

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP HAITI

Appui au retour aux quartiers
(Directly Implemented Project No. 50968, Output No. 79750)

Report No. 1526

Issue Date: 10 September 2015

Report on the Audit of UNDP Haiti
Appui au retour aux quartiers (Project No. 50968, Output No. 79750)
Executive Summary

The UNDP Office of Audit and Investigations (OAI), through Fabel, Werner & Schnittke (the audit firm), from 21 June to 4 July 2015, conducted an audit of Appui au retour aux quartiers (Project No. 50968, Output No. 79750) (the Project), which is directly implemented and managed by the UNDP Country Office in Haiti (the Office). The last audit of the Project was conducted by OAI in 2014 and covered project expenditure from 1 January 2012 to 31 December 2013.

The audit firm conducted a financial audit to express an opinion on whether the financial statements present fairly, in all material aspects, the Project's operations. The audit covered the Project's Combined Delivery Report, which includes expenditure for the period from 1 January to 31 December 2014 and the accompanying Funds Utilization statement¹ and Statement of Assets as of 31 December 2014. The audit did not cover the Statement of Cash Position as no separate bank account was established and maintained for the Project.

The audit was conducted under the general supervision of OAI in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

Audit results

Based on the audit report and corresponding management letter submitted by the audit firm, the results are summarized in the table below:

Project Expenditure			Project Assets		
Amount (in \$ '000)	Opinion	NFI* (in \$ '000)	Amount (in \$ '000)	Opinion	NFI* (in \$ '000)
3,840	Qualified	147	81	Qualified	81

*NFI = Net Financial Impact

The audit firm qualified its opinion on the Project's Combined Delivery Report due to a net overstatement of expenditure by \$147,000. This amount comprised a net overstatement of \$6,217 corresponding to administrative fees wrongly charged to the Project in 2012 and in 2013 for which corrections were not made in 2014. In addition, the amount included unrecorded depreciation of \$18,079 (understatement) and project commitments lacking supporting documentation amounting to \$158,693 (overstatement).

The audit firm qualified its opinion on the Statement of Assets due to unrecorded equipment in the amount of \$81,370.

Key recommendations: Total = 6, high priority = 0

The audit did not result in any high (critical) priority recommendations. There are six medium (important) priority recommendations, which means, "Action is required to ensure that UNDP is not exposed to risks that are considered moderate. Failure to take action could contribute to negative consequences for UNDP." These

¹ The Funds Utilization statement includes the balance, as at a given date, of five items: (a) outstanding advances received by the project; (b) depreciated fixed assets used at the project level; (c) inventory held at the project level; (d) prepayments made by the project; and (e) outstanding commitments held at the project level.

recommendations include actions to address incorrect administration fees, calculation of depreciation, the lack of supporting documentation for commitments, budget excess, lack of disclosure of related party transactions, and training needs of staff on fraud awareness.

The six recommendations aim to ensure the following: (a) reliability and integrity of financial and operational information (Recommendations 2, 4 and 5); (b) safeguarding of assets (Recommendation 3); and (c) compliance with legislative mandates, regulations and rules, policies and procedures (Recommendations 1 and 6).

Implementation status of previous OAI audit recommendations: Report No. 1351, 8 August 2014.

Total recommendations: 4

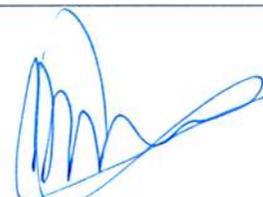
Implemented: 2

In progress: 2

The pending recommendations pertain to unrecorded General Management Support fees and undisclosed related party transactions. Their implementation is in progress.

Management comments and action plan

The UN Resident Coordinator/UNDP Resident Representative accepted all of the recommendations and is in the process of implementing them. Comments and/or additional information provided have been incorporated into the report, where appropriate.



Antoine Khoury
Officer-in-Charge
Office of Audit and Investigations



Ms. Yvonne Helle
UNDP Haiti
Senior Country Director

UNDP Haiti
Appui au retour aux quartiers
Project ID 00050968
Output ID 00079750
FY 2014
Executive Summary

Fabel, Werner & Schnittke GmbH

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Executive Summary

We performed an audit of the financial reports corresponding to the project “Appui au retour aux quartiers”, Project ID 00050968, Output ID 00079750, for the year ended 31 December 2014. Our audit was performed on site in Haiti from 21 June to 4 July 2015.

