



# OFFICE OF INSPECTOR GENERAL

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## LIMITED SCOPE AUDIT OF MILLENNIUM CHALLENGE ACCOUNT-MOROCCO (MCA- MOROCCO) REVIEW OF PURCHASES, CONTRACTS, AND ADMINISTRATIVE WORK PRODUCTS

AUDIT REPORT NO. M-000-14-001-S  
October 11, 2013

WASHINGTON, DC

Financial information contained in this report may be privileged. The restrictions of 18 USC 1905 should be considered before any information is released to the public.



*Office of Inspector General*

October 11, 2013

Mr. Kamran Khan, Vice President  
Department of Compact Operations  
Millennium Challenge Corporation  
875 15<sup>th</sup> Street, NW  
Washington, DC 20005-2203

Subject: Limited Scope Audit of Millennium Challenge Account-Morocco (MCA-Morocco)  
Review of Purchases, Contracts, and Administrative Work Products (Report No. M-000-14-001-S).

Dear Mr. Khan:

Attached is the subject audit report prepared by the independent audit firm, Fidaroc Grant Thornton, Morocco. The audit was contracted by the Millennium Challenge Corporation (MCC) and covered the period from June 25, 2009 and ending May 31, 2013.

We have reviewed the report which was limited to an examination of the audit report. We did not conduct a quality control review of the auditor's working paper documentation. The purpose of the limited scope audit was to examine, analyze and report on purchases, contracts, and administrative work products under primary authority of M. Tajeddine's, Operations Manager (OM) for Agence du Partenariat pour le Progres (APP). The review also examined compliance with procurement practices authorized under MCC procurement rules and the delegation of procurement authority control by the APP Procurement Director.

To meet the objectives of this Limited Scope Audit, the auditors conducted the following procedures:

1. Reviewed the administrative purchases made by the OM on a sample basis to determine whether goods and purchases were procured in accordance with the Procurement Guidelines and plans.
2. Reviewed a sample of petty cash expenses made by the OM and ensured that the services were carried out for APP purposes of the related buildings and offices.
3. Reviewed a sample of the log book to determine if it included the details of daily mileage, the purpose of the trip/description and the users of the vehicles to ensure that the vehicles is not being used for personal use.
4. Determine whether receipts of all gas and oil purchases and logbooks have been reviewed and compared with the individual supervisors.

5. Reviewed the fixed assets register under the responsibility of the OM.

The auditors did not report any instances of fraud, abuse, or misappropriation of grant funds by the OM but reported seven (7) instances of Internal Control deficiencies and noted several instances of non-compliances with the requirements of the Fiscal Accountability Plan.

This report is being transmitted to you for your action. Please be advised that the Office of Inspector General (OIG) is reporting the audit firm's findings and not making any corrective action or implementation recommendations to MCC. Please refer questions regarding this report to Fred Jones, Director of Financial Audits at [fjones@usaid.gov](mailto:fjones@usaid.gov) or (202) 216-6963.

Sincerely,

/s/

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**LIMITED SCOPE AUDIT**

**REVIEW OF PURCHASES, CONTRACTS AND ADMINISTRATIVE WORK PRODUCTS**

**General Manager**

Agence du Partenariat pour le Progrès  
22, avenue Omar Ibn Khattab, Agdal-Rabat

**Subject:** Review of purchases, contracts, or initiation of any administrative work products including asset management performed by M. Tajeddine for the period starting June 25, 2009 and ending May 31, 2013.

Dear General Manager,

We are pleased to submit for your consideration our report of the limited scope audit of the resources managed by MCA-Morocco (Agence du Partenariat pour le Progrès – APP) under M. Tajeddine's authority for the period starting June 25, 2009 and ending May 31, 2013

The audited information have been extracted from the accounting system of MCA-Morocco which is under the responsibility of MCA-Morocco's management. Our responsibility is to review the purchases whether they have been conducted in compliance with MCC procurement guidelines. However, our limited scope audit would not necessarily identify all the deficiencies that might be significant.

This report and the information contained herein have been prepared according to the requirements set forth in the (a) Description of Services included in the above mentioned contract for audit services and (b) Millennium Challenge Corporation MCC procurement guidelines.

We would like to take the opportunity to thank the staff of the MCA-Morocco for their collaboration. Please do not hesitate to contact us for all the questions you may have on our report or any additional information.

