 2024**

January 2025

**P. Garswa Jackson, FCCA, CFIP, CFC
Auditor General, R. L.**

Republic of Liberia



TRANSMITTAL LETTER

THE HONORABLE SPEAKER OF THE HOUSE OF REPRESENTATIVES AND THE HONOURABLE PRESIDENT PRO-TEMPORE OF THE LIBERIAN SENATE

We have undertaken a Compliance Audit on the Contractual Agreement between Liberia Petroleum Refining Company (LPRC) and Bea Mountain Mining Corporation (BMMC) for the period February 1, 2022, to July 31, 2024. The audit was conducted in line with Section 2.1.3 of the General Auditing Commission (GAC) Act of 2014.

The findings conveyed in this report were formally communicated to the authorities of LPRC for their responses. The reportable issues were submitted through a Management Letter. Where responses were provided, they were evaluated and were incorporated in this report.

Given the significance of the matters raised in this report, we urge the Honourable Speaker and Members of the House of Representatives and the Honourable Pro-Tempore and Members of the Liberia Senate to consider the implementation of the recommendations conveyed in this report with urgency.

**P. Garswa Jackson Sr. FCCA, CFIP, CFC
Auditor General, R.L.**

Monrovia, Liberia

March 2025

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Acronyms/Abbreviations/Symbols

Acronyms/Abbreviations/Symbol	Meaning
A/C#	Account Number
AG	Auditor General
BMMC	Bea Mountain Mining Corporation
BoQ	Bill of Quantity
BOT	Build, Operate, and Transfer
CFIP	Certified Forensic Investigation Professional
CFC	Certified Financial Consultant
FCCA	Fellow Member of the Association of Chartered Certified Accountants
GAC	General Auditing Commission
GOL	Government of Liberia
LPRC	Liberia Petroleum Refining Company
US\$	United States Dollar

Compliance Audit Report on the Contractual Agreement between Liberia Petroleum Refining Company (LPRC) and Bea Mountain Mining Corporation (BMMC) for the period February 1, 2022, to July 31, 2024

Adverse Conclusion

The General Auditing Commission has conducted a compliance audit on the Contractual Agreement between Liberia Petroleum Refining Company (LPRC) and Bea Mountain Mining Corporation (BMMC) for the period February 1, 2022, to July 31, 2024.

The compliance audit has been conducted in compliance with relevant laws and regulations 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 in accordance with the Petroleum Storage Agreement between Liberia Petroleum Refining Company (LPRC) and Bea Mountain Mining Corporation (BMMC), LPRC Act of 1989 and the Public Procurement and Concession Commission Act of 2010.

Based on the audit work performed, we found that, because of the significance of the matters noted in the Basis for Adverse Conclusion Paragraphs below, the operations of the Petroleum Storage and Lease Agreement between LPRC and BMMC are not in compliance with the contract terms, stated laws and regulations for the audit period February 1, 2022, to July 31, 2024.

Basis for Adverse Conclusion

We identified multiple issues of significant materiality that affect the operations of the Contractual Agreement between Liberia Petroleum Refining Company (LPRC) and Bea Mountain Mining Corporation (BMMC):

Expenditure

1.1 Variance Between Bills Raised, And Actual Payments of Royalties by BMMC

Management did not account for the variance of US\$377,367.60 between bills raised, and actual payments of royalties by BMMC. This variance has a material impact on the Petroleum Storage and Lease Agreement between Liberia Petroleum Refining Company (LPRC) and Bea Mountain Mining Corporation (BMMC). Management is in breach of Article III, Section 3.3 of the Petroleum Storage and Lease Agreement between Liberia Petroleum Refining Company (LPRC) and Bea Mountain Mining Corporation (BMMC) requires that the parties to put in place an effective and transparent system to ensure accurate documentation and accounting for the quantity of products received and stored in the Bea Mountain AGO Storage Facility. Management's action which led to the variance noted in our observation also contravenes Article II Section 2.1 of the Petroleum Storage and Lease Agreement between LPRC and BMMC which requires the payment of royalty fee to be made consistent with LPRC standard operating procedures and practices.