The project “Appui au retour aux quartiers” was planned for execution from October 2011 to December 2014 as a response to the earthquake in Haiti on 12 January 2010 following the Direct Implementation Modality (DIM). The project’s main objective is the rehabilitation of sixteen (16) targeted districts and the voluntary return of associated families of six (6) camps to improve living conditions through community participation. However, only eight (8) of the targeted districts were rehabilitated due to cuts in the funding by donors according to project officials.

As a result of our audit, we raised six (6) audit findings, detailed in our management letter, as summarized below:

No.	Description	Priority	Impact in \$
1	Insufficient fraud awareness of staff members	Medium	
2	Administration fee correction not implemented	Medium	(6,217.44)
3	Inventory list incomplete and depreciation not recorded	Medium	18,079.51
4	Commitments not supported by evidence	Medium	158,693.59
5	Budget limit not obtained	Medium	89,091.78
6	Related party transactions not disclosed	Medium	1,145.40

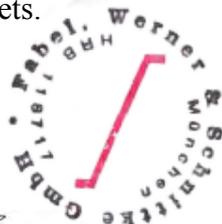
Because it could be reasonably expected that decisions of the users of the financial statements, taken on the basis of these financial statements, could be influenced by these deviations, we decided to issue a qualified audit opinion on both the Combined Delivery Report and the Statement of Fixed Assets.

Berlin, 4 September 2015

Frank Fabel, Audit Partner
Executive Director

Emmanuel Bruce-Attah
Lead Auditor

Christophe Cathala,
Senior Auditor





OAI
Clayton, City of Knowledge
UN House, Building 128
Panama City, Republic of Panama

UNDP Haiti
Appui au retour aux quartiers
Project ID 00050968
Output ID 00079750
Audit Report 2014

Fabel, Werner & Schnittke GmbH

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Report of the Independent Auditors to UNDP

We have audited the accompanying Combined Delivery Report (CDR) and Funds Utilization Statement (“the Statement”) of the project “Appui au retour aux quartiers”, Output ID 00079750, for the period from 1 January to 31 December 2014.

Management is responsible for the preparation of the Statement for the project “Appui au retour aux quartiers”, Output ID 00079750 for such internal control as management determines is necessary to enable the preparation of a statement that is free from material misstatement, whether due to fraud or error.

Our responsibility is to express an opinion on the Statement based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the Statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the project’s preparation of the statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the project’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the Statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The enclosed statement contains a disclosure of commitments with a value of \$158,693.59. There is no supporting evidence for these commitments.

For certain funds, UNDP has a right to charge the project General Management Support (GMS) or administrative fees. Calculations made by the Office show that in 2012 the project was overcharged by \$23,158.26 and in 2013 the project was undercharged by \$16,940.82, but the related corrections were not made in 2014.

Depreciation expenses for three vehicles, acquired in 2012 and 2013, were not included in the attached CDR. In accordance with our calculation, these depreciation expenses amount to \$18,079.51.



In our opinion, the attached statement of expenses, except for the reasons indicated in the three previous paragraphs, presents fairly, in all material respects, the expense of \$3,840,810.78 incurred by the project “Appui au retour aux quartiers”, Output ID 00079750, for the period from 1 January to 31 December 2014 in accordance with agreed upon accounting policies, and were:

- (i) in conformity with the approved project budgets;
- (ii) used for the approved purposes of the project;
- (iii) in compliance with the relevant UNDP regulations and rules, policies and procedures; and,
- (iv) supported by properly approved vouchers and other supporting documents.

Emphasis of Matter

Without further qualifying our opinion, we would like to draw your attention to the following points:

The expenses in the attached statement exceeded the agreed budget by \$89,091.78.

The CDR includes one related party transactions, which is not further disclosed in notes to the statement. On 18 April 2014, the project reimbursed \$1,145.40 to UNDP for the usage of a vehicle.

We noted that the project under audit as being implemented following the DIM modality did not use a dedicated bank account and accordingly a statement of cash position was not produced.