August 27, 2013

Faïçal Mekouar

Managing Partner

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## **Abbreviations**

APP	Agence du Partenariat pour le Progrès (MCA – Morocco)
DG	Director General of APP
OM	Operation manager
PA/POA	Procurement Agent and Procurement Oversight Advisor
FAP	Fiscal Accountability Plan
MCC	Millennium Challenge Corporation [USA]
DPM	Procurement Director
POM	Procurement operations Manual
CFO	Chief Financial Officer of APP
GTSP	Grant Thornton sampling plan
IDEA	Interactive Data Extraction and Analysis: IT tool used by Grant Thornton for data analysis
UGP	Project implementation units / implementing entities (Unités de Gestion du Projet)

## I. Introduction

### 1.1. Background of the limited scope audit engagement

M. Mohamed Tajeddine was employed by MCA Morocco (APP) on June 25, 2009.

On January 9, 2010, M. Tajeddine was promoted as the Operations Manager (OM) for APP. His duties in this position included oversight and execution of all administrative operations such as human resource responsibilities, administrative purchases for APP and procedural oversight of vehicle use, maintenance, etc.

### Extract of the Fiscal Accountability Plan (FAP) language, Procurement section

During February 2010, the Fiscal Accountability Plan (FAP) formalized the duties and responsibilities of the administrative purchases under the control of Mohammed Tajeddine.

The extract of the February 2010 states the following:

**Administrative Purchases:** *this category covers all the goods, works, and services falling under the following categories and not exceeding \$10,000 in value:*

- *Office expenses.*
- *Vehicles recurrent expenses.*
- *Capital expenditures (CAPEX).*
- *Consulting services related to administrative assignments.*
- *Catering and conferences organization.*

*The OM processes the administrative purchases following the Shopping Method for purchase of goods, works and non consultant services. The Individual consultant selection has to be followed for the purchase of consulting services related to administrative assignments.*

*The OM signs the purchase order pursuant to MCC's Procurement Guidelines. First, the OM will submit the Requisition Note to the CFO for approval. The CFO shall review the Requisition Note to ensure that funds have been planned for the procurement. The CFO shall submit the Requisition Note to the DG for approval. Once the Requisition Note is approved by the DG (or designee), the procurement process is initiated by the OM (asking for quotes, evaluating the quotes, drafting and signing the Purchase Order based, normally, on the lowest evaluated quote). The OM shall keep all the original documentation for the procurement. The POA shall supervise on behalf of the DPM the administrative purchases to ensure that they have been conducted in compliance with MCC procurement guidelines. For this sake the OM shall prepare a quarterly plan of the administrative procurements and submit it to the POA and DPM. Reports of procurements conducted by the OM shall be in the form of weekly reports describing the procedures and circumstances of the conducted purchases (requisition notes, procurement methods, list of consulted suppliers etc) submitted via the POA to the DPM and a monthly performance report prepared on the basis of the administrative procurement plan. The POA or the POA deputy shall review this report and communicate their comments about the report to the DPM.*

*For audit purposes, the OM shall documents all the purchases conducted by him and ensures a free access to these documents by auditors.*

### 1.2. Audit objectives and scope

In the course of events during the month of April 2013, a purchase of an iPhone came to the attention of MCC. The use of grants funds for this type of phone is considered inappropriate and unreasonable for APP. The iPhone has been requested to be returned to the supplier and/or the recipient of the phone is instructed to



reimburse the grant funds. The iPhone is still not returned to APP. APP Management has undertaken to inform their supervisory ministry to retrieve the related phone

In addition, several verbal reports have indicated the misuse of official vehicles and labor services have possibly transpired under the direction of M. Tajeddine in his capacity of Operations Manager. The asset register, also under primary control of M. Tajeddine has shown through audits inconsistencies in the assets registered.

This Limited Scope Audit is requested to review a sample of purchases, contracts, or initiation of any administrative work products including asset management performed by M. Tajeddine during his period of performance consistent when his authority was initially granted. The review will examine compliance with procurement practices authorized under MCC procurement rules and the delegation of procurement authority control by APP Procurement Director.

It is acceptable for the limited audit scope review to examine primary administrative contracts for customary and normal practices and the audit scope may extend to interviewing of contract vendors to ensure there were no gratuitous considerations offered and delivered but not stated in the body of the work products. Special consideration and attention should be given to exploring unwritten or undocumented services or goods provided to or on behalf of M. Tajeddine particularly in areas of labor services that were billed and paid for by MCC grants funds. This area may include interviews with labor services to ensure the invoices billed are consistent with the work or service stated on the billing.

Furthermore, the official use of vehicles is under the control of M. Tajeddine, and it is requested this scope of work include exploration of any improper personal use of APP vehicles; and prudent and reasonable purchase of gas cards or vouchers.

Finally the asset register is a direct result of many purchases authorized by M. Tajeddine and a review of the assets registered with the underlying documentation is requested.

To meet the objectives of this limited scope audit, we carried out the following procedures:

***a) Purchase procedures:***

- Review the administrative purchases (less than USD 10,000 in value) made by the OM on a sample basis to determine whether goods and purchases were procured in accordance with the Procurement Guidelines and plans (conditions, prices, shopping method, delivery order...).