Compliance Related Issues

1.2 Unapproved Lease Agreement

Liberia Petroleum Refining Company (LPRC) and Bea Mountain Mining Corporation (BMMC) entered into a Build, Operate, and Transfer (BOT) agreement in February 2022 for Petroleum Storage and Lease valued at US\$17,088,297.02 without evidence of the explicit approval of the President of Liberia. Management is in violation of Section 1 (2) of the July 26, 1989 Act granting exclusive rights to the Liberia Petroleum Refining Company which requires the Liberia Petroleum Refining Company (LPRC) to have the right to designate its suppliers and enter into an exclusive supply agreement with any foreign or domestic corporation, upon the approval of the President of Liberia.”

1.3 Non-Compliance with PPC Provisions

Management and Bea Mountain Mining Corporation entered into a Build, Operate and Transfer (BOT) agreement for Petroleum Storage and Lease valued at US\$17,088,297.02 without compliance with the relevant provisions of the PPC Act of 2005, as amended and restated in 2010. The non-compliance violates Section 1 (2) of the July 26, 1989 Act granting exclusive rights to the Liberia Petroleum Refining Company for the importation, sale, and distribution of petroleum products.

1.4 Unsigned Contracts

There was no evidence that the contract was signed by the Minister of Finance and attested by the Minister of Justice based on the threshold of the contract (US\$17,088,297.02). Management’s action contravenes Count 10 of the Public Procurement and Concession Commission Regulations of 2005 under the caption “Contracts over US\$250,000” states that “The Minister shall take part in the negotiations and signings of contracts over US\$250,000 and the contract shall be attested to by the Ministry of Justice. The Procuring or Concession Entity shall comply with the thresholds set out in this Schedule to the Regulation in accordance with the provisions of the PPC Act.” These deficiencies are pervasive and increase the risk of fraud and errors, thus compromising the reliability of the terms and conditions of the BOT agreement.

Failure To Perform Reconciliations of Petroleum Quantities Lifted

Management did not perform any reconciliations of petroleum quantities lifted, bills issued, amounts received, and outstanding balances. Management is in breach of Article III, Section 3.3 of the LPRC and BMMC which requires that the parties mutually agree to put in place an effective and transparent system to ensure accurate documentation and accounting for the quantity of products received and stored in the Bea Mountain AGO Storage Facility.

P. Garswa Jackson Sr. FCCA, CFIP, CFC
Auditor General, R.L.

Monrovia, Liberia

March 2025

INTRODUCTION

The compliance audit on the Contractual Agreement between Liberia Petroleum Refining Company (LPRC) and Bea Mountain Mining Corporation (BMMC) was commissioned by the Auditor General for the period February 1, 2022, to July 31, 2024

Background

In February 2022, a Petroleum Storage and Lease Agreement was signed between the Liberia Petroleum Refining Company (LPRC) and Bea Mountain Mining Company (BMMC), executed by Reza Karimiyan, General Manager of Bea Mountain, and Marie Urey Coleman, Managing Director of LPRC.

The agreement has a duration of 15 years, with an option for a 10-year extension. In the event of a breach of contract, the non-defaulting party retains the right to terminate the agreement if the defaulting party fails to remedy the breach within 120 days of receiving written notification.

According to the contract terms, BMMC is tasked with constructing and operating an exclusive AGO storage facility at the LPRC site, which shall include no fewer than three storage tanks. Financial provisions stipulate that LPRC will grant BMMC a royalty fee of \$0.07 per gallon, which is under the standard operating procedures established by LPRC.

Additionally, the storage facility is designated solely for BMMC's use, and any commercial engagement by third parties is expressly prohibited.

Furthermore, both parties have committed to implementing a transparent and efficient system to ensure accurate documentation and accounting for the quantities of products received and stored at this facility.

Key Personnel

The following key personnel managed the affairs of the Petroleum Storage and Lease Agreement during the period under audit.

No	Name	Position	Periods
1.	Amos B. Tweh	Managing Director	2024 - Present
2.	Eric Ceekay Sayee	Deputy Managing Director-Operations	2024 – Present
3.	Jacob Julius Smith	Deputy Managing Director –Administration	2024 - Present
4.	Soko Kamara	Chief Accountant	2022- 2024
5.	Marie Urey Coleman	Managing Director	2019 - 2024
6.	Stanley Ford	Deputy Managing Director/Administration	2019 - 2024
7.	Mario Hoff	Deputy Managing Director/ Deputy Operation	2018 – 2024
8.	Willimina Furgerson	Financial Comptroller	2018- 2024

Subject Matter Information

Operations of the Petroleum Storage and Lease Agreement between LPRC and Bea Mountain Mining Company (BMMC) for the period February 1, 2022, to July 31, 2024.

Audit Criteria

The following audit criteria were used during the audit:

- Section 1 (2) of the July 26, 1989 Act granting exclusive rights to the Liberia Petroleum Refining Company for the importation, sale, and distribution of petroleum products within the Republic of Liberia.
- Article III, Section 3.3 of the Petroleum Storage and Lease Agreement between Liberia Petroleum Refining Company (LPRC) and Bea Mountain Mining Corporation (BMMC)
- Article II Section 2.1 of the Petroleum Storage and Lease Agreement between LPRC and BMMC
- Article I, section 1.5 of the Petroleum Storage and Lease Agreement between LPRC and BMMC
- Section 55 (1 e-d) of the Public Procurement and Concession Commission Act of 2005 as amended and restated, 2010.
- Count 10 of the Public Procurement and Concession Commission Regulations

Audit Methodology

The audit was conducted in accordance with ISSAI 4000 and INTOSAI's International Standards for Compliance Audit. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether LPRC complied with laws and regulations. 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. Our audit approach included observation, inquiries, inspections, confirmation, and analytical procedures on areas we considered as high risk.

Limitation of Responsibility

We reviewed the systems and management controls operated by the LPRC Management 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 RECOMMENDATION

1.1 Petroleum Storage Agreement Without Presidential Approval

Criteria

- 1.1.1.1 Section 1 (2) of the July 26, 1989 Act granting exclusive rights to the Liberia Petroleum Refining Company for the importation, sale, and distribution of petroleum products within the Republic of Liberia requires that "The Liberia Petroleum Refining Company (LPRC) shall have the right to designate its suppliers and enter into an exclusive supply agreement with any foreign or domestic corporation, upon the approval of the President of Liberia."

Observation

- 1.1.1.2 During the audit, we observed that the Liberia Petroleum Refining Company (LPRC) and Bea Mountain Mining Corporation (BMMC) entered into a Build, Operate and Transfer (BOT) agreement in February 2022 for Petroleum Storage and Lease valued at US\$17,088,297.02 without evidence of the explicit approval of the President of Liberia.
- 1.1.1.3 Additionally, the resolution of the Board of Directors, authorizing Management to enter into the petroleum storage and lease agreement, did not explicitly denote the president's approval of the agreement.

Risk

- 1.1.1.4 Management may be non-compliant with Section 1 (2) of the July 26, 1989 Act.
- 1.1.1.5 In the instance of a dispute, the absence of documented approval from the President of Liberia and the lack of explicit endorsement in the resolution from the Board of Directors may render the agreement invalid and unenforceable.

Recommendation

- 1.1.1.6 Management should regularize the agreement and facilitate full compliance with Section 1 (2) of the July 26, 1989 Act by soliciting presidential approval to guarantee the validity and enforceability of the agreement.
- 1.1.1.7 Evidence of approval of the President should be adequately documented and filed to facilitate future review.

Management's Response

- 1.1.1.8 *Management did not respond to our finding and recommendation.*

Auditor General's Position

- 1.1.1.9 In the absence of Management's response, we maintain our finding and recommendation. We will follow-up on the implementation of our recommendation during subsequent audit.

1.2 Irregularities Associated with Royalty Payments

Criteria

- 1.2.1.1 Article III, Section 3.3 of the Petroleum Storage and Lease Agreement between Liberia Petroleum Refining Company (LPRC) and Bea Mountain Mining Corporation (BMMC) requires that "The parties mutually agree to put in place an effective and transparent system to ensure accurate documentation and accounting for the quantity of products received and stored in the Bea Mountain AGO Storage Facility. In so doing, it is agreed that LPRC shall have access to the Bea Mountain AGO Storage Facility to monitor the system upon completion of the construction and during the use of the Bea Mountain AGO Storage Facility. All offloading services or activities and any related operations including the use of jetty shall be in accordance with the standard Operations Procedures attached hereto as Appendix 3. However, BMMC shall not in any way be restricted to participate in unloading procedures and activities of the AGO belonging to BMMC.
- 1.2.1.2 Additionally, Article II Section 2.1 of the Petroleum Storage and Lease Agreement between LPRC and BMMC states that "LPRC hereby grants BMMC a Royalty fee of US\$0.07 per gallon in lieu of storage fees and all other payments due LPRC for importation and storage of AGO fuel made pursuant to this agreement. The parties agree that the payment of the royalty fee shall be made consistent with LPRC standard operating procedures and practices".

Observation

- 1.2.1.3 During the audit, we observed the following irregularities associated with the payments of royalties to Management by BMMC for the storage of petroleum products from December 2023, January, and April 2024.
- A bill of US\$ 306,647.95 for December 2023 royalty payments was not paid by BMMC. Further, we observed no evidence of records of total gallons of petroleum lifted by BMMC which informed the billing.
 - A payment of US\$57,715.00 made in January 2024 was not supported by payment invoices and records of the total quantity of petroleum lifted by the company.
 - Payments of US\$149,667.00 made by BMMC for April 2024 were not supported by payment invoices and records of the total gallons of petroleum lifted by the company.
 - Total royalty payments amounting to US\$207,382.00 (US\$57,715.00 and US\$149,667.00 mentioned above) per BMMC confirmation were not recorded in LPRC's customer balance details submitted for audit purposes. **See Table 1 below for details.**

Table 1: Irregularities Associated with Royalty Payments

Date	Total Gallons of Petroleum lifted by BMMC per Sales Department Records	Total Gallons per Payment Invoice	Invoice Number	Invoice Amount (US\$) (A)	Amount paid by BMMC US\$ (B)
December, 2023	-	-	-	306,647.95	
January, 2024	-	824,500	-	-	57,715.00
April, 2024	1,833,400	-	-	-	123,872.00

Risk

- 1.2.1.4 Bills raised for royalty payment may not be subsequently collected. Disbursement of royalties may be misstated. This may lead to misappropriation of public funds.
- 1.2.1.5 Payments may not be made consistent with the approved terms and conditions of the contract. This practice may lead to financial irregularities and financial losses of public funds.
- 1.2.1.6 In the absence of adequate supporting documentation, the validity, occurrence, and accuracy of payments may not be assured. This may lead to misappropriation of public funds. The absence of adequate supporting documentation for transactions may also lead to fraudulent financial management practices.

Recommendation

- 1.2.1.7 Management should account for US\$306,647.95 billed to BMMC for December 2023 royalty payments which were not subsequently paid by BMMC.
- 1.2.1.8 Management should submit documentation cataloging the following information: payment invoices, receipts, and total quantity of petroleum lifted by BMMC for December 2023, January, and April 2024 to facilitate comprehensive and accurate re-computation of royalty payments by BMMC. These documents should be submitted to the Office of the Auditor General as part of Management's response to this Management Letter.
- 1.2.1.9 Going forward, Management should ensure that all bills raised for royalty payments are subsequently disbursed by BMMC in a timely manner.
- 1.2.1.10 Management should ensure that all transactions are supported by the requisite supporting documents consistent with the terms of the agreement and financial management regulation.

- 1.2.1.11 Management should also facilitate periodic reconciliation between the quantity of gallons lifted, bills raised, the amount received, and the amount outstanding. Variances should be investigated and adjusted where applicable in a timely manner. Evidence of periodic reconciliation should be adequately documented and filed to facilitate future review.

Management's Response

- 1.2.1.12 *An adequate understanding of the process flows and documentation of LPRC's standard operating procedures and practices with Bea Mountain Mining Corporation (BMMC) is important in addressing the issues raised. The procedures and practices are explained below:*
- 1.2.1.13 *BMMC is a private storage terminal owner. BMMC is not a licensed importer. BMMC purchased products from a licensed importer – West Oil. When products (AGO) are imported, LPRC Operations Department prepares an Outturn Report. This report quantifies the total product imported in metric tons and gallons. This Outturn Report is sent to the Marketing Department and copies shared with the Managing Director (MD), Deputy Managing Director/Operations (DMD/O), Finance Department, LRA Customs, and Internal Audit Department.*
- 1.2.1.14 *After receipt of the Outturn Report, the Marketing Department prepares a Fee Bill and sends to the Financial Comptroller with copies to the MD, DMD/Administration (DMD/A), and the Internal Audit Department. The fee bill calculates the total dollar amount due from the importation of the product. As BMMC is a private storage terminal, it is required to pay royalties. Per the agreement with LPRC, the royalty is US\$0.07 per gallon. Whatever the gallon of petroleum product that is reflected on the Outturn Report, it is multiplied by the US\$0.07 to get the total royalty due.*
- 1.2.1.15 *From the Fee Bill, the Finance Department prepares an invoice (credit invoice), which is signed by the Preparer, Financial Comptroller, and Marketing Manager. This credit invoice recognizes a receivable from Bea Mountain and is reflected in their receivable ledger maintained by the Finance Department.*
- 1.2.1.16 *Payment against the credit invoice is made on a weekly basis (usually on Monday or the first working day of the week), after products have been lifted by BMMC during the preceding week. That is, BMMC lifts products from their storage terminal from Monday to Saturday, then make payment of royalties for the quantity of products lifted on the following Monday or first working day of the week. Since the inception of this arrangement, all payments have been made by bank transfers.*
- 1.2.1.17 *This explanation was made to the auditor who performed this engagement, additionally, a statement of account of Bea Mountain's activities with LPRC with respect to this arrangement was provided to the auditor.*

- 1.2.1.18 *Now, with respect to the observation, there were ABSOLUTELY NO "irregularities associated with the payments of royalties to Management by BMMC for the storage of petroleum products from December 2023, January and April 2024".*
- 1.2.1.19 *As was explained to the auditor and in this response above, payments are made by BMMC on a weekly basis after a week's lifting has been carried out. An invoice (credit invoice) dated 12/15/2023 was issued to BMMC for a total of 4,380,685 gallons of AGO imported and stored at their storage terminal in December 2023. No product was lifted from that terminal in December 2023, hence no payment made. The first lifting was done in January 2024.*
- 1.2.1.20 *In January 2024, BMMC did not receive any product in its storage terminal, therefore no invoice was issued to them. However, as stated earlier, lifting of products from BMMC's storage terminal began in January 2024, for which BMMC remitted royalties in part to LPRC's account. Payments for products lifted for the week ended January 14, 2024 and January 21, 2024 were fully received on January 15 and January 25, 2024, respectively. For the week ended January 28, 2024, payment was made to our account on February 1, 2024. The total amount of payments received by LPRC from BMMC in January 2024 was US\$57,715. See statement of account for further details.*
- 1.2.1.21 *As stated in your observation, LPRC received a total of US\$149,667 during April 2024 as royalties for products lifted. Again, in April 2024, BMMC did not receive any new products in its storage terminal, as such no invoice was issued to them. Let it be emphasized again, LPRC does not issue "payment invoice", as indicated in your observation, before payments are received from BMMC. LPRC only issues invoices (credit invoices) for products received at BMC's storage terminal. Payments to LPRC by BMMC are made on a weekly basis after lifting of products during the preceding week.*
- 1.2.1.22 *During April 2024, LPRC received five (5) payments from BMMC which amounted to US\$149,667. The first payment (US\$32,193) was received on April 1, 2024 for products lifted during the week that ended March 31, 2024; second payment (US\$30,968) was received on April 10, 2024 for lifting during the week ended April 7, 2024; the third payment (US\$25,508) was received on April 22, 2024 for products lifted during the week that ended April 21, 2024; the fourth payment (US\$32,788) was received on April 22, 2024; and final payment (US\$28,210) for April 2024 was received on April 29, 2024 for liftings made during the week that ended April 28, 2024. Refer to proofs of bank transfers and emails requesting payments in April 2024.*
- 1.2.1.23 *The royalties amounting to US\$207,383 received during January 2024 and April 2024 were fully recorded in the customer balance details submitted for audit purposes. Refer to*

statement of accounts: see #1 & #2 for January 2024, and #s12, 13, 14, 15, & 16 for April 2024. As a matter of fact, it was submitted twice to the auditor, once in the MD's Office Suite and at another time in the Financial Comptroller's Office. At each time, all of these narratives were fully and in layman terms explained to the auditor, with various supporting documentations provided and shown. Emails and copies of the various transfers proof were part of the information shown. See attached statement of account and proof of transfers.

- 1.2.1.24 All transactions relating to BMMC and LPRC are appropriately supported by the relevant supporting documentations. There are invoices for each of the shipments of products received in BMMC's storage terminal, and every payment received from BMMC are recorded accordingly in the customer detail ledger with receipts and copies of proofs of payments maintained and filed accordingly.

Auditor General's Position

- 1.2.1.25 Management's assertions did not adequately address the issues raised. Our comprehensive analysis of bills for actual payments reviewed indicates that payments were not made consistent with Management's assertions. **See table 2 below:**

Table 2

No.	Date	Description	Bills (US\$)	Payments (US\$)	Running Balance (US\$)
1.	12/15/2023	Invoice	306,647.95		
2.	02/15/2024	Invoice	176,012.97		
3.	03/28/2024	Invoice	52,550.19		
4.	05/11/2024	Invoice	243,194.96		
5.	06/27/2024	Invoice	284,569.39		
6.	07/28/2024	Invoice	111,772.78		
TOTAL			1,174,748.26	797,380.66	377,367.60

- 1.2.1.26 Management should therefore account for the variance of US\$377,367.60 between bills raised, and actual payments of royalties within thirty days after the issuance of the Auditor General's Report to the National Legislature.
- 1.2.1.27 Also, Management did not conduct periodic reconciliation between the number of gallons lifted, bills raised, the amount received, and the amount outstanding during the entire period of the audit to validate the completeness and accuracy of royalty payments.
- 1.2.1.28 Therefore, all other recommendations. We will follow-up on the implementation of our recommendation during subsequent audit.

1.3 Petroleum Storage Agreement Not Consistent with Procurement Requirement

Criteria

- 1.3.1.1 Section 37 of the PPC Act states that "The Procuring Entity shall promptly furnish the Commission notice of each contract awarded in which the price of the contract exceeds the applicable Thresholds established by Regulations promulgated by the Commission indicating the reference number used in the bidding process, the contract price, the name and address of the successful bidder, a brief description of the goods, services or work procured and the procurement method utilized in awarding the contract. The Commission shall cause this information promptly to be Published."
- 1.3.1.2 Additionally, Section 55 (1 e-d) of the Public Procurement and Concession Commission Act of 2005 as amended and restated 2010 states that "Public procurement by means of the sole source procurement method is permitted only in the following circumstances: (a) When only one (1) supplier has the exclusive right to manufacture the goods, carry out the works or perform the services to be procured and no suitable alternative is available; (b) For additional deliveries of goods by the original supplier which are intended either as replacement parts for existing goods, services or installations or as the extension of existing goods, services or installations where a change of supplier would compel the Procuring Entity to procure equipment or services not meeting requirements of interchangeability with already existing equipment or services; (c) When additional works not included in the initial contract have, through unforeseeable circumstances, become necessary and the separation of the additional works or services from the initial contract would be difficult for technical or economic reasons; (d) In cases of extreme urgency, provided that the circumstances which gave rise to the urgency were neither foreseeable by the Procuring Entity nor the result of dilatory conduct on its part; or (e) When the services require that a particular consultant be selected due to his or her unique qualifications, or when it is indispensable to continue with the same consultant."
- 1.3.1.3 Additionally, count 10 of the Public Procurement and Concession Commission regulations of 2005 under the caption "Contracts over US\$250,000" states that "The Ministry shall take part in the negotiations and signings of contracts over US\$250,000 and the contract shall be attested to by the Ministry of Justice. The Procuring or Concession Entity shall comply with the thresholds set out in this Schedule to the Regulation in accordance with the provisions of the PPC Act."

Observation

- 1.3.1.4 During the audit, we observed the following irregularities associated with the procurement of the contractual agreement:
- Management and Bea Mountain Mining Corporation entered into a Build, Operate and Transfer (BOT) agreement for Petroleum Storage and Lease valued at

US\$17,088,297.02 without compliance with the relevant provisions of the PPC Act of 2005, as amended and restated in 2010.

- There was no evidence of the use of a single source procurement method or any alternative procurement method by Management before entering into a contractual agreement with BMMC.
- There was no evidence that the contract was signed by the Minister of Finance and attested by the Minister of Justice based on the threshold of the contract (US\$17,088,297.02) as required by the PPC Act. These authorizations were significant particularly because the petroleum storage and lease agreement granted BMMC special dispensation for discounted storage and royalty payments leading to a reduction in revenue generation. **See Table 3 for details.**

Table 3: Petroleum Storage Agreement Not Consistent without Procurement Requirement

Total gallon of Petroleum @ US\$0.07 (A)	Total royalty fees @ US\$ 0.07 (adjusted rate) (B)	Total gallon of Petroleum @ US\$0.30 (C)	Total Sales @ US\$ 0.30 (standard rate) (D)	Variance US\$ (E=B-D)
9,561,108	\$669,277.56	9,561,108	\$2,863,332.3	\$2,199,054.84

Risk

- 1.3.1.5 Management may be non-compliant with the PPCC Act of 2005 as amended and restated in 2010.
- 1.3.1.6 Non-application of the requisite procurement method may impair the achievement of value for money and facilitate fraudulent procurement activities.

Recommendation

- 1.3.1.7 Management should facilitate full regularization of the petroleum storage and lease agreement consistent with the PPC Act of 2005 as amended and restated in 2010.
- 1.3.1.8 Evidence of the regularization of the petroleum storage and lease agreement should be submitted to the Office of the Auditor General for subsequent review and validation.

Management's Response

- 1.3.1.9 *Management did not respond to our findings and recommendations.*

Auditor General's Position

- 1.3.1.10 In the absence of Management's response, we maintain our finding and recommendations. We will follow-up on the implementation of our recommendations during subsequent audit.

1.4 Lack of Engineer's Report and Certificate of Completion

Criteria

- 1.4.1.1 Article I, section 1.5 of the Petroleum Storage and Lease Agreement states that "the parties hereto mutually agree that an independent engineer (the engineer) shall be designated jointly by LPRC and BMMC, to Supervise and inspect the construction of the Bea Mountain AGO Storage Facility to ensure that the works are carried out in accordance with international standards as well as certify the completion of Bea Mountain AGO Storage Facility. During the construction period, in the event any portion of the work fails to conform with international standards, it shall be corrected by BMMC."

Observation

- 1.4.1.2 During the audit, we observed that BMMC appeared to complete the construction of three (3) petroleum storage terminals at a cost of US\$17,088,297.02 without evidence of an engineer's report and certificate of completion to certify that the construction works aligned with the Bill of Quantity (BoQ), engineering specifications and international standards as stipulated in the Petroleum Storage and Lease Agreement.

Risk

- 1.4.1.3 In the absence of an engineer's report and the certificate of completion for the construction of the BMMC storage terminal, the facility may not be completed based on the approved specifications of the project. This may impair value for money, and resources may be subjected to misapplication and misappropriation.

Recommendation

- 1.4.1.4 Management should provide copies of the engineer's report and the certificate of completion of the BMMC Storage Terminal to certify that the construction aligns with the contract specifications and International Standards. These documents should be submitted to the Office of the Auditor General as part of Management's response to this Management Letter.
- 1.4.1.5 Evidence of the engineer's assessment report and certificate of completion should be adequately documented and filed to facilitate future review.

Management's Response

- 1.4.1.6 *Management did not respond to our findings and recommendations.*

Auditor General's Position

- 1.4.1.7 In the absence of Management's response, we maintain our findings and recommendations. We will follow-up on the implementation of our recommendations during subsequent audit.