



Management Letter

On The Financial Statement Audit of the Integrated Public Financial Management Reforms Project (IPFMRP) II

For the Period Ended June 30, 2021



Promoting Accountability of Public Resources

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

Monrovia, Liberia
December 2021

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Acronyms/Abbreviations/Symbols

Acronyms/Abbreviations/Symbol	Meaning
ACCA	Association of Chartered Certified Accountants
A/C#	Account Number
AfDB	African Development Bank
AG	Auditor General
APA	Assistant Project Accountant
BEP	Bid Evaluation Penal
CBL	Central Bank of Liberia
CFC	Certified Financial Consultant
CFIP	Certified Forensic Investigation Professional
CPA	Certified Public Accountant
GAC	General Auditing Commission
GoL	Government of Liberia
IDA	International Development Association
IPFMRP	Integrated Public Financial Management Reforms Project
IPSAS	International Public Sector Accounting Standards
LRA	Liberia Revenue Authority
M & E	Monitoring and Evaluation
MSC	Ministerial Steering Committee
PFM Act	Public Finance Management Act
PFMU	Project Financial Management Unit
PMU	Project Management Unit
PPC Act	Public Procurement & Concessions Act
PPCC	Public Procurement and Concessions Commission
PV	Payment Voucher
SPA	Senior Project Accountant
US\$	United States Dollar

*Management Letter On The
Financial Statement Audit of the Integrated Public Financial Management Reforms Project (IPFMRP) II
For the Period Ended June 30, 2021*

December 31, 2021

Mr. Vee Musa Fofana

Manager

Project Management Unit (PMU)

Ministry of Finance and Development Planning (MFDP)

Monrovia, Liberia

Dear Mr. Fofana:

Re: Management Letter on the Financial Statement Audit of the Integrated Public Financial Management Reforms Project (IPFMRP) II for the fiscal period July 1, 2020 to June 30, 2021.

The financial statements of the Integrated Public Financial Management Reforms Project (IPFMRP) are subject to audit by the Auditor-General in terms of Section 2.1.3 of the General Auditing Commission (GAC) Act of 2014 as well as in accordance with the Engagement Term of Reference (ToR).

Introduction

The audit of the IPFMRP II for the fiscal period ended June 30, 2021 has been completed and the purpose of this letter is to bring to your attention the findings that were revealed during the audit.

Audit Scope and Methodology

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 the audit is planned and performed 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 statement presentation.

The audit also includes 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.

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The matters mentioned in this letter are therefore those that were identified through tests considered necessary for the purpose of the audit and it is possible that there might be other matters and/or weaknesses that were not identified.

The financial statements, maintenance of effective control measures and compliance with laws and regulations are the responsibility of the IPFMRP II Management. 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.

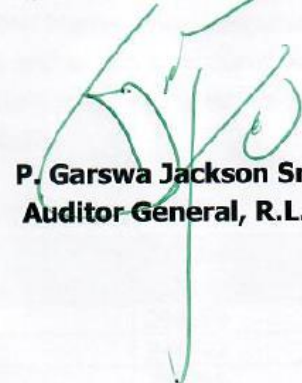
Thank you as we strive to promote accountability, transparency and good governance across the Government of Liberia.

APPRECIATION

We would like to express our appreciation for the courtesy extended and assistance rendered by the staff of the project during the audit.

Monrovia, Liberia

December 2021



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

1 DETAILED FINDINGS AND RECOMMENDATIONS

1.1 Financial Statements Issues

1.1.1 Non-Remittance of Withholding Taxes

Observation

- 1.1.1.1 Section 905 (J) of the Revenue Code of Liberia Act of 2000 as amended in 2011 stipulates that “within 10 days after the last day of the month, a payer described in (a) is required to remit to the tax authorities the total amount required to be withheld during the month”.
- 1.1.1.2 Section 905(m) also states that “a person who has a withholding obligation under this section and fails to withhold and remit the amount of tax required to be withheld is subject to section 52 penalty for late payment and failure to pay”.
- 1.1.1.3 It was observed during the audit that the PFMU Management disbursed a total amount of US\$ 234,427.95 to several vendors for goods and services procured without evidence that withholding taxes were deducted and subsequently remitted to the Liberia Revenue Authority (LRA). **See table 1 below for details.**