We went through our controls in order to make sure whether:

- The purchases initiated by the OM are necessary, allocable, reasonable and adequately documented;
  - The OM processes the administrative purchases following the Shopping Method for purchase of goods, works and non consultant services
  - The OM make the purchase after the requisition note is approved by all the relevant persons( the applicant, the CFO and the DG)
- Review the POA report and the comments made about the administrative purchases as he should supervise on behalf of the DPM the administrative purchases to ensure that they have been conducted in compliance with MCC procurement guidelines.

***b) Petty Cash expenses:***

- Review a sample of petty cash expenses made by the OM and ensures that the services were carried out for APP purposes in the related buildings and offices. For this purpose, we called the suppliers and asked them for the location where the services were carried out (APP buildings...).

***c) The control of the use of vehicles:***

- Review a sample of the log book to determine if it includes the details of the daily mileage, the purpose of the trip/description of the trip and the user of the vehicle to ensure that the vehicle is not being used for personal use.
- Make sure that for every trip, a travel order exists and is signed by the relevant persons
- Review a sample of log books to determine the following:
  - Log is prepared by the driver;
  - Log is signed by all passengers; and
  - Log controlled by the Office Manager.

***d) The gas card capping:***

- Determine whether receipts for all gas and oil purchases and logbooks has been reviewed and compared with the individual supervisor
- Review the gas card cap and determine if the cap granted to the vehicle user is not excessive
- Review the gas card cap and determine if the purchase of gas cards is reasonable.

***e) Assets management***

- Review the fixed assets register under the responsibility of the OM and make sure that:
  - A memo is set-up every time an asset is put in use
  - All the fixed assets disposal forms are filled out
  - All the transfers of the fixed asset interoffice are documented by the OM on a form as described in the FAP Appendixes
  - All the fixed assets received are subject to a delivery form
  - All the fixed asset stolen are subject to a memo written by the person to whom the fixed asset is assigned or the relevant staff member describing the circumstances under which an asset was stolen.

Audit steps and the procedures were held in compliance with:

- US Government Auditing Standards,
- MCC cost principles
- MCC Guidelines program procurement, and
- All copies of the Fiscal Accountability Plans

## **1.3. Sampling method**

The sampling methodology used for this limited scope audit is the Grant Thornton international methodology based on the application of sampling when used in substantive testing.

The Audit sampling is the application of audit procedures to less than 100% of the population comprising an account balance or class of transactions to evaluate evidences as to the overall correctness of account balances or classes of transactions. The objectives of the Grant Thornton Sampling Plan (GTSP) are to:

- Attain effective and efficient audit samples
- Document the considerations that determine sample sizes
- Evaluate sample results
- Facilitate compliance with professional standards.

GTSP is a scientific approach to audit sampling, a comprehensive and systematic plan that focuses directly on the assessment of audit risks and integrates statistical theory with the use of audit judgment. The plan provides

for the translation of subjective audit judgments into quantitative terms for the materiality and tolerable error key features (which are in accordance, in this case, with the total of the expenses made by the OM during all his period of performance).

The selection of the items in the tested population was done by using IDEA: another Grant Thornton application allowing a random sampling. This method is the least biased of all sampling techniques, there is no subjectivity - each item of the total population has an equal chance of being selected, which is more adequate for this limited scope audit.

For the purpose of this engagement, we carried out our controls based on a sample selected as follows:

	<b>June 2009 to December 2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>January to May 2013</b>
Administrative purchases	25	25	25	25	25
Control of the vehicles logbooks	the whole logbooks for the cars in use (5 vehicles in total) vehicles in use	the whole logbooks for the cars in use (5 vehicles in total) vehicles in use	the whole logbooks for a sample of 15 cars out of 26 in use	the whole logbooks for a sample of 15 cars out of 33 in use	the whole logbooks for a sample of 10 cars out of 33 in use
Control of gas expenses	All gas expenses for november and december 2009 for the 5 cars in use	the gas expenses for 5 cars since the date of use	12 months of gas expenses for 15 cars	12 months of gas expenses for 15 cars	5 months of gas expenses for 10 cars
Standing Travel orders	The whole travel orders for APP and implementing entities	The whole travel orders for APP and implementing entities related to the vehicles tested below	The whole travel orders for APP and implementing entities related to the vehicles tested below	The whole travel orders for APP and implementing entities related to the vehicles tested below	The whole travel orders for APP and implementing entities related to the vehicles tested below
Occasional Travel orders	The whole travel orders for APP and implementing entities	5	5	5	5
Petty cash expenses				8	6

## II. Summary results of audit

The audit of the administrative purchases, the control of the use of vehicle and the asset management raised the following observations:

No	Observation
<b>Purchase procedures</b>	
1	Purchases of goods and services for implementing entities follow the procedure set out in the procurement procedure manual which provides that only a purchase greater than \$ 5,000 should be subject to three quotations .However, for the particular needs of the implementing entities, APP pursued another procedure described in the annex 4 of the FAP "UGP's procurement guidelines" which provides three quotations for sale valued between 15,000MAD and 40,000 MAD. These two documents are appendixes to the FAP.
2	<p>The Procurement Oversight Advisor (POA) should supervise the administrative purchases to ensure they have been conducted in accordance with MCC procurement guidelines. Based on the procurement report sent monthly by the OM to the POA, the POA should review this report and make comments that would be communicated to the implementing entity DPM.</p> <p>But this oversight is not documented. In its monthly reports to the DPM, the POA does not put comments systematically on the administrative purchases.</p>
3	The tests of compliance for administrative purchases raised some issues regarding the approvals, requisition notes, etc.
4	The tests of the procedures performed on a sample of 14 Petty Cash expenses (2012 and 2013) raised that the services were carried out for APP purposes in the related buildings.
<b>Control of the use of vehicle</b>	
5	The logbooks of vehicles were not established for November and December 2009.
6	The control of the logbooks for APP and the Implementing Entities vehicles raised some issues especially logbooks not completely filled or not available
7	For 2009 and 2010, the control of the APP and the implementing entities' cars fleet was not documented.
8	For 2012 and the first quarter of 2013, the memos for the use of vehicles (APP and the implementing entities) are not established by APP.
9	Logbooks are not completely reviewed for the vehicles allocated to the implementing entities for the period starting 2009 and ending 2013
<b>Gas card capping</b>	
10	For 2010, 2011 & 2012, gas cards are allocated to the employee with a monthly cap. However the criteria for fixing the cap are not supported with a proper documentation.
11	The evidences for gas consumption related to the implementing entities ONP and PAF are not sent to APP on a persistent basis.
<b>Asset management</b>	
12	<p>For 2009 and 2010,</p> <ul style="list-style-type: none"> <li>• APP does not establish a memo for fixed assets assigned to its employees.</li> <li>• APP does not establish an acceptance note for fixed assets received.</li> <li>• APP does not establish a memo when a fixed asset is put to use.</li> </ul>

<b>13</b>	For the first quarter of 2011, APP does not establish a memo for fixed assets assigned to its employees.
<b>14</b>	Free mobile phones received from Maroc Telecom (local provider) are not subject to delivery forms.
<b>15</b>	The count of the fixed asset in 2012 has identified discrepancy with the fixed asset register. These differences concerned stolen assets. APP provided two police complaints. These documents do not mention the stolen asset.

## **III. Control findings**

### **3.1. UGPs procurement guidelines**

#### Condition

Purchases of goods and services for implementing entities follow the procedure set out in the procurement procedure manual which states that only a purchase greater than \$ 5,000 should be subject to three quotations. However, for the particular needs of the implementing entities, APP pursued another procedure described in the annex 4 of the FAP "UGP's procurement guidelines" which provides three quotations for sale valued between 15,000 MAD and 40,000 MAD. These two documents are Appendixes to the Fiscal Accountability Plan (FAP). For illustration, in the purchases tested, those mentioned in the Appendix 1 do not comply with the procedure described in Annex 4 of the FAP.

8 purchases out of the 10 tested do not comply with the procedure.

The total of the related purchases amounts \$ 22,398 which is equivalent to 186,875 MAD.

#### Criteria

According to the FAP, all purchases for less than 40,000 MAD in value follow the shopping method described below:

- The person responsible for purchases of the Implementing Entities obtains at least three quotations. The quotations have to be written and including the date, the quantity, the unit price, the technical specifications, the contact details of the supplier with the company registration details and the validity period of the quotation.
- The person responsible for purchases of the IE sends the quotations and a Purchase Request, approved by the IE authorized person, to the OM of APP who makes the purchase.

#### Cause

The procurement procedures applied by APP for the implementing entities purchases do not comply with the fiscal accountability plan requirements.

#### Effect

- Overstated purchases
- Non compliance with the FAP procedures

#### Recommendation:

Standardize the FAP procedures (Annex 4 and the POM) to have one valid procedure for the implementing entities that would be followed for their administrative purchases.

#### OM Comments:

The administrative purchases followed the procedure of the procurement procedure manual which is as follows:

- For purchases less than \$ 5,000: 1 quotation is requested
- For all purchases exceeding \$ 5,000: 3 quotation are required.

The Procurement Agent, in its controls, has never mentioned this issue.

## **3.2. Procurement Oversight Advisor supervision**

### Condition

The Procurement Oversight Advisor (POA) should supervise the administrative purchases to ensure they have been conducted in accordance with MCC procurement guidelines. Based on the procurement report sent monthly by the OM to the POA, the POA should review this report and make comments that would be communicated to the implementing entity DPM.