Berlin, 04 September 2015



Frank Fabel, Audit Partner
Executive Director

Emmanuel Bruce-Attah
Lead Auditor

Christophe Cathala,
Senior Auditor

Combined Delivery Report By Project

UN
DIP UN Development Programme
 Report ID: unglcdrp

Page 1 of 5
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Selection Criteria :

Business Unit : HT110
Period : Jan-Dec (2014)
Selected Project Id : 00050968
Selected Fund Code : ALL
Selected Dept. IDs : B0508
Selected Outputs : 00079750

Project ID	Project Name	Account	Account Name	Account Type
00050968	UNDP Haiti - Crisis Prev & Rcvry	50803	Haiti - Crisis Prev & Rcvry	Operating

Dept: 50803 (Haiti - Crisis Prev & Rcvry)

Fund : 04000 (Core Programme, UNU Centre)

Account	Description	Actual Exp	Estimate Exp	Estimate Budget	Total Exp
61305	- Salaries - IP Staff	0.00	5,512.99	0.00	5,512.99
61310	- Post Adjustment - IP Staff	0.00	8,668.75	0.00	8,668.75
72105	- Svc Co-Construction & Engineer	0.00	223,857.60	0.00	223,857.60
72220	- Furniture	0.00	682.78	0.00	682.78
72415	- Courier Charges	0.00	845.89	0.00	845.89
72605	- Grants to Instit & other Benef	0.00	0.00	0.00	0.00
73205	- Premises Alterations	0.00	13,528.77	0.00	13,528.77
73216	- Construction Cost	0.00	44,020.58	0.00	44,020.58
73406	- Maintenance of Equipment	0.00	514.50	0.00	514.50
73410	- Maint, Oper of Transport Equip	0.00	145.70	0.00	145.70
74599	- UNDP cost recovery chrgs-Bills	0.00	35.49	0.00	35.49
74605	- Prepaid Project Expenses	0.00	0.00	0.00	0.00
74710	- Land Transport	0.00	2,453.33	0.00	2,453.33
76125	- Realized Loss	0.00	0.00	0.00	0.00
76135	- Realized Gain	0.00	-289.38	0.00	-289.38

Total for Fund 04000

0.00 299,977.00 0.00 299,977.00

Fund : 30000 (PROGRAMME COST SHARING)

Account	Description	Actual Exp	Estimate Exp	Estimate Budget	Total Exp
33001	- Change(s) in accounting policy	0.00	25,206.73	0.00	25,206.73
63365	- Special Oper Living Allow-IP	0.00	9,000.00	0.00	9,000.00
71205	- Intl Consultants-Sht Term-Tech	0.00	23,028.40	0.00	23,028.40
71305	- Local Consult.-Sht Term-Tech	0.00	50,528.79	0.00	50,528.79
71405	- Service Contracts-Individuals	0.00	655,723.72	0.00	655,723.72
71410	- MAIP Premium SC	0.00	2,867.98	0.00	2,867.98
71415	- Contribution to Security SC	0.00	36,134.89	0.00	36,134.89
71505	- UN Volunteers-Stipend & Allow	0.00	5,060.00	0.00	5,060.00
71520	- UNV-Language Allowance	0.00	100.00	0.00	100.00
71535	- UNV-Medical Insurance	0.00	265.32	0.00	265.32
71540	- UNV-Global Charges	0.00	324.50	0.00	324.50
71541	- UNVs-Contribution to security	0.00	200.20	0.00	200.20
71545	- UNV-Home Leave Travel & Allowa	0.00	32.00	0.00	32.00
71550	- UNV-Resettlement Allowance	0.00	300.00	0.00	300.00
71590	- UNV Development Effectiveness	0.00	608.18	0.00	608.18
71610	- Travel Tickets-Local	0.00	353.00	0.00	353.00
71620	- Daily Subsistence Allow-Local	0.00	6,665.74	0.00	6,665.74
71630	- Shipment	0.00	90.00	0.00	90.00
72105	- Svc Co-Construction & Engineer	0.00	1,939,398.30	0.00	1,939,398.30
72150	- Svc Co-Manufacturing Services	0.00	1,160.00	0.00	1,160.00
72205	- Office Machinery	0.00	-9,140.00	0.00	-9,140.00
72215	- Transportation Equipment	0.00	949.13	0.00	949.13
72220	- Furniture	0.00	5,763.42	0.00	5,763.42
72311	- Fuel, petroleum and other oils	0.00	32,168.63	0.00	32,168.63