Table 1: Transactions On Which Taxes Were Not Withheld

Transaction Date	PV Number	Description	Check Number	Amount in USD
5/13/2021	2021/152	Office Ideas	294583	1,341.00
5/12/2021	2021/148	Super Petroleum Fuel	294592	544.50
4/22/2021	2021/104	LMMS	294795	400.00
5/12/2021	2021/147	James B. Korlon	294601	4,300.00
6/3/2021	2021/163	Just Car Rental Service	294544	3,500.00
3/30/2021	2021/072	Victor printing Service	269813	3,600.00
3/19/2021	2021/034	RB Old School Catering	268243	4,080.00
6/18/2021	2021/102	Tayo Motors	269832	55,000.00
5/4/2021	2021/141	United Office Supply	294625	9,960.00
4/14/2021	2021/102	United Office Supplies	294801	990.00
3/30/2021	2021/101	Saksouk Shopping Center	294804	753.80
4/15/2021	2021/039	Lion Stationery	268198	295.25
6/23/2021	2021/165	United Office Supplies	269829	117,695.50
4/13/2021	2021/106	Office Ideas	294640	1,685.00
12/14/2020	2021/085	Edem Sokpor consult	294695	4,295.65
4/28/2021	2021/056	United Office Supplies	69126	480.00
6/21/2021	2021/164	Evergreen Auto Service	269717	1,770.00
3/30/2021	2021/103	Edem Sokpor	294798	22,245.00
5/5/2021	2021/057	Saksouk Shopping Center	294481	822.25
9/4/2020	2021/045	General Revenue Account	294748	670
Total				234,427.95

Risk

- 1.1.1.4 Failure to remit taxes withheld, could deny GoL of much needed tax revenue.
- 1.1.1.5 Management of the PFMU may be in noncompliance with Section (905) J. of the Revenue Code of Liberia 2000, which may result in to penalties for late payment and failure to pay. Please see Section 52 of the Revenue Code of Liberia as reference above.
- 1.1.1.6 Non remittance of withholding taxes may lead to overstatement of the cash book and subsequently the financial statements.

Recommendation

- 1.1.1.7 The Management of the PFMU should facilitate full remittance of withholding taxes to the LRA in keeping with Section 905 (J) of the Revenue Code of Liberia Act of 2000.
- 1.1.1.8 The Management of PFMU should adjust the cash book by the total value of the non-remitted withholding taxes and restate the financial statements with the adjusted cash balance.

Management's Response

- 1.1.1.9 *PFMU has worked and continue to engage with the stakeholders regarding the provision of GOL flag receipt as evidence of tax payment. The LRA has indicated that the PFMU is not regarded as one of her Collectorates that can issue flag receipt. The issuance of flag receipts will have to go through various approvals levels and in their wisdom, the PFMU cannot issue a flag receipt for the reasons given above.*
- 1.1.1.10 *Notwithstanding, LRA has encouraged PFMU to ensure that tax payments are made on behalf of consultants and vendors to the General Revenue account via the LRA tax remittance forms which will be captured by their system and the consultant or vendor can later claim their tax credit from the LRA system. **See Exhibit VI***

Auditor General's Position

- 1.1.1.11 The Project Management's response did not adequately address the audit findings. Therefore, we maintain our findings and recommendations.

1.1.2 Third Party Payment

Observation

- 1.1.2.1 Section 6.4.1 of the PFMU Financial Procedure Manual requires that "All payment vouchers and checks shall be written in the name of the beneficiary that appears on the supporting documents."
- 1.1.2.2 It was observed during the audit that payments amounting to US\$ 42,625 were made as DSA for participants of workshops in the name of MFDP staffs instead of the beneficiaries' names. **See table 2 below for details.**

Table 2: Third Party Payment

Transaction Date	Voucher Number	Description	Check Number	Base Amount
5/11/2021	2021/145	Eddie Moulton DSA	294604	675.00
10/27/2020	2021/035	Toebalee D. Andrews DSA	269776	1,600.20
9/28/2020	2021/005	Elijeh Sebleh	269836	40,350.00
Total				42,625.20

Risk

- 1.1.2.3 Paying cash to employee for subsequent disbursement to project staffs may facilitate misappropriation of funds.