But this oversight is not documented. In its monthly reports to the DPM that we reviewed some of them, during our audit, the POA does not put comments systematically on the administrative purchases.

A copy of a POA report addressed to the DPM is enclosed to this report.

### Criteria

According to the FAP, the POA shall supervise on behalf of the DPM the administrative purchases to ensure that they have been conducted in compliance with MCC procurement guidelines. For this sake the OM shall prepare a quarterly plan of the administrative procurements and submit it to the POA and DPM. Reports of procurements conducted by the OM shall be in the form of monthly reports describing the procedures and circumstances of the conducted purchases (requisition notes, procurement methods, list of consulted suppliers etc) submitted via the POA to the DPM and a quarterly performance report prepared on the basis of the administrative procurement plan. The POA or the POA deputy shall review this report and communicate their comments about the report to the DPM

### Cause

The supervisory role of the POA of the administrative purchases is not really clear in the FAP and not well documented.

### Effect

- Non controlled purchases
- Fiscal Accountability Plan requirement is not correctly applied

### Recommendation:

The POA should be more involved in the administrative purchase process and document his supervision work in the report addressed to the DPM

### OM Comments

- The POA conducted audits and wrote reports
- The OM communicates monthly a report of procurements to the POA and provides a full access to the evidences if needed.
- In case of any trouble on a purchase, we consult the POA for more clarifications.

### 3.3. Procurement procedures

#### Condition

Our tests on the compliance of the administrative purchases (125 tests from 2009 to 2013) with the procedure set by APP as described in the FAP raised:

- Six requisition notes are not approved by the General Manager in 2009 and 2010 (Cf. Appendix 2 and Appendix 4)
- The amount of the requisition note is lower than the amount of the purchase order (No 231/2010). Indeed, the requisition note reports an amount of 28,960 MAD while the purchase order is 30,105 MAD.
- The purchase order N ° 26/13 (purchase of computer and office equipment for DPM implementing entity) does not match with the material received in particular for a printer (different reference). In addition, the purchase price seems to be higher than the market price (determined by the fiscal agent after verification).
- APP has chosen AVIS to rent a vehicle for the General Manager (GM) before the purchase of his car. AVIS provided services to APP in 2009 and the first quarter of 2010. APP did not consult other rental agencies to assess the best offer. In our tests, the total amount of payments to AVIS is \$12,212.

#### Criteria

According to the FAP, the OM will submit the Requisition Note to the CFO for approval. The CFO shall review the Requisition Note to ensure that funds have been planned for the procurement. The CFO shall submit the Requisition Note to the GM for approval. Once the Requisition Note is approved by **the GM (or designee)**, the procurement process is initiated by the OM (asking for quotes, evaluating the quotes, drafting and signing the Purchase Order based, normally, on the lowest evaluated quote).

#### Cause

The Fiscal Accountability Plan requirement is not correctly applied.

#### Effect

- Fiscal Accountability Plan requirement is not correctly applied.
- Purchases not properly authorized and approved

#### Recommendation:

Before any payment, APP should make sure that the administrative procurement procedure is respected (requisition note approved by all the relevant person, the purchase order match with the deliverable order,...etc).

#### OM Comments

- Six requisition notes are not approved by the GM in 2009 and 2010: these requisition notes are from the Management. So they cannot require and approve the purchase at the same time.
- The amount of the requisition note is higher than the purchase order amount No 231/2010: the excess is not significant (4%).
- The purchase order N ° 26/13 does not match with the material received in particular for a printer: the OM made the purchase in accordance with the requisition notes and the quotation received. Moreover, the purchase order has been prepared on the basis of this quotation. This deficiency was raised by the OM when he received the delivery order (the invoice submitted for the payment is different from the purchase order). The OM informed the Direction of small scale Fisheries Project to regularize this situation.
- APP has chosen AVIS to rent a vehicle for the GM before the purchase of a car. APP did not consult other rental agencies to assess the best offer: the duty department paid the related regularization payments for the contract triggered before the purchase of the executive car.



### **3.4. Petty cash expenses**

#### Condition

We performed tests on a sample of 14 expenses allocated on the 2<sup>nd</sup> semester 2012 and the 1<sup>st</sup> semester 2013 to check whether the services were carried out for APP purposes in the related buildings. For this control, we called the suppliers on the phone.

We received confirmations stating that the services were carried out in APP buildings (Cf. Appendix 3).

#### Criteria

According to the Fiscal Accountability Plan (FAP), APP has established a petty cash fund to pay small, non-recurring local currency expenses in an efficient and expeditious manner. These expenses should respect MCC cost principles (be necessary, be allocable, be reasonable and be documented)

#### Cause

Some tested expenses do not mention the contact of the supplier

#### Effect

Lack of traceability of the supplier contact which provided the service.