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Combined Delivery Report By Project



Project ID	Project Name	Period	Start Date (YYYYMM)	End Date (YYYYMM)
72315	Food & Textile Products			

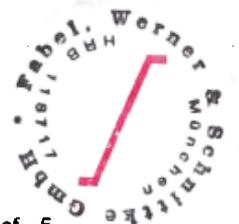
	Local Exp	UNDP Exp	UN Exp	Total Exp
72315 - Food & Textile Products	0.00	1,888.93	0.00	1,888.93
72399 - Other Materials and Goods	0.00	3,655.41	0.00	3,655.41
72405 - Acquisition of Communic Equip	0.00	1,679.75	0.00	1,679.75
72410 - Acquisition of Audio Visual Eq	0.00	300.97	0.00	300.97
72420 - Land Telephone Charges	0.00	8,657.03	0.00	8,657.03
72425 - Mobile Telephone Charges	0.00	11,625.99	0.00	11,625.99
72440 - Connectivity Charges	0.00	2,438.25	0.00	2,438.25
72505 - Stationery & other Office Supp	0.00	30.18	0.00	30.18
72515 - Print Media	0.00	2,960.92	0.00	2,960.92
72605 - Grants to Instit & other Benef	0.00	280,797.93	0.00	280,797.93
72615 - IP Travel	0.00	10,000.00	0.00	10,000.00
72815 - Inform Technology Supplies	0.00	1,227.57	0.00	1,227.57
73105 - Rent	0.00	182.58	0.00	182.58
73106 - Leased premises alterations	0.00	- 130.65	0.00	- 130.65
73107 - Rent - Meeting Rooms	0.00	1,260.83	0.00	1,260.83
73115 - Moving Expenses	0.00	700.00	0.00	700.00
73125 - Common Services-Premises	0.00	28,091.00	0.00	28,091.00
73216 - Construction Cost	0.00	24,355.21	0.00	24,355.21
73406 - Maintenance of Equipment	0.00	520.04	0.00	520.04
73410 - Maint, Oper of Transport Equip	0.00	15,200.60	0.00	15,200.60
73505 - Reimb to UNDP for Supp Srvs	0.00	1,145.40	0.00	1,145.40
74110 - Audit Fees	0.00	14,791.00	0.00	14,791.00
74210 - Printing and Publications	0.00	- 829.70	0.00	- 829.70
74220 - Translation Costs	0.00	18,476.25	0.00	18,476.25
74225 - Other Media Costs	0.00	6,332.35	0.00	6,332.35
74505 - Insurance	0.00	63.74	0.00	63.74
74510 - Bank Charges	0.00	123.98	0.00	123.98
74525 - Sundry	0.00	722.16	0.00	722.16
74599 - UNDP cost recovery chrgs-Bills	0.00	63,154.85	0.00	63,154.85
74605 - Prepaid Project Expenses	0.00	0.00	0.00	0.00
74615 - Prepaid Miscellaneous Expense	0.00	777.78	0.00	777.78
74696 - PP&E Expensed Items	0.00	2,239.39	0.00	2,239.39
74710 - Land Transport	0.00	2,216.96	0.00	2,216.96
74725 - Other L.T.S.H.	0.00	218.72	0.00	218.72
75105 - Facilities & Admin - Implement	0.00	227,495.65	0.00	227,495.65
75705 - Learning costs	0.00	15,400.91	0.00	15,400.91
75711 - TrnWrkshp&Conf - Stipends	0.00	1,571.42	0.00	1,571.42
76125 - Realized Loss	0.00	137.59	0.00	137.59
76135 - Realized Gain	0.00	- 4,086.34	0.00	- 4,086.34
77630 - Dep Exp Owned - ITC	0.00	1,343.30	0.00	1,343.30
77660 - Dep Exp Owned -Vehicle	0.00	7,225.06	0.00	7,225.06
Total for Fund 30000	0.00	3,540,751.94	0.00	3,540,751.94
Fund : 68125 (Advocacy mobn prtshp povrty)				
72105 - Svc Co-Construction & Engineer	0.00	- 71,539.01	0.00	- 71,539.01
72605 - Grants to Instit & other Benef	0.00	7,267.11	0.00	7,267.11
73216 - Construction Cost	0.00	62,732.47	0.00	62,732.47
Total for Fund 68125	0.00	- 1,539.43	0.00	- 1,539.43
Total for Dept : 50803	0.00	3,839,189.51	0.00	3,839,189.51