Recommendation

- 1.1.2.4 PFMU Management should ensure that payments are made directly to beneficiaries or authorized representative.

Management's Response

- 1.1.2.5 *The payments to Toebalee Marie Diabe and Eddie Moulton was for smaller activities that needed to be supervised before these payment can be made to the beneficiaries. Marie as the Financial Management Office of the PMU was charge with the responsibility to supervise while Eddie from the IFMIS end had to do same before allowance were pay to each staff who duly signed the record as evidence of performing the said task for the project to meet value for money. Moreover, payment to Elijah Sebleh was for activities carry out in Grand Bassa County. The objective of this exercise was for staff designated to be present in the county before payment are made to staff on a daily basis as they are present. This is in line with our Project Financial Management Procedure Manual that the Unit will accompany project staff in the field to make payment in an amount US10,000.00.*

Auditor General's Position

- 1.1.2.6 The payments made in the names of individuals listed in table 3 above, represent payments to participants for several activities.
- 1.1.2.7 The beneficiaries in question were staff of MFDP; section 7.2.5 of PFMU financial procedure Manual which allows PFMU making "trust" payments for individuals (third party payment) on site is not applicable in this case. Therefore, we maintain our findings and recommendation.

1.1.3 Transaction Without Supporting Documentation

Observation

- 1.1.3.1 Section 9.1 of the World Bank procurement regulations states that "The Borrower shall retain all documentation, and shall furnish such documentation to the Bank upon request, with respect to each contract subject to post review, according to the requirements of the

Legal Agreement. This documentation shall include, but is not limited to: a. complaints, the signed original of the contract and all subsequent amendments or addenda, b. the Bids/Proposals evaluation report, and the recommendation for award; and c. the payment invoices or certificates, as well as the certificates for inspection, delivery, completion, and acceptance of Goods, Works, and Non-consulting Services, for examination by the Bank or by its consultants/auditors”.

1.1.3.2 During the audit, several payments amounting to US\$74,697.50 were made without supporting documents.

1.1.3.3 Additionally, the PFMU Management made payment amounting to US\$9,315 without adequate supporting documentation. **See tables 3 (a) and (b) below for details.**

Table 3 (a): Payment Without Supporting Documents

Transaction Date	Transaction Reference	Description	Amount in USD
11/23/2020	IPFMRP ADF	Unpaid DSA	-120.00
4/19/2021	2021/111	Infocus Technologies	19,329.50
11/23/2020	IPFMRP ADF	Unpaid DSA	-170.00
12/11/2020	2IPFMRP/ 0	Bank Trnsfer Charges	50.00
5/7/2021	2021/143	Attaced Individuals	240.00
4/15/2021	2021/071	Trixie Greaves DSA	1,545.00
6/1/2021	2021/542	E. Johnson DSA	555.00
6/21/2021	2021\103	Lion Stationery Store	7,995.00
5/7/2021	2021/143	Attaced Individuals	240.00
10/13/2020	2021/020	A One Stationery	7,350.00
5/7/2021	2021/143	Attaced Individuals	240.00
5/5/2021	2021/059	George N. Dennis DSA	5,553.50
5/7/2021	2021/143	Attaced Individuals	240.00
4/19/2021	2021/073	CRU Int. Ltd.	22,864.70
8/20/2020	2021/015	Ben Williams DSA	325.00
4/12/2021	2021/130	Destiny Travel Services	8,459.80
Total			74,697.50

Table 3 (b): Payment Without Adequate Supporting Documents

Transaction Date	PV Number	Description	Check Number	Amount in USD	General Comments
5/24/2021	2021/085	Patricia P. B. Brima DSA	269768	1,960.00	No evidence of check copy and check release
9/25/2020	2021/004	b. Boateng	26904	2,985.00	Incomplete receipt