#### Recommendation:

Care must therefore be taken to ensure that all the expenses mention the contact of the supplier

#### OM Comments

No comment was provided.

#### Conclusion

Based on the results of our tests, it appears that there are no labor services billed and paid by grant funds for OM or DG personal properties.

### **3.5. Control of the use of vehicles**

#### Condition 1

The logbooks of vehicles were not established for November and December 2009. However, the travel orders and supporting fuel consumption exist.

#### Criteria

According to the Fiscal Accountability Plan (FAP), the OM is responsible for that standard logbook is maintained in each vehicle and includes details of daily mileage and all operating and maintenance costs.

#### Cause

The Fiscal Accountability Plan requirement is not always applied.

#### Effect

- Risk of non-compliance with Fiscal Accountability Plan procedures.
- Misuse of the vehicles

Recommendation:

The OM should prepare the logbooks for the vehicles which are under his control for the period from November to December 2009.

OM Comments

Logbooks were set-up by the OM when the purchase of vehicles was made.  
Their use was effective only since 2010.

Condition 2

Our controls on the log books for APP and the Implementing Entities vehicles raised:

- Logbook related to the vehicle Peugeot Partner (M169328) for 2009 and 2010 is incomplete. The information start at 1.111 Km.
- Logbook related to the vehicle Toyota Corolla (M170560) allocated to SECA is not properly filled out for 2010. Lack of information (routes and signatures of the users).
- The vehicle Santa Fe (M174705) allocated to SECA - Marrakech is not filled out for 2010.
- Log book related to the vehicle Santa Fe (M174703) allocated to PAF is not filled out for the whole year in 2010.

Criteria

According to the Fiscal Accountability Plan (FAP), the office manager is responsible for that standard logbook is maintained in each vehicle and includes details of daily mileage and all operating and maintenance costs.

Cause

The Fiscal Accountability Plan requirement is not always practiced.

Effect

- Risk of non-compliance with Fiscal Accountability Plan procedures.
- Misuse of the use of vehicles

Recommendations

The OM should be able to produce all the evidences for those vehicles which were under his control

OM Comments

- Logbook related to the vehicle Peugeot Partner (M169328) for 2009 and 2010 is incomplete: the vehicle was used only for administrative purposes of APP while the car was awaiting new assignment.
- Logbook related to the vehicle Toyota Corolla (M170560) allocated to SECA is not properly filled out for 2010: the entity was aware to fill the log book adequately but they did not.
- The vehicle Santa Fe (M174705) allocated to SECA - Marrakech is not filled out for 2010: the implementing entities are not under the authority of APP Operations Manager. APP faces some difficulties to collect necessary information in particular for the management of the cars fleet. In this case, the car has been recovered on May 23, 2011 after many trouble.
- Log book related to the vehicle Santa Fe (M174703) allocated to PAF is not filled out for the whole year in 2010: after many reminders, APP is still waiting for the documents.

Condition 3

For 2009 and 2010, the control of the APP and the implementing entities' cars fleet was not documented.

Criteria

According to the Fiscal Accountability Plan, the OM shall review and compare the logbooks to the gas cards usage and/or fuel receipts.

Cause

The control performed is not documented.

Effect

- Risk of non-compliance with Fiscal Accountability Plan procedures.
- Lack of traceability of the controls performed on MCA-Morocco vehicles use.
- Misuse of the use of vehicles.

Recommendations

The review of MCA-Morocco vehicles log books should be performed monthly and documented through a dated and signed memo.

OM Comments

The Fiscal Accountability Plan was updated in July 2011 to further narrate the process undertaken by the OM in reviewing the vehicles logbooks. A memo has been set up since 2011.

Condition 4

For 2012 and the first quarter of 2013, the memos for the use of vehicles are not established by APP.

Criteria

According to the Fiscal Accountability Plan (FAP), the office manager shall control on a monthly basis the use of the MCA's vehicles (APP and UGP's). Each monthly review and reconciliation shall be documented through a memo signed by the Office Manager (OM) describing the results of the reconciliation.

Cause

Fiscal Accountability Plan requirements are not correctly applied.

Effect

The control performed is not documented.

Recommendations

The memos of MCA vehicles' use should be established and monitored monthly by the Office Manager as required in the FAP.

OM Comments

The evidences for the use of APP vehicles are prepared timely at the end of the month. Nevertheless, the evidences for the implementing entities are not sent on time even with a phone and email follow-up. However, when the evidences are received, we notice an omission of some documents (memos...) which need a follow-up leading to an additional delay. Note that the implementing entities vehicles are usually used by different people who take their time to give the evidences and therefore the preparation of the memos of control.

Work is in progress to prepare the memos for 2013.