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Combined Delivery Report By Project



Project ID: 50079750 Early Recovery	Period: 2014-2015	Language: EN
Output ID: 50079750 Agence de Recouvrement des Telephones	Local Manager: [Name]	Version: 1.0
	Location: [Location]	
	Client Org: [Org]	LN Agency Org: [Org]
	LNTR Org: [Org]	Final Org: [Org]

Dept: 50804 (Haiti - Dem. Governance)

Fund : 30000 (PROGRAMME COST SHARING)

72425 - Mobile Telephone Charges	0.00	1,162.17	0.00	1,162.17
74525 - Sundry	0.00	360.44	0.00	360.44
75105 - Facilities & Admin - Implement	0.00	106.59	0.00	106.59
76135 - Realized Gain	0.00	-7.93	0.00	-7.93
Total for Fund 30000	0.00	1,621.27	0.00	1,621.27
Total for Dept : 50804	0.00	1,621.27	0.00	1,621.27
Total for Output : 00079750	0.00	3,840,810.78	0.00	3,840,810.78

Project Total :	0.00	3,840,810.78	0.00	3,840,810.78
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Frank Fabel
Frank Fabel, Audit Partner
FWS GmbH
14 August 2015

Signed By: *Safidou Esso Ouro-Doni*

Date: 30/06/2015

Signed By: *[Signature]*

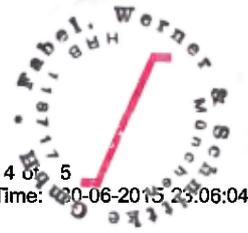
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Safidou Esso Ouro-Doni
Deputy Country Director Operations
UNDP-Haiti

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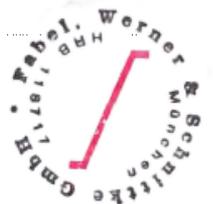
Combined Delivery Report By Project



Selection Criteria :

Business Unit : HTI10
Period : Jan-Dec (2014)
Selected Project Id : 00050968
Selected Fund Code : ALL
Selected Dept. IDs : B0508
Selected Outputs : 00079750

Project Id	Project Name	Period	Location	Govt Exp	UNEP Exp	UN Agencies Exp	Total Exp
50803	- Haiti - Crisis Prev & Rcvry	Jan-Dec (2014)		0.00	3,839,189.51	0.00	3,839,189.51
50804	- Haiti - Dem. Governance	Jan-Dec (2014)		0.00	1,621.27	0.00	1,621.27



Funds Utilization

Selection Criteria :

Business Unit : HT110
Period : Jan-Dec (2014)
Selected Project Id : 00050968
Selected Fund Code : ALL
Selected Dept. IDs : B0508
Selected Outputs : 00079750

Project/Award: 00050968 Early Recovery Period: As at Dec 31, 2014

Output #	Impl. Partner	UNDP AMOUNT
00079750	99999 UNDP	
Outstanding NEX advances		0.00
Undepreciated Fixed Assets		80,152.12
Inventory		0.00
Prepayments		0.00
Commitments		158,693.59



Report of the Independent Auditor to UNDP on the Statement of Fixed Assets

We have audited the accompanying Statement of Fixed Assets (“the Statement”) of the project “Appui au retour aux quartiers”, Output ID 00079750, as of 31 December 2014.

Management is responsible for the preparation of the Statement for the project “Appui au retour aux quartiers”, Output ID 00079750, and for such internal control as management determines is necessary to enable the preparation of a statement that is free from material misstatement, whether due to fraud or error.

Our responsibility is to express an opinion on the Statement based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the Statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the project’s preparation of the statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the project’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

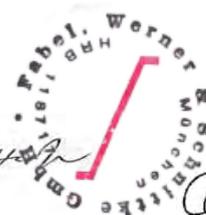
Three vehicles, acquired in 2012 and 2013, were not included in the attached Statement of Fixed Assets. In accordance with our calculation, the net book value of these vehicles amounts to \$81,370.49.

