



Management Letter

Economic Recovery of Liberia Rice Farmers in Ebola Affected Counties (ERLRFEC) Project

For the Period May 1, 2017 to December 31, 2018



Promoting Accountability of Public Resources

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

**Monrovia, Liberia
June, 2019**

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ACRONYM

Acronym/Abbreviation/Symbol	Meaning
AG	Auditor General
AWPB	Annual Work Plan and Budget
CGMA	Certified Global Management Accountant
CHAP	Community of Hope for Agriculture Project
CPA	Certified Public Accountant
DSA	Daily Sustenance Allowance
FC	Financial Comptroller
GAC	General Auditing Commission
ID	Identification
IFAD	International Fund for Agriculture Development
ISSAI	International Standards of Supreme Audit Institutions
JRCPV	Journal Cash Payment Voucher
JV	Journal Voucher
MOA	Ministry of Agriculture
PC	Project Coordinator
PIU	Project Implementation Unit
RL	Republic of Liberia
US\$	United States Dollars

June 21, 2019

Hon. Mogana S. Flomo, PhD
Minister
Ministry of Agriculture
Somalia Drive, Gardnersville

Dear Sir:

Re: Management Letter on the Audit of the Economic Recovery of Liberia Rice Farmer in Ebola Affected Counties (ERLRFEAC) Project for the period May 1, 2017 to December 31, 2018.

The financial statements of the Audit of the Economic Recovery of Liberia Rice Farmers in Ebola Affected Counties (ERLRFEAC) Project are subject to audit by the Auditor-General in terms of Section 2.1.3 of the General Auditing Commission (GAC) Act of 2014.

Introduction

The audit of the Audit of the Economic Recovery of Liberia Rice Farmers in Ebola Affected Counties (ERLRFEAC) Project for the period May 1, 2017 to December 31, 2018 was completed and the purpose of this letter is to bring to your attention the findings that were revealed during the audit.

Scope and Determination of Responsibility

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs) as well as the Engagement (Audit) Terms of Reference. These standards require that we plan and perform the audit so as to obtain reasonable assurance that, in all material respects, fair presentation is achieved in the annual financial statements.

An audit includes:

- Examination on a test basis of evidence supporting the amounts and disclosures in the financial statements;
- Assessment of the accounting principles used and significant estimates made by management; and
- Evaluation of the overall financial statements presentation.

The audit will also include an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations which came to our attention and are applicable to financial matters.

The financial statements, maintenance of effective control measures and compliance with laws and regulations are the responsibility of the Project's Management at the International Fund Agriculture Development (IFAD) Project Implementation Unit (PIU) of the Ministry of Agriculture (MoA). Our responsibility is to express our opinion on these financial statements.

The audit findings which were identified during the course of the audit are included below.

We would be grateful to get your response to this Draft Management Letter by June 14, 2019 to make possible the issuance of the Auditor's General report to the National Legislature and the President of the Republic of Liberia. In the absence of a response by the due date, it will be assumed that the analyses, conclusion and recommendations contained in this Draft Management Letter are correct and accurately reflect your position on this matter.

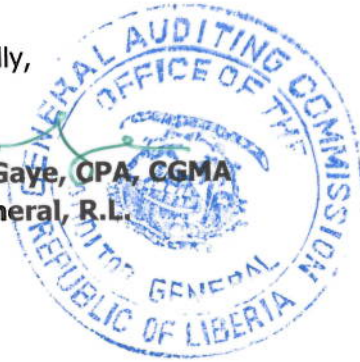
Thank you as we strive to promote accountability, transparency and good governance across the Government of Liberia.

APPRECIATION

We would like to express our appreciation for the courtesy accorded and assistance rendered by the staff of the IFAD Project Implementation Unit (PIU) of the Ministry of Agriculture (MoA) during the audit.

Yours faithfully,


Yusador S Gaye, OPA, CGMA
Auditor General, R.L.



1 DETAILED FINDINGS AND RECOMMENDATIONS

1.1 Internal Audit Report

Observation

- 1.1.1 Paragraph 2060 of the International Standards for the Professional Practice of Internal Auditing requires that the chief audit executive must report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan and on its conformance with the Code of Ethics and the Standards. Reporting must also include significant risk and control issues, including fraud risks, governance issues, and other matters that require the attention of senior management and/or the board.
- 1.1.2 It was observed during the conduct of the audit that there was no evidence that the Internal Audit Unit at the PIU conducted an audit of the Economic Recovery of Liberia Rice Farmers in Ebola Affected Counties Project.

Risk

- 1.1.3 The lack of an internal audit could prevent the PIU Management from identifying gaps and provide suggestions for improvement of project's systems and control environments, operations and programs.

Recommendation

- 1.1.4 The Internal Auditor should provide justification why an internal audit was not conducted and documented for the Economic Recovery of Liberia Rice Farmers in Ebola affected Counties project.