#### Condition 5

Logbooks are not completely reviewed for the vehicles allocated to the implementing entities for the period starting in 2009 and ending in 2013.

#### Criteria

According to the Fiscal Accountability Plan (FAP), the office manager shall control on a monthly basis the use of the MCA's vehicles (APP and UGP's).

#### Cause

Fiscal Accountability Plan requirements are not correctly applied.

#### Effect

- Risk of non-compliance with Fiscal Accountability Plan procedures.
- Lack of traceability of the controls performed on MCA-Morocco vehicles use.
- Misuse of the use of vehicles

#### Recommendations

The OM should review the logbooks of all the vehicles under his control and make sure that it contains all the necessary informations.

#### OM Comments

For the implementing entities' cars, and despite involvement of the coordinators when a car is given, they did not review the logbooks. Now, they have to make all the necessary verifications on logbooks.

This part of the procedure is included in the FAP to be updated.

#### Conclusion

The tests performed on the official vehicles for the period 2009-2013 do not reveal any evidence of misuse or personal use of the vehicles except the findings listed above.

### **3.6. Gas card capping**

#### Condition 1

For 2010, 2011 & 2012, gas cards are allocated to the employees with a monthly cap. However the criteria for fixing the cap are not supported with a proper documentation.

#### Criteria

According to the Fiscal Accountability Plan, the Office Manager specifies the ceiling of each gas card and controls its use. When the capping limit is exceeded, the card user shall submit the receipts for gas purchases along with justification to the Office Manager for evaluation.

#### Cause

Fiscal Accountability Plan requirement is not properly applied.

#### Effect

- Gas card payment not supported by operational needs.
- Risk of non-compliance with Fiscal Accountability Plan procedures.

#### Recommendations

Establish and implement adequate gas card capping procedure.

#### OM Comments

All the requests for gas cards with the related cap are sent with a joint letter signed and stamped. All the changes are implemented under the same process.

#### Condition 2

The evidences for gas consumption related to the implementing entities ONP and PAF are not sent to APP on a persistent basis.

#### Criteria

According to the Fiscal Accountability Plan, the Office Manager shall control on a monthly basis the use of the MCA's vehicles (APP and UGP's) through the review and reconciliation of the following documents:

- Logbooks
- The gas and tolls cards statements
- Receipts.

#### Cause

Fiscal Accountability Plan requirement is not properly applied

#### Effect

- Gas card payment not supported by operational needs.
- Risk of non-compliance with Fiscal Accountability Plan procedures.

#### Recommendations

APP should raise the awareness of the implementing entities to send on time the evidences for gas consumption.

#### OM Comments

The coordinators of the implementing entities are aware frequently to send the evidences for gas consumption, the 5<sup>th</sup> of the following month. The Project Directors are also aware.

However, APP do not receive all the evidences from the implementing entities.

#### Conclusion

The tests performed on gas expenses do not raise unreasonable purchases of gas cards or vouchers.

### **3.7. Assets management**

#### Condition 1

For 2009 and 2010,

- APP does not establish a memo for fixed assets assigned to its employees.
- APP does not establish an acceptance note for fixed assets received.
- APP does not establish a memo when a fixed asset is put to use

#### Criteria

According to the FAP, a memo must be established every time a fixed asset is put to use, if an asset is assigned to an employee, the employee should sign a memo containing the description and unique code, taking responsibility for the asset.

#### Cause

The procedure was not properly applied.

#### Effect

- Risk of non compliance with the fiscal accountability plan
- Risk of non consistency of the assets received with the purchase orders
- Lack of traceability of the assets.

#### Recommendations

MCA Morocco should establish a memo every time an asset is put in use and assigned to an employee.

#### OM Comments

MCA-Morocco implemented these procedures in 2011.

#### Condition 2

For the first quarter of 2011, APP did not establish a memo for fixed assets assigned to its employees.

#### Criteria

According to the FAP, a memo must be established every time when a fixed asset is put in use. If an asset is assigned to an employee, the employee should sign a memo containing the description and unique code, taking responsibility for the asset.

#### Cause

The procedure was not respected.

Effect

Lack of follow up for the assets.

Recommendations

MCA Morocco should establish a memo every time an asset is assigned to an employee.

OM Comments

The process has been clarified in the FAP and the implementation is to be executed now. The Operations Manager acquired a new software for the fixed assets management. This Software is been rolled out. The software will be powered with the data from the assets count at the end of 2010.

Condition 3

Free mobile phones received from Maroc Telecom (local provider) are not subject to delivery forms.

Cause

The framework agreement between Maroc Telecom and MCA provides MCA with free mobile phones.

Effect

Mobile phone delivery not supported with adequate documentation.

Recommendations

- A delivery form of free mobile phones should be created.
- A regular reconciliation should be performed between the delivery forms and the memo of, discharges for the mobile phones.

OM Comments

Maroc Telecom (local provider) has been asked to send all the free mobiles with a joint delivery note. APP will archive the delivery notes in order to be able to reconcile them with the memo of discharges. The FAP was updated in 2013 and include the recommendation of the auditors.

Condition 4

The count of the fixed asset in 2012 has identified discrepancy with the fixed asset register. These differences concerned stolen assets. APP provided two police complaints. Those documents do not mention the stolen asset.

Cause

The procedure was not respected

Effect

Risk of fictitious assets recorded in the register.

Recommendations

In the case of the police could not provide a valid complaint, a memo shall be written by the person to whom

the Fixed Asset is assigned or the relevant staff member describing the circumstances under which the asset was stolen and shall be kept in the file.

OM Comments

In this case, the police refused to mention the nature of the stolen article on the complaint document. However, we plan to ask the related people to prepare a sworn statement in addition to the complaint.



## IV. Appendix

### Appendix 1: List of the purchases which are not compliant with the procedure described in the Appendix 4 of the FAP

N° of purchase order	Date	Purchase indication	Amount (USD)
70	21/12/2009	Office supplies for the implementing entity PAF	2,435.48
231	02/06/2010	Office supplies for the implementing entity SECA	3,727.51
26	21/02/2013	Computers and office equipments for the implementing entity DPM	2,907.75
34	26/02/2013	Vehicle rental fees for the implementing entity ONP for 4 months since February 27th 2013.	2,889.69
87	30/04/2013	Office supplies for the implementing entity ADER FES	2,484.29
88	07/05/2013	Changing the car tires for a vehicle owned by implementing entity ONP	2,942.71
89	08/05/2013	Rental carpets, chairs and other furnishings fees related to the royal visit of AIN NOKBI	3,110.78
62	26/03/2013	Vehicle rental fees for the implementing entity ONP	1,899.80
			<b>22,398</b>

### Appendix 2: List of the requisition notes not approved by the General Manager

N° of purchase order	Date	Purchase indication	Amount (USD)
88	31/12/2009	Legal opinion concerning the legal situation of M.Boulejiouch	1,213.41
61	08/12/2009	Press release concerning the board of directors meeting in "la Vie Eco"	2,723.97
89	31/12/2009	Legal opinion concerning the legal situation of Ms Boumediane	1,213.41
48	30/11/2009	Retreat for APP at SKHIRAT December 12th 2009	3,343.06
125	12/02/2010	Translation fees of the 2009 annual report from english to french	445.83
118	29/01/2010	Air ticket : Casa/ Ouarzazat/ Casa for M ABID et M BOUHAÏK from 05 to 07 février 2010	279.58
			<b>9,219.26</b>

### Appendix 3: List of Petty Cash expenses

Date	Supplier	Nature	Amount (USD)	Comments
8/16/2012	Youssef ZERHOUNI	Plumbing	80	The supplier confirms that the services have been carried out in APP buildings
9/3/2012	Lahsan NAJAM	Carpentry	27	The supplier confirms that the services have been carried out in APP buildings
9/28/2012	Youssef ZERHOUNI	Plumbing	35	The supplier confirms that the services have been carried out in APP buildings
10/15/2012	Abdelaziz ETTAHIRI	Energy repair et maintenance at APP HQ and the additionnal building	186	The supplier confirms that the services have been carried out in APP buildings
10/15/2012	Said ETTAHIRI	Masonry works at the parking of APP	188	The supplier confirms that the services have been carried out in APP buildings
1/18/2013	Abdelaziz ETTAHIRI	Energy repair at APP HQ and the additionnal building	143	The supplier confirms that the services have been carried out in APP buildings
3/29/2013	Hassan EL MAGHROUSSI	Plumbing at the 4th floor of APP HQ	100	The supplier confirms that the services have been carried out in APP buildings
4/2/2013	Hassan LAGHROUSSI	Plumbing	66	The supplier confirms that the services have been carried out in APP buildings
4/30/2013	Abdelaziz ETTAHIRI	Energy repair at APP HQ and the additionnal building	142	The supplier confirms that the services have been carried out in APP buildings
11/2/2012	Larbi Bellamallam	Carpentry	53	The supplier confirms that the services have been carried out in APP buildings
1/7/2013	Sté Bennouna	Entrance gate and a window repair	39	The supplier confirms that the services have been carried out in APP buildings
4/1/2013	Larbi Bellamallam	Carpentry	95	The supplier confirms that the services have been carried out in APP buildings
9/6/2012	Plasma Clim & Accessoires	Air conditioning system repair	108	The supplier confirms that the services have been carried out in APP buildings
12/4/2012	Plasma Clim & Accessoires	Air conditioning system repair	194	The supplier confirms that the services have been carried out in APP buildings



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