In our opinion, the attached Statement of Fixed Assets presents fairly, in all material respects, except for the reason indicated in the previous paragraph, the balance of inventory of the project “Appui au retour aux quartiers”, Output ID 00079750, amounting to \$80,152.12, as of 31 December 2014 in accordance with UNDP accounting policies.

Berlin, 4 September 2015

Frank Fabel, Audit Partner
Executive Director

Emmanuel Bruce-Attah
Lead Auditor



Christophe Cathala,
Senior Auditor

Inventory/Asset 2014

Project	Fund code	Donor	Impl Agency	Department	Description	Business unit	Asset ID	TAG Number	Acquisition Date	In Service Date	Cost,USD	Net Book Value
79750	30000	11502	1981	50803	A Photocopiers	HT110	1342	1342	6/10/2012	6/10/2012	4,085.00	2,748.20
					A Automobiles or cars	HT110	1444	1444	12/5/2012	12/5/2012	43,778.91	35,824.21
					A Automobiles or cars	HT110	1445	1445	12/5/2012	12/5/2012	43,778.91	35,824.21
					A Cameras	HT110	1457	1457	12/5/2012	12/5/2012	3,624.00	2,652.03
					A Desktop computers	HT110	1469	1469	12/11/2012	12/11/2012	4,240.93	3,103.47
Grand total											\$ 99,507.75	\$ 80,152.12

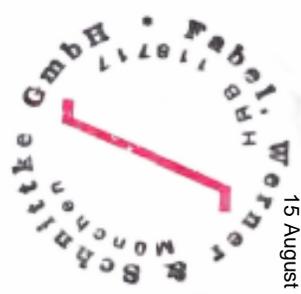
Verifie par:

Judeline Dorisme
Judeline Dorisme
Assistante Administrative

Approuve par:

Barbara Calixte
Barbara Calixte
Chef du Projet 16/6

Frank Fabel
Frank Fabel, Audit Partner
FWS GmbH
15 August 2015





Ms. Yvonne Helle
UNDP Haiti
Senior Country Director

**Management Letter to Project “Appui au retour aux quartiers”,
Output ID 00079750, FY 2014**

Dear Ms. Helle,

In addition to our audit report we would like to draw your attention to the following points:

A. Follow-up of the Prior Year Audit Observations

A.1 Correction Bookings

During last year, the project showed an unusually high amount of correction bookings. We recommended reducing the amount of correction bookings. The recommendation is considered to be implemented.

A.2. Purchase Orders

In the past, Purchase Orders (POs) were sometimes issued after the payment voucher had been issued. This practice was not observed during this audit.

A.3 Determination of the Administrative Fee

The General Management Support (GMS) fee was not correctly determined as disclosed in prior year audit report. The Office agreed with our opinion. However, corrections were not introduced in 2014. Thus, this recommendation is repeatedly made in this year (refer to section B.2).

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A.4 Related Party Transactions

In our executive summary issued last year we explained, that, in our opinion, it was useful for the final user of the financial statements to know about related party transactions. We recommended that these transactions should be disclosed. This recommendation is repeatedly made in this year (refer to section B.6).

B. Audit Observations in 2015

B.1 Fraud Awareness

Criteria

Section 6 of the UNDP Anti-Fraud Policy states that all staff members have the responsibility to report fraud. Hotline numbers and details are provided. Protection against retaliation is assured.

Condition

At a meeting with the four members of the project management team, we became aware that two of them did perform the annual financial disclosure exercise; in addition, they did not know what to do should they become aware of any instances of fraud. They were not aware of UNDP fraud hotline.

Risk

There is the risk that known fraud activity will not be reported.

Priority: Medium

Recommendation

Although this project is closing, we recommend that Office staff who have not taken fraud awareness training should take the training within the next nine months. It would be good if the learning results were verifiable.



Management Response

Management promised that it “will review the manner in which different categories of staff are made aware of the UNDP Anti-Fraud Policy. (...) As per internal procedures, fraudulent activities should be reported at to a supervisor or at a higher level, this person will then be responsible to gather information and evidence in order to activate subsequent measures.” The Office of Audit and Investigation explained to us that the hotline is available to everyone on <http://www.undp.org/hotline/>.

B.2 Administrative Fee

Criteria

The Office has a contractual right to charge the project a 7 percent administration fee on the net project expenses and 1 percent management fee on the grand total.

Condition

During the audit performed in 2014, UNDP recalculated the GMS fee and determined the amounts as follows (letter from country office as of 30 May 2014; all amounts in \$):

	2012	2013
A: Expenses in the submitted CDRs	3,585,775.45	3,602,882.59
B: Booked fees on account 75105	256,226.67	183,627.43
C: Booked fees on account 75110		16,052.16
D: Net CDR (A – B – C = D)	3,329,548.78	3,403,203.00
E: GMS taxable amounts ¹	3,329,548.76	3,094,577.27
F: GMS calculated be Haiti CO	233,068.41 ²	216,620.41 ³
G: GMS in CDR (B + C = G)	256,226.67	199,679.59
E: Amount to be corrected	(23,158.26)	16,940.82

Management agreed in the previous audit report comments that the correction for 2012 and 2013 should be introduced in 2014. This has not yet been done.

¹ Source: UNDP Haiti. UNDP Haiti subtracts certain “Trac”-funds from D.

² 7 percent of E. There is a contractual right to charge 1 percent on the total expenses, including GMS. Management explained that this should be introduced in Headquarters, not here.

³ 7 percent of E. Same as above.



Risk

There is a risk that the final users of the financial report are not informed on pending fees.

Priority: Medium

Recommendation

We recommended introducing the pending GMS fees into the financial statements 2014. Management said in its response on 5 August 2015, that this is not possible because 2014 is already closed. Consequently, we introduced an explanatory line into the “emphasis of matter” paragraph of our audit report. Therefore, we recommend introducing the corrections in the next accounting period and disclosing the particularities in notes to the financial statements.

Management Response

“As shown in the account 75105 in the CDR, the administrative fee of \$227,495.65 was charged for 2014. By using the GMS management tool that allows to calculate the difference between due GMS and GMS charged, a journal entry will be recorded to regularize all the gap situation for the past years. For transparency, in the 2015 financial and programmatic report, project manager will be asked to put the emphasis on the necessary regularization made to recover GMS for previous years. In order to fully address the issue, we have also developed a Standard Operation Procedure and we have organized a training workshop with the participation of all the programme staff in order to ensure compliance.”

B.3 Inventory List

Criteria

Inventory lists should be complete and should reflect assets under use and control of the Office.

Condition

Three vehicles, all acquired in 2013, were present but not included into the signed statement of undepreciated fixed assets:



PO	Serial number	Item	Acquisition date	Value in \$
9188	MNCLSPE40BW948662	AUTOMOBILE	20-Jun-13	26,930
N/A	AHTFK22G003049971	AUTOMOBILE	01-Aug-13	42,400
N/A	MNCLS4D10AW301109	AUTOMOBILE	20-Jun-13	30,120

Additionally, the associated depreciation expenses were not calculated and charged; account 77660 only contains the depreciation costs for those cars, which are registered in the statement of undepreciated assets; the depreciation costs for the unregistered vehicles are missing. Once the asset is registered under UNDP catalogue, the system calculates automatically the depreciation costs.

We calculated that the depreciation expenses for the three cars in 2014 amounted to \$8,287.50 and the correction of depreciation expenses in 2013 and 2012 amounts to \$9,792.01. Thus, depreciation expenses have to be corrected for \$18,079.51 in 2015. The Statement of Undepreciated Assets is understated by the net value of these three vehicles, which amounts to \$81,370.49.

Risk

Internal control did not detect the discrepancy between statement and factual assets.

Priority: Medium

Recommendation

The value of the project vehicles should be determined and the respective entries should be made.

Management Response

“We have already investigated and found the cost and acquisition date for two vehicles which were transferred to the project by UNOPS in 2013. For both, we sent the accurate information and documentation to GSSC in order to make the necessary correction. Regarding the other vehicle which was transferred to the audited project by another closed project named CARMEN, we have already shared the relevant information and files to GSSC and the accurate depreciation expenses with the vehicle remaining value will be available in the project Inventory list.”



B.4 Commitments

Criteria

Long outstanding open purchase orders