Transaction Date	PV Number	Description	Check Number	Amount in USD	General Comments
11/3/2020	2021/049	Harvard Kennedy School	269728	3,310.00	No evidence of receipt for payment.
10/30/2020	2021/040	James B. Korlon DSA	269761	1,060.00	No evidence of receipt for expenditure.
Total				9,315.00	

Risk

- 1.1.3.4 In the absence of adequate supporting documents, the validity, occurrence and accuracy of payments cannot be assured. This may lead to misappropriation of the project's funds.
- 1.1.3.5 The absence of adequate supporting documentation for transactions may also lead to fraudulent financial management practices, through the processing and disbursement of illegitimate transactions.
- 1.1.3.6 Management may override the procurement processes by completing disbursement without utilizing the required procurement processes.

Recommendation

- 1.1.3.7 Management should ensure all transactions are supported by the requisite supporting documents consistent with the financial management regulations.
- 1.1.3.8 The failure of PFMU Management to provide supporting documents may undermine the legitimacy of the transactions.

Management's Response

1.1.3.9 *Please see attached payments listed without supporting documents.*

Transaction Date	Voucher Number	Description	Check Number	Amount in USD	General Comments	PFMU/PMU Response
5/24/2021	2021/085	Patricia P. B. Brima DSA	269768	1,960.00	No evidence of check copy and check release	Patricia Brima was paid as evidence from our check log and the bank statement. These documents copies may have fallen off during the movement of document because as you can see it is one of it kind in all of the documents review during the audit. See Exhibit IIA

9/25/2020	2021/004	b. Boateng	26904	2,985.00	Incomplete receipt	Please see attached for US\$2,585.00 out of the total of US\$2,985.00. See Exhibit II B
11/3/2020	2021/049	Harvard Kennedy School	269728	3,310.00	No evidence of receipt	The beneficiary benefited from the training which have been use to support Government operation. See Exhibit II C
10/30/2020	2021/040	James B. Korlon DSA	269761	1,060.00	No evidence of receipt for expenditure	Please see attached supporting documents for the us\$1,060.00. See Exhibit II D

Auditor General's Position

1.1.3.10 We reviewed the documents submitted by Management. Therefore, we have adjusted the transactions without supporting documents to (US\$84,012.50 – US\$82,412.50) US\$1,600 to be accounted for by Management. We therefore maintain our recommendation.

1.2 Compliance Issues

1.2.1 Procurement Irregularities

Observation

1.2.1.1 Section 7.2.2 of the PFMU Financial Procedure Manual requires that "Procurement for goods and services must follow the procedures outline in section 13.1 to 13.93 of this manual. Those sections describe the procedures for raising of requisition, obtaining at least 3 quotations, evaluation and ordering process, and should precede request for payment for goods and services."

1.2.1.2 During the audit, it was observed that payments totaling US\$31,892.81 were disbursed for the purchase of fuel and gasoline without adherence to the required procurement standard. Management obtained only one quotation for these transactions. **See tables 4 below for details.**

Table 4: Procurement Irregularities.

Transaction Date	PV Number	Description	Check Number	Amount in USD	General Comments
10/13/2020	2021/017	Super Petroleum Fuel	269889	3,316.50	No evidence of 3 quotations.
10/13/2020	2021/018	Super Petroleum Fuel	269821	1,663.20	No evidence of 3 quotations
4/22/2021	2021/137	Super Petroleum	1437622	1,431.00	No evidence of RFQ and Withholding tax
6/3/2021	2021/095	Super Petroleum Fuel	269729	2,178.00	No evidence of 3 quotations. No evidence of withholding tax.

Transaction Date	PV Number	Description	Check Number	Amount in USD	General Comments
4/22/2021	2021/138	Super Petroleum	294646	1,606.50	No evidence of RFQ and Withholding tax
8/27/2020	2021/037	Super Petroleum Fuel	294769	3,301.66	No Evidence of 3 quotations.
12/21/2020	2021/005	Hopwell Mauwa	268303	10,345.52	No evidence of the procuring proceeding
11/26/2020	2021/055	Oliver N. Rogers, II	294718	2,376.00	Procurement process
8/27/2020	2021/040	Super petroleum	269761	773.93	No evidence of 3 quotations.
5/24/2021	2021/082	Super petroleum	269762	4,900.50	No evidence of 3 quotations
Total				31,892.81	

Risk

- 1.2.1.3 The PFMU Management may not be in compliance with the required procurement method (Request for Quotations). Management may override the procurement processes by completing disbursement without utilizing the required procurement processes.
- 1.2.1.4 In the non-usage of the required procurement method, value for money may not be achieved.

Recommendation

- 1.2.1.5 The PFMU Management should adequately comply with the required procurement method to ensure that value for money is achieved.

Management's Response

- 1.2.1.6 **Justification for Selection of Super Petroleum.** *Prior to the signing of a framework contract with Super Petroleum (SP), the Project Management Unit issued Request for Quotations for the procurement of Petroleum products to major suppliers of the products. Those issued the RFQ were Super Petroleum (SP), Aminatta & Sons and Total Liberia. In response to the RFQ, Total Liberia informed us that they do no supply coupon but Tom Card and they do not also supply on local purchase order (LPO) but cash or check. As for Aminatta & Sons, they turned down our RFQ stating that government of Liberia is indebted to them. We did not continue engaging them because we once had a contract with them for the supply of petroleum products but this contract was terminated because Aminatta & Sons could not provide products most of the time when we are in need. There was a point in time when there was unavailability of the products which led to the coupons issued us to expired.*
- 1.2.1.7 *For the supply of the petroleum products, it was SP that agreed to supply on Local Purchase Order under the condition that we enter into an agreement. The framework contract was then entered into for the procurement and supply of petroleum products for fiscal year 2020/2021. See Exhibit IIIA, B, & C.*

Transaction Date	Voucher Number	Description	Check Number	Amount in USD	General Comments	PFMU/PMU Response
10/13/2020	2021/017	Super Petroleum Fuel	269889	3,316.50	No evidence of 3 quotations.	See Exhibit III A
10/13/2020	2021/018	Super Petroleum Fuel	269821	1,663.20	No evidence of 3	See Exhibit III A
4/22/2021	2021/137	Super Petroleum	1437622	1,431.00	No evidence of RFQ and Withholding tax	See Exhibit III A
6/3/2021	2021/095	Super Petroleum Fuel	269729	2,178.00	No evidence of 3 quotations. No evidence of withholding tax.	See Exhibit III A
4/22/2021	2021/138	Super Petroleum	294646	1,606.50	No evidence of RFQ and Withholding	See Exhibit III A
6/1/2021	2021/548	Super Petroleum	01436350	1,873.18	No evidence of 3 quotations	See Exhibit III A
8/27/2020	2021/037	Super Petroleum Fuel	294769	3,301.66	No Evidence of 3 quotations.	See Exhibit III A
12/21/2020	2021/005	Hopwell Mauwa	268303	10,345.52	No evidence of the procuring proceeding	Please see procurement proceeding for the consultant selection. See Exhibit III B
11/26/2020	2021/055	Oliver N. Rogers, II	294718	2,376.00	Procurement proceeding	See Exhibit III C
8/27/2020	2021/040	Super petroleum	269761	773.93	No evidence of 3 quotations.	See Exhibit III A
5/24/2021	2021/082	Super petroleum	269762	4,900.50	No evidence of 3 quotations	See Exhibit III A

Auditor General's Position

- 1.2.1.8 On the basis of receipt of evidence for payment of US\$10,345.52 to hopwell Mauwa and US\$2,376 to Oliver N. Rogers as project consultants, we have adjusted our findings.
- 1.2.1.9 However, for the award of contract to Super Petroleum, the documents provided by Management did not contain evidence of Request for Quotations sent to suppliers, responses from unaccepted vendors, bid evaluation documents, procurement committee minutes, etc. Therefore, we maintain our recommendation.

1.2.2 DSA Overpaid for Domestic Travel

Observation

- 1.2.2.1 Section 7.13.2 of the PFMU Revised Financial Procedure Manual of 2020 states that "Request for advance for travels should be approved not more than four weeks in advance of or less than two weeks before the expected travel date. If approved travel does not occur or is altered, the responsibility for recovering moneys expended rests with the Authorizing Officer in the respective Office/Unit. The entitlements for travel of Project / Program staff shall be regulated by the Government of Liberia – Domestic and Foreign Travel Ordinances respectively."
- 1.2.2.2 Section 4 of the GoL Revised Travel Ordinance of 2016/2017 states that "All authorized travel request shall be forwarded to the Department of Budget and Development Planning of the Ministry of Finance and Development Planning for the purpose of issuing allotment. The Department of Budget and Development Planning shall liaise with the Financial Regulations Unit in the Department of Fiscal Affairs to obtain the cost of the trip in accordance with the rate and documentation requirements as stated in this ordinance. The Department of Budget and Development Planning shall check to ensure that travel request is in line with cash plans based upon which allotment shall be processed"
- 1.2.2.3 During the audit, it was observed that PFMU Management made overpayments of US\$30,000 as DSA for domestic travels in favor of the Liberia Revenue Authority (LRA) staff.
- 1.2.2.4 The Project staff should have been paid at the GoL rate of US\$69. **See table 5 below for details.**

Table 5: DSA Overpaid for Domestic Travel

Transaction Date	PV Number	Description	Check Number	PFMU payment in USD A	GoL Rate in USD B	# of Days C	Total per staff in USD D=B*C	Variance in USD E=A-D
4/28/2021	2021/076	B. AL Dennis DSA		3,000.00	60	30	1800	1,200.00
4/28/2021	2021/076	Deddeh Lavalah DSA	269786	3,000.00	60	30	1800	1,200.00
4/28/2021	2021/076	Solomon G. Mahn DSA	269777	3,000.00	60	30	1800	1,200.00
4/28/2021	2021/076	Daniel Kragbe DSA	269789	3,000.00	60	30	1800	1,200.00
4/28/2021	2021/076	James Jamah DSA	269795	3,000.00	60	30	1800	1,200.00
4/28/2021	2021/076	Athelia Grasco Korvah DSA	269804	3,000.00	60	30	1800	1,200.00
4/28/2021	2021/076	Trixie Greaves DSA	269780	3,000.00	60	30	1800	1,200.00
4/28/2021	2021/076	James Saygarn DSA	269801	3,000.00	60	30	1800	1,200.00

Transaction Date	PV Number	Description	Check Number	PFMU payment in USD A	GoL Rate in USD B	# of Days C	Total per staff in USD D=B*C	Variance in USD E=A-D
4/28/2021	2021/076	Tom Thacker DSA	269783	3,000.00	60	30	1800	1,200.00
4/28/2021	2021/076	Thaddeus Gasgow DSA	269792	3,000.00	60	30	1800	1,200.00
Total				30,000.00			18,000.00	12,000.00

Risk

- 1.2.2.5 The Project Management may be noncompliant with GoL Travel Ordinance as prescribed in section 7.13.2.
- 1.2.2.6 Failure of PFMU Management to provide a standardized DSA rate may result into overstating of travel allowance and misappropriation of project funds.

Recommendation

- 1.2.2.7 The project Managements should apply the standardized rate for computation of travel allowance as required by section 7.13.2.

Management's Response

- 1.2.2.8 *The exercise under consideration is very important and crucial to the LRA and the Government of Liberia as well which in intended to help boost Revenue of the county. The DSA under consideration was approved for US\$120.00 per day because of the situation currently existing tin the various counties in terms of finding a conducive place to reside during the audit. Secondly, independence and integrity of the staff in question was also a key reason as to why the World approved such DSA for these activities which is to help improve the revenue based of the government of Liberia. **See Exhibit V.***

Auditor General's Position

- 1.2.2.9 Section 7.13.2 of PFMU Revised Financial Procedure Manual requires that entitlements for travel of Project / Program staff shall be regulated by the Government of Liberia – Domestic and Foreign Travel Ordinances respectively. Therefore, we maintain our findings and recommendation.