Management's Response

- 1.1.5 *The Internal Auditor did not perform internal audit on the J-Rice project because of the uncompetitive selection process that that led to the award of contract to CHAP. On Friday, August 19, 2016 at 12:50PM the Internal Auditor wrote the Procurement Officer to submit the entire request for quotations sent out to competitive organization as requested by the Ministry of Agriculture to implement the project. Please see EXHIBIT A attached for your information. In his response on Friday, August 19, 2016 at 4:28PM (EXHIBIT B), the Procurement Officer indicated that they did not request a formal Request for Quotation to the organizations (See EXHIBIT C). Based on his response, the Internal Auditor queried the documents and returned same to the Financial Comptroller and Procurement Officer on two counts (Uncompetitive Procurement Process and Insufficient documentations to support the selection) in his mail on Wednesday, August 31, 2016 at 1:54PM (see EXHIBIT D). The Internal Auditor also informed the Procurement Officer that he was not going to be a part of a process that was manipulated to favor any organization that was not competitively selected as requested by the Ministry of Agriculture (see EXHIBIT E). With all these concerns raised, CHAP was awarded the contract to implement the project. It was based on these facts and circumstances that the Internal Auditor recused himself from the entire process in his*

mails to the PIU Management. Thereafter, the Internal Auditor played absolutely no role on the project from start to end because a selection that was not done in accordance with the established procedures does not legitimate the workings for one selected.

Auditor General's Position

- 1.1.6 We acknowledged Management acceptance of our finding; however, such queries should have been documented and address to the oversight body for proper action.
- 1.1.7 Therefore, going forward the Internal Auditor should ensure that all queries documented and sent to the responsible office for redress and a copy sent to the oversight body for consideration; and should conduct an internal audit review as a mechanism to ensure the project processes are being followed.

1.2 Reconciliation of Designated Account

Observation

- 1.2.1 Chapter 7.6 paragraph 389 of the PIU Financial/Administrative Procedure Manual requires that Project accounts are closed at the end of each month in order to provide management with:
- A complete and accurate cash and disbursements situation, for proper monitoring, and if necessary, the preparation of a withdrawal application;
 - An up-to-date budget statement to be used for the preparation of the monthly report on the financial execution of the AWPB and the quarterly IFRs and progress reports.
- 1.2.2 Also, paragraph 389 of the PIU Financial/Administrative Procedure Manual provides the monthly closing procedures are carried out by the Accountant and the FC during the first week of the following month and to include amongst other:
- Bank reconciliation
 - Closing and reconciliation of petty cash
 - Designated Account reconciliation
- 1.2.3 We observed during the audit that the monthly Designated Account reconciliation was not prepared and documented during the 20 months of the project duration.

Risk

- 1.2.4 Failure by the PIU Management to prepare reconciliation could lead to errors or omissions not being detected on a timely basis.

Recommendation

- 1.2.5 The PIU Management should provide justification for not preparing Monthly Reconciliation Reports for the Designated Account during the life of the project.

Management's Response

- 1.2.6 *Obtaining monthly bank statement from the Central bank of Liberia was a challenge for the PIU, however, the recommendation is noted and Management will ensure a monthly reconciliation of the Designated Account.*

Auditor General's Position

- 1.2.7 We acknowledge the PIU's Management acceptance of our finding. The PIU's Management should ensure that monthly reconciliation reports of the Designated Account prepared and submitted for audit and other review purposes.

1.3 Off Budget Expenditure

Observation

- 1.3.1 Section 4.08 paragraphs (a) (i) of the Project Financing Agreement requires that financing shall be used exclusively to finance expenditure meeting each of the following eligibility requirements:
- The expenditure shall meet the reasonable cost of goods, works and services required for the Project and covered by the relevant AWPB and procured in conformity with the Fund's Procurement Guidelines.
- 1.3.2 The PIU Management made payment on voucher number JRCPV-029 in the amount of US\$ 4,270.00 for the purchase of one thousand four hundred (1,400) gallons of fuel for the House of Representatives of Liberia Committee on Foreign Relations to ratify the Rural Community Financial Institution Project. There was no evidence that expenditure was budgeted for and the required "No Objection" received from IFAD for the purchase of the fuel.

Risk

- 1.3.3 Off budget expenditure could lead to misapplication of the project's fund which could lead to the project's objectives not being achieved.

Recommendation

- 1.3.4 The PIU Management should provide justification for the off budget expenditure.

Management's Response

- 1.3.5 *The Finance and Administrative Manual Section 5.3 paragraph 227 made a provision for the Project Coordinator to decide on approval of expenditures that are not budgeted if such expenditures are deemed to be technically appropriate by the coordinator. The request from the house committee members to finance their field assessment of on-going IFAD-financed project site, though was not budgeted, was approved by the coordinator.*

Auditor General's Position

- 1.3.6 We acknowledge the PIU Management assertion in response to our finding. Under referenced section, the Project Coordinator is allowed to reallocate expenditure within AWPB and to be applied to expenses cover within the Financing Agreement. The expenditure incurred was not in accordance with the terms of the Project Financing Agreement.

- 1.3.7 Going forward, the Project Coordinator should ensure that off budget expenditures are incurred in accordance with the Project Financing Agreement.

1.4 No Performance Evaluation before Renewal of Contract

Observation

- 1.4.1 Section 3.5 paragraph 135 of the Financial and Administrative Procedures Manual requires that Employment contracts should be renewed on an annual basis. It also provides that the FC discusses the renewal decision with the employee's supervisor, using the performance evaluation as a basis. The FC then drafts a memo to the Project Coordinator, indicating whether the position is still needed, whether funds are available on the budget line, and including the supervisor's opinion as well as a summary of the employee's performance evaluation. Based on these elements, the Project Coordinator decides whether or not to renew the employee's contract. For key staff, the renewal decision is submitted to the approval of IFAD and MOA.
- 1.4.2 During period under audit, the PIU Management renewed the contracts of several consultants of the last project which it managed without evidence of performance appraisal being conducted.

Risk

- 1.4.3 Non performing consultants could be retained which could impact the achievement of the project's objective.

Recommendation

- 1.4.4 The PIU Management should provide justification for the Renewing staff contract without a performance evaluation.

Management's Response

- 1.4.5 *Staffs were retained and given consultancy contract base on the fact that the STCSR & ASRP had closed and that J-Rice Project needed these staff for continuity base on the knowledge they had acquired during the span of the last projects. Though there was no performance evaluation done after project closure but there were previous performance evaluation done which proves that these staff were qualify and met the requirements to be maintained and transferred to the J-Rice Project for Consultancy. Based pass evaluation of staff done under other IFAD projects, No Objection was sought and obtained to retain the staff on a consultancy basis for the completion of the J-Rice project.*

Auditor General's Position

- 1.4.6 We acknowledge the PIU's assertions, however the staff in questioned in the employment until year-end and per section 3.5 paragraph 135 of the Financial and Administrative Procedures Manual requires year-end performance appraisal should be conducted before renewal of staff contacts.

Going forward, the Project Coordinator should ensure that performance appraisals are conducted and documented as for renewal of PIU's staff contracts.

1.5 Withholding Taxes

Observation

- 1.5.1 Section 3.3 paragraph 117 and 118 of the Financial and Administrative Procedures Manual requires that the salaries shown in the scale in Annex 3.e are range of gross salaries which are inclusive of income taxes and social security withholdings. Adjustments or increases in gross salaries are subject to satisfactory performance of the staff, as measured through the semiannual performance evaluation process described in section 3.5 below. Salaries are payable in United States dollars.
- 1.5.2 Furthermore, chapter 2 section 200 regulation (e) of the Revenue Code of Liberia Act of 2000 as amended in 2011 requires an annual income tax is hereby imposed on the annual taxable income of every natural person resident in Liberia (including resident Liberian citizens employed by an embassy, a diplomatic mission, or international organization).The tax is collected during the tax year in accordance with the withholding rules of Section 905 or the advance payment rules of Section 904.The tax rate applicable to the income of a natural person is determined in accordance with the following rate schedule.
- 1.5.3 The amount of US\$6,910.90 was deducted from various consultants' fees as income tax deductions by PIU Management without evidence that the amounts were remitted to the Liberia Revenue Authority (LRA). **See table 1 below for detail.**

Table 1: Withholding Taxes

No.	Date	voucher No.	Name of employee	Details	Monthly Salary US\$	Total tax Deductions US\$
1	6/26/2018	JRCPV-127	Princetta Clinton-Varmah Project Coordinator	June 2018 consultancy	4,000.00	597.70
2	5/28/2018	JRCPV-111	Princetta Clinton-Varmah Project Coordinator	Ck#01000263 May 2018 Consultancy fee	4,000.00	597.70
3	3/30/2018	JV-071	Financial Controller & Procurement officer	March 2018 consultancy fees	6,050.00	904.02
4	4/12/2018	JRCPV-080	Project Coordinator	March 2018 consultancy fees	4,000.00	597.70
5	6/26/2018	JV-087	Financial Controller & Procurement officer	June 2018 consultancy fees	6,050.00	904.02
7	5/1/2018	JRCPV-096	Princetta Clinton-Varmah	April 2018 consultancy	4,000.00	597.70

No.	Date	voucher No.	Name of employee	Details	Monthly Salary US\$	Total tax Deductions US\$
10	5/28/2018	JV-078	Procurement Officer & Financial Controller	May 2018 consultancy	6,050.00	904.02
11	4/30/2018	JV-073	Financial Controller and Procurement officer	April 2018 consultancy	6,050.00	904.02
13	3/30/2018	JV-087	Staff	June 2018 consultancy fees	6,050.00	904.02
Total					46,250.00	6,910.90

Risk

- 1.5.4 Failure to remit the taxes withheld could lead to misapplication of the funds. Additionally, the Government of Liberia could be denied of much needed resources.

Recommendation

- 1.5.5 The PIU should provide justification as to why the withheld taxes were not remitted.

Management's Response

- 1.5.6 *The amount reported as withheld tax for consultants were remitted the Liberia Revenue Authority Account. Please find attached evidence of receipts.*

Auditor General's Position

- 1.5.7 The evidence submitted by the PIU Management in support of finding raised were reviewed and it was noted that there were no evidence to support an amount of US\$ 2,405.74 deducted as income tax but were not remitted; see table 1a below. The Financial Comptroller should account for the amount deducted as income tax and not remitted.

Table 1a: Unremitted Tax Withheld

No. #	Voucher No.	Name of employee	Details	Net monthly Salary	Total tax Deductions
1.	JRCPV-127	Project Coordinator	June 2018 consultancy	4,000.00	597.70
2.	JV-087	Financial Controller & Procurement officer	June 2018 consultancy fees	6,050.00	904.02
3.	JV-087	Staff	June 2018 consultancy fees	6,050.00	904.02

1.6 Social Security and Income Tax

Observation

- 1.6.1 Section 3.3 paragraph 118 of the Financial and Administrative Procedures Manual states that "according to national legislation, salaries in Liberia are subject to deductions for social security (employee contribution) and income tax. These deductions are made at source by the project. The employer contribution on social security is paid from project funds."
- 1.6.2 Furthermore, chapter 2 section 200 regulation (e) of the Revenue Code of Liberia Act of 2000 as amended in 2011 requires an annual income tax is hereby imposed on the annual taxable income of every natural person resident in Liberia (including resident Liberian citizens employed by an embassy, a diplomatic mission, or international organization). The tax is collected during the tax year in accordance with the withholding rules of Section 905 or the advance payment rules of Section 904. The tax rate applicable to the income of a natural person is determined in accordance with the following rate schedule.
- 1.6.3 Additionally, Part II section 89.16 (a) of the New Act of the National Social Security and Welfare Corporation provides that the contribution payable under this Act in respect of an employee shall comprise contribution payable by the employer (hereinafter referred to as the employer's contribution and contribution payable by employee (hereinafter referred to as the employee's contribution) and shall be paid to the Corporation. Contribution rate shall be the total of 10% of the total gross payable by the employer; 2% under the employment Injury Scheme payable by the employer; 4% employer contribution and 4% employee contribution to be remitted by the employer.
- 1.6.4 During the period under audit, the Management of the IFAD PIU paid consultancy fees for several months amounting to US\$ \$36,500.00. There was no evidence that social security contribution and income taxes were deducted and remitted to the required institutions.
See table 2 below for details

Table 2: Social Security and Income Tax

No. #	Date	voucher No.	Name of employee	Details	Salary US\$
1	3/30/2018	JV-070	Staff	Salary of the months of January - March 2018	34,750.00
15	12/11/2017	JV-050	staff	Salary of the months of December 2017 consultancy	1,750.00
Total					36,500.00

Risk

- 1.6.5 Failure by the Management of the PIU to deduct social security (employee contribution) and income tax could deny employees of the needed retirement benefits when they retired and the Government of the needed tax revenue for national development.

Recommendation

- 1.6.6 The PIU Management should provide justification as to why social security (employee and employer contribution) and income taxes were not deducted and remitted to the required institutions.

Management's Response

- 1.6.7 *The PIU made paid to these consultant based on the terms and conditions of the contract signed between parties. The contract did not subject the consults fees to tax deduction. Furthermore, Social Security payments are contributed by Employees and not consultant.*

Auditor General's Position

- 1.6.8 With reference to New Act of the National Social Security and Welfare Corporation and withholding of tax on a payment to resident, the payer is required to withhold a percent of the gross payment for onward remittance to the appropriate government authorities.
- 1.6.9 Failure by the Financial Comptroller to withhold and remit contributions could lead breach of chapter 2 section 200 regulation (e) of the Revenue Code of Liberia Act of 2000 as amended in 2011 and section 89.16 (a) of the New Act of the National Social Security and Welfare Corporation
- 1.6.10 The Financial Comptroller should ensure that the applicable taxes are withheld and remitted to the appropriate authorities in compliance with chapter 2 section 200 regulation (e) of the Revenue Code of Liberia Act of 2000 as amended in 2011 and section 89.16 (a) of the New Act of the National Social Security and Welfare Corporation.

1.7 Payment OF DSA by CHAP without supervision and monitoring report

Observation

- 1.7.1 Section 3.1 Paragraph 37 of the Financial/ADMINISTRATIVE Procedure Manual provides that the IPs quarterly progress reports covering all their activities (including physical and financial progress) are prepared by each implementing partner and submitted to the PIU for consolidation into the quarterly progress reports.
- 1.7.2 The project quarterly progress reports on project implementation are prepared by the PIU within 6 weeks of the end of each quarter period. The progress reports include key qualitative and quantitative information, a descriptive and analytical account of achievements relative to original targets and project impact. They also highlight implementation problems and actions to be taken to remedy them, and by whom.
- 1.7.3 It was observed during the Audit that CHAP Management made expenditure totalling US\$9,775.00 as Daily Subsistence Allowance (DSA) to conduct Monitoring and Supervision of project activities without evidence of monitoring and supervision report for the mission undertaken. **See table 3 for details.**

Table 3: Monitoring and Supervision Reports

No.	Date	Voucher No.	Detailed	Payee	Amount US\$
1	6/19/2017	JV-015	DSA for monitoring and supervision	Edwina N. Beah, et al	1,495.00
2	7/20/2017	JV-027	DSA for monitoring and supervision	Fitzgerald Q. Beyan, Blamo Chea and Kaibeh Jallah	1,005.00
3	9/4/2017	JV-035	DSA for field supervision	Edwina P. Beah	2,720.00
4	12/18/2018	JV-190	DSA for Supervision and Monitoring	Paul Y. Gono	150
5	12/18/2018	JV-190	DSA for Supervision and Monitoring	Blamo Chea	900
6	12/18/2018	JV-190	DSA for Supervision and Monitoring	Henry D. Mayson Jr	900
7	12/18/2018	JV-190	DSA for Supervision and Monitoring	Cyrus Padmore	700
8	12/18/2018	JV-190	DSA for Supervision and Monitoring	Ernest Matico	840
9	12/18/2018	JV-190	DSA for Supervision and Monitoring	Prince Yankson	315
10	12/18/2018	JV-190	DSA for Supervision and Monitoring	Moses J. Harris	750
Total					9,775.00

Risk

- 1.7.4 The failure by the CHAP Management to prepare Monitoring and Supervision reports regarding travels undertaken could cast doubt on the legitimacy of the travels.

Recommendation

- 1.7.5 The PIU/CHAP Management should provide justification why the staff who undertook the Monitoring and Supervision mission did not prepare field reports.

Management's Response

- 1.7.6 *See attached Monitoring and supervision report.*

Auditor General's Position

- 1.7.7 The Monitoring and Supervision reports submitted by the PIU Management in support of assertion were reviewed. We, however, found that there were no monitoring and supervision reports for field mission undertaken by the staff amounting to US\$ 5,220.00. See table 3a for details. The payment of funds for field mission without mission report is a breach of the Procedures and Administrative manual and the beneficiaries should be made to account for the amount received.

Table 3a: Monitoring and Supervision Reports

No.	Date	Voucher No.	Detailed	Payee	Amount US\$
1	6/19/2017	JV-015	DSA for monitoring and supervision	Edwina N. Beah, et al	1,495.00
2	7/20/2017	JV-027	DSA for monitoring and supervision	Fitzgerald Q. Beyan, Blamo Chea and Kaibeh Jallah	1,005.00
3	9/4/2017	JV-035	DSA for field supervision	Edwina P. Beah	2,720.00
	Total				5,220.00

1.8 Salary Payment through Third Party

Observation

1.8.1 Part 4.1 of the CHAP Financial Management Policy and Procedures Manual requires that a personal data card is opened for each member of staff. Salaries shall be paid by check through the respective bank accounts of staff. Employee shall be issued with a pay slip every month, which will show the computation of his/her net salary.

1.8.2 We observed during the audit that the Management of CHAP made monthly salary payments for Agronomists, SRI Technicians M & E Officers and Data Collectors of the J-Rice Project amounting to US\$ 172,925.70 through other staff for onward payments to several of its employees. There was no evidence that employees who signed for their salaries attached their identity cards to the payment slip. Also, we found no evidence that payees were authorized to receive the payments on behalf of the other employees. **See annexure 1 for details.**

Risk

1.8.3 Making monthly salary payments through a third party without evidence of identity cards and authorization could lead to misappropriation of the funds.

Recommendation

1.8.4 The CHAP Management should provide justification for the use of the above method for salary payments.

Management's Response

1.8.5 *According to CHAP the staffs involved in the payment were all field technician hire and assigned in remote places and did not have accounts non access to bank to be issued checks.*

Auditor General's Position

1.8.6 Assertion provided by the CHAP Management in response to the finding and recommendation could only be supported if the CHAP Management had provided the identification of the recipients and authorization letters from all the recipients. CHAP Management should demonstration that payments through other parties are supported appropriate evidence that they were received by the intended recipients.

1.9 Procurement Modality for National Shopping

Observation

- 1.9.1 Section 5.4 paragraphs 234 of the Finance and Administrative Procedure manual provides that the identification and shortlisting of suppliers for the procurement is normally carried out by means of a competitive process, in compliance with the IFAD Procurement Guidelines. The table below summarizes the procurement modalities and the IFAD review requirements for the various categories of procurement and related thresholds:

Table:

Procurement category and thresholds in USD	Procurement modality	Selection basis	IFAD review requirements
GOODS			
< 10,000	National shopping	RFQ (3 quotes min.)	Post review if ≥ \$ 30,000
≥ 10,000 - < 200,000.00	NCB	ITB	Prior review if
≥ 200,000.00	ICB	ITB	Prior review

- 1.9.2 Also, paragraphs 245 of the Finance and Administrative Procedure manual requires that the RFQ selection procedure consists of comparing price quotations obtained from at least 3 shortlisted suppliers. The RFQ is prepared by the Procurement Officer and should contain the description and quantity of the goods, specifications of works, or description of services, and the desired delivery/completion place and date. It is reviewed by the FC and signed by the Project Coordinator. After the RFQ is approved, a personalized invitation to submit a quotation is addressed directly to each shortlisted firm; a written receipt of acknowledgement is obtained from each firm.

- 1.9.3 An examination of payment vouchers amounting to US \$ 2,404.27 related to the procurement of fuel during the period under audit shows no evidence of the procurement method used. The value of purchases involved falls within the threshold of a Request for Quotation procurement method; however, there was no evidence that at-least three quotes were obtained to support the purchases made. **See table 4 below.**

Table 4: National Shopping without the Required Quotations

NO#	Date	Voucher No.	Description	Amount in US \$
1	8/3/2017	JV-041	60gallons of fuel for Lofa retired by J. Paye Thompson	240.00
2	1/0/1900	JV-029	80gallons of fuel for Lofa retirement by Fitzgerald Beyan	320.00
3	9/13/2017	CPV-167	Chk#01000232 Refund to Patrick S. Krah for 54.05 Gallons of Diesel Fuel	200.00
4	9/17/2018	JV-032	80gallons of fuel retired by John S. Nugba	320.00
5	11/28/2017	CPV-134	Chk#01000289 73 Gallons of Diesel Fuel	320.00
6	8/3/2017	JV=082	70gallons of fuel for Lofa- Thompson's retirement	279.77

NO#	Date	Voucher No.	Description	Amount in US \$
7	5/11/2018	JV-042	60gallons of fuel retirement by Moses Y. Doedahn	240.00
8	9/20/2018	JRCPV-105	Ck#01000255 87gallons of fuel to facilitate PC movement.	304.50
9	8/1/2017	JRCPV-021	Ck#00808971 60gallons of fuel for mission visit refund to John S. Nugba	180.00
Total				2,404.27

Risk

- 1.9.4 Failure by the PIU Management to obtain at least three quotations could lead to misprocurement and could deny the achievement of value for money.

Recommendation

- 1.9.5 The PIU Management should provide justification for not adhering to the procurement guideline.

Management's Response

- 1.9.6 *The transactions listed above were advances paid to staff for field missions to purchase diesel for the movement of the vehicles. As you are aware, petroleum products are inelastic goods with regulated prices by the Government of Liberia. These advances were retired with all supporting documents (receipts,) attached. Again, the transactions were not at one filing station but several of them in their routes while in the field. As such, this cannot be subjected to soliciting three quotations as recommended by the Auditors. As per our procedures manual, please see section 2.6 Official Travel paragraph 94 for fuel provision for field mission.*

Auditor General's Position

- 1.9.7 The Project planned activities are documented in the approved Annual Work Plan and Budget (AWPB). Therefore, activities to support field visit which include purchase of fuel should have been carried through a procurement modalities in AWPB given the threshold of the amounts.
- 1.9.8 Going forward, the PIU Management should follow the proper procurement modality for the total activity in the approved AWPB.

1.10 Supporting Documentation

Observation

- 1.10.1 Part 7.1.7 of the CHAP Financial Management Policy and Procedures Manual provides that for a voucher to be validated it should be support by adequate documentation. Said documents should be in the form of original bills, which are/the real proof of transactions based on which payment is affected. The classification of the expense is based on the nature of expense reflected by these documents and the amount on the voucher should be the amount reflected by these documents.

1.10.2 The amount of US \$60,391.40 relating to overhead cost of CHAP activities in relation to the project were made without evidence of supporting documentation. **See table 5 below for details.**

Table 5: No Supporting Documentation

No.	Date	Voucher No.	Details	Amount US \$
1	2/28/2018	JV-035	CHAP overhead cost	1,990.00
2	8/31/2017	JV-018	Three months Overhead cost for CHAP	3,515.00
3	7/21/2017	JV-089	CHAP overhead for the period	18,246.72
4	11/28/2017	JV-048	CHAP Overheads cost for the period	22,920.12
5	10/26/2017	JV-003	Partial payment of overhead cost to CHAP	6,166.96
6	10/13/2017	JV-038	CHAP overhead costs including bank charge	5,015.00
7	5/30/2018	JV-025	CHAP overhead costs including gasoline, maintenance etc	1,522.60
8	5/16/2018	JV-064	Overhead for CHAP	1,015.00
TOTAL				60,391.40

Risk

1.10.3 Making payments without supporting documentation by the CHAP Management could lead to misappropriation of the Project's Funds.

Recommendation

1.10.4 The Management of CHAP should provide the required supporting documents for the above transactions.

Management's Response:

1.10.5 *See attached Supporting documents received from CHAP for the transactions listed in the Table 5 above and submitted to the Auditors.*

Auditor General's Position

1.10.6 The documents submitted by the CHAP Management in supporting finding raised were reviewed. However, our review revealed that an amount of US\$ 52,746.72 did not have supporting documentation attached in regards to the transaction, see table below. The CHAP Management should be held to account for making payment without adequate documentations. **See table 5a.**

Table 5a: No supporting documentation

No.	Date	Voucher No.	Details	Amount
1	2/28/2018	JV-035	CHAP overhead cost	1,500.00
2	8/31/2017	JV-018	Three months Overhead cost for CHAP	3,000.00

3	7/21/2017	JV-089	CHAP overhead for the period	18,246.72
4	11/28/2017	JV-048	CHAP Overheads cost for the period	17,000.00
5	10/26/2017	JV-003	Partial payment of overhead cost to CHAP	6,000.00
6	10/13/2017	JV-038	CHAP overhead costs including bank charge	5,000.00
7	5/30/2018	JV-025	CHAP overhead costs including gasoline, maintenance etc.	1,000.00
8	5/16/2018	JV-064	Overhead for CHAP	1,000.00
Total				52,746.72

1.11 Payments to the same vendor

Observation

1.11.1 Section 6.3 paragraph 324 (ix) of the PIU financial and Administrative Procedure Manual requires that Eligible Expenditures under IFAD financing (in accordance with Section 4.08 of IFAD General Conditions). The Financing shall be used exclusively to finance expenditures meeting each of the following eligibility requirements:

1.11.2 Any payments to a person or an entity, or for any goods, works or services, if making or receiving such payment constitutes a coercive, collusive, corrupt or fraudulent practice by any representative of the Borrower/Recipient or any Project Party, shall not be eligible for financing by the Financing Agreement.

1.11.3 We observed during the audit that payment, in the total amount of US\$ 545,600.00 related to the procurement of fertilizers and Power Tillers, made to two companies were collected by the same person (Mr J. Morris Sackie in one instance) representing two the different companies. Mr J. Moris Sackie (in another instance) held the positions of Manager and Administrative Assistance in Africa Food Inc. and Professional Maintenance Contractor, Inc. respectively. **See Exhibit 1 and table 6 below for detailed.**

Table 6: Checks Received by One Person on Behalf of Two Suppliers

Date	Voucher No.	Description	Supplier	Check Collected by	Position	Amount US \$
10/13/2017	JRCPV-037	The supply of fertilizers	Africa Food Inc.	Mr. J. Morris Sackie	Manager	390,600.00
5/10/2018	JRCPV-102	Payment of the Supply of 31 Power Tillers	Professional Maintenance Contractor, Inc	Mr. J. Moris Sackie	Administrative Assistant	155,000.00
Total						545,600.00

Risk

1.11.4 Collection of the checks in the name of suppliers by the same person could lead to collusion and rigging of the procurement process which undermine the achievement of value for money.

Recommendation

1.11.5 The PIU Management should provide justification for the above transactions.

Management's Response

1.11.6 *The time interval (almost a year in between) between the checks issued to the names of two separate business entity. Identification Cards from the different institutions were submitted at the time of receiving the checks, this makes it a challenge for staff issued out checks to have assumed one a single individual was received check for two entity given the that people migration from one Job to another.*

Auditor General's Position

1.11.7 We acknowledge the PIU Management's acceptance of our finding. The PIU Management failed to demonstrate that it exercised due care in the award of contracts and subsequent payments of contractual fees.

1.11.8 Further, confirmation obtained from the Liberia Business Registry revealed that the activities registered by both Africa Food Inc. and Professional Maintenance Contractor, Inc. were different from the services provided to the PIU. Therefore, we cannot provide any assurance for the transaction mentioned above.

1.11.9 Additionally, we recommend an inquiry be carried out to establish whether fraud had occurred.

1.12 Contract Completion

Observation

1.12.1 Section 5.9 paragraphs 290 of the Finance and Administrative Procedure manual provides that the provisional and final takeover (i.e. receipt) of works is carried out by an ad hoc Inspection and Acceptance committee. In the case of small value works (less than USD 30,000), the committee is made up of the requesting staff (normally the Civil Engineer), the County Resident Engineer, the beneficiaries and MOA. For large value works (USD 30,000 or more), the committee includes, in addition to the above-cited members, a representative of the district and the consultant engineers recruited by the PIU. In both cases, a takeover report detailing any delay or fault in the execution of the works is signed by all members of the Inspection and Acceptance committee.

1.12.2 It was observed during the period under audit that contracts for the construction of Rice Processing Facilities in Foya and Voinjama were awarded to EADECON and ADI Contractors respectively. Payment to-date to EADECON and ADI Contractors for contractual services amounted to US\$ 190,025.52 and US\$ 154,425.74, respectively. The completion dates for both contractual works at the Foya Rice Processing and Voinjama Rice Processing facilities were Nov. 30, 2018 and Oct. 8, 2018 respectively. See below:

Description	Foya Rice Facility	Voinjama Rice Facility
Contract Completion Date	30-Nov-18	8-Oct-18
Contract Value	279,603.00	207,405.04
Payment to Date	190,025.52	154,425.74
Outstanding Amount	89,577.48	52,979.30
Percentage of Payment	68%	74%

1.12.3 The field verification exercise revealed that the water tower and the rice processing equipment at the Foya Rice Processing facility are yet to be installed even though 68% of the contract value has been paid to the contractor.

1.12.4 Also, the audit team observed that only substructure work on the warehouse at the Voinjama Rice Processing facilities appears to be partially completed while the superstructure work on the warehouse and the septic tank are yet to begin. There was no work observed done on the Generator house and the water tower even though 74% of the contract value has been paid to the contractor. The Rice Processing equipment were seen lying outside of the uncompleted facility. **See Exhibit 2.**

1.12.5 The audit team found no evidence that a Report for the delay or fault in the complete of both contraction projects were prepared by the PIU Management as well as a disclosure in the notes to the Financial Statements prepared by the Financial Comptroller.

Risk

1.12.6 The failure by the PIU management to ensure that contractual works are completed within the scope of the agreement/contract could deny the achievement of value for money and the achievement of Government developmental objectives.

Recommendation

1.12.7 The PIU Management provide substantive justification why the contracts were not completed within the scope of the agreements.

Management's Response

1.12.8 *The Contracts were not completed due to raining seasons and the project completion date. The financing rules made it clear that payment from IFAD funded are made for works completed before or on the project completion date; November 30, 2019 in the case of the J-Rice project. However, meetings were held (minutes attached) with the IFAD CPM, Project partners, the PIU and contractors and it was agreed in that meeting that whatever portion of work not completed before the project completion date will be financed by the project partners.*

Auditor General's Position

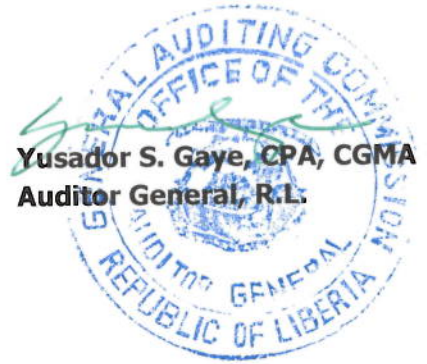
1.12.9 The PIU Management assertions do not adequately address the issues raised. Our findings from the field verification are quite different from what is being reported by Ministry of Public Works assessment report. We cannot provide an assurance of the

amount paid in relation to the level of construction complete on both facilities. We recommend that an independent evaluation of construction at the two project sites be carried to determine the level of completion in relations to the amounts paid.

2 ACKNOWLEDGEMENT

- 2.1** We acknowledge the cooperation and assistance provided to the GAC Audit Team by the Management and staff of the Ministry of Agriculture IFAD Project Implementation Unit (PIU) and CHAP during the audit. The efforts and commitment of the GAC staff in conducting this audit are also gratefully acknowledged.

Monrovia, Liberia
June, 2019



ANNEXURES

Annexure 1: Salary Paid Through Third Party

No.	Date	Voucher No.	Description	Payee	Amount In US\$
1	9/7/2017	JV-037	CHAP staff salaries for the month of July 2017	Bintu Traore,	1,350.00
2	9/7/2017	JV-037	CHAP staff salaries for the month of July 2017	Blamo Chea	6,075.00
3	1/18/2018	JV-059	Salaries for project staff for November 2017	Jeremiah P. Smith	6,075.00
4	1/18/2018	JV-059	Salaries for project staff for November 2017	Jeremiah P. Smith	1,350.00
5	6/20/2017	JV-017	CHAP staff salary Salary for the month of May,	Edwina P. Beah	9,240.90
6	7/21/2017	JV-026	Project aggregators salaries for April and May 2017	Edwina P. Beah	2,700.00
7	6/20/2017	JV-016	Three months(Feb-April) salary paymnet to CHAP staff	Blamo Chea	24,394.50
8	5/5/2017	JV-007	CHAP staff salaries for Dec.2016 and Jan.2017	Henry D. Mayson Jr.	17,530.20
9	9/7/2017	JV-037	CHAP staff salaries for the month of July 2017	Bintu Traore,	1,350.00
10	9/7/2017	JV-037	CHAP staff salaries for the month of July 2017	Henry D. Mayson Jr.	1,350.00
11	9/7/2017	JV-037	CHAP staff salaries for the month of July 2017	Blamo Chea	6,075.00
12	6/30/2018	JV-088	December 2017 - March 2018 salaries for staff	Paul Y. Gono	6,075.00
13	6/30/2018	JV-088	December 2017 - March 2018 salaries for staff	Blamo Chea	18,225.00
14	6/30/2018	JV-088	December 2017 - March 2018 salaries for staff	Jeremiah P. Smith	1,350.00
15	6/30/2018	JV-088	December 2017 - March 2018 salaries for staff	Jeremiah P. Smith	4,050.00
16	9/4/2017	JV-034	CHAP staff salary for june 2017	Edwina N. Beah	6,075.00
17	9/13/2017	JV-038	CHAP staff salaries for August 2017	Blamo Chea	10,115.10
18	12/5/2017	JV-047	CHAP staff salaries for September & October 2017	Bintu Traore	1,350.00
19	12/5/2017	JV-047	CHAP staff salaries for September & October 2017	Blamo Chea	6,075.00
20	12/5/2017	JV-047	CHAP staff salaries for September & October 2017	Edwina N. Beah	6,075.00
21	12/5/2017	JV-047	CHAP staff salaries for September & October 2017	Edwina N. Beah	1,350.00
22	9/4/2017	JV-034	CHAP aggregators salary for June 2017	Blamo Chea	1,350.00

*Management letter on the Audit of the Economic
Recovery of Liberia Rice Farmers in Ebola Affected Counties (ERLRFEC) Project
For the Period May 1, 2017 to December 31, 2018*

No.	Date	Voucher No.	Description	Payee	Amount In US\$
23	7/21/2017	JV-026	SRI Technicians salary for May 2017	Blamo Chea	6,075.00
24	10/22/2018	JV-186	Market Aggregators' salaries for Aug.2018	Moses J. Harris	1,350.00
25	10/22/2018	JV-186	SRI Technicians salaries for Aug.2018	Moses J. Harris	6,075.00
26	12/18/2018	JV-190	Salary payment to CHAP staff for the period Sept-Nov 2018	Moses J. Harris	5,265.00
27	12/18/2018	JV-190	Salary payment to CHAP staff for the period Sept-Nov 2018	Moses J. Harris	1,350.00
28	12/18/2018	JV.190	Salary payment to CHAP staff for the period Sept-Nov 2018	Ernest Matico	5,265.00
29	12/18/2018	JV-190	Salary payment to CHAP staff for the period Sept-Nov 2018	Ernest Matico	1,350.00
30	12/18/2018	JV-190	Salary to CHAP staff for the payment period Sept-Nov 2018	Moses J. Harris	5,265.00
31	12/18/2018	JV-190	Salary to CHAP staff for the payment period Sept-Nov 2018	Ernest Matico	1,350.00
Total					172,925.70

Exhibit

Exhibit 1

00808992
Ecobank
Pan African Bank
* for bank by mail
Cash of Alpha So Gburar
13/10/17
13 10 17
DAY MONTH YEAR
THREE HUNDRED NINETY THOUSAND SIX HUNDRED ONLY
USD 390,600.00
JAPANESE RICE GRANT
0111014728315601
AUTHORIZED SIGNATURE: Piuso Shompa
AUTHORIZED SIGNATURE: Alinta
00000042006003300110472881560169102840031

AFRICA FOOD, INC.
LDC Corporation, New Market Estate
Monrovia, Liberia
Contact: 07770681924866-921-6872 0486-121-643

J. Moris Saekie
Name
Manager
Holder's Signature



01000252 **Ecobank**
The Green African Bank

10 May 2018
DAY MONTH YEAR

PAY Professional Maintenance Contractor, Inc.

THE SUM OF One Hundred Fifty Five Thousand only USD 155,000.00 -

CBL JAPANESE RICE GRANT
011101472681550

[Signature]
AUTHORIZED SIGNATURE

⑆00000⑆52⑆0600⑆3300⑆1⑆0⑆47268⑆550⑆69⑆0284038⑆

Professional Maintenance Contractor, Inc.
C/O: 0854-70462 / 0864-11117 / 0777-50010
Email: info@pmcinc.com / Gochuerville, Monrovia, Liberia

J. Morris Sackie
Administrative Assistant

[Signature]
Holder's Signature:

*J. Morris Sackie 105/5
1-05-18*

Exhibit 2 The construction of Warehouse in Vionjam



Uncompleted Septic Tank



Unfinished Substructure View 1



Unfinished Substructure Interior View -1



Unfinished Substructure Interior View 2



Unfinished Substructure Interior view 3



Equipment (Rice Milling) outside Structure



Uninstalled Rice Milling Equipment View 1



Uninstalled Rice Milling Equipment View 2



Foya Warehouse Interior View 1



Foya Warehouse Interior View 2



Unfinished Rice Parlor



Completed Structure - unfitted



Foya Water Tower - No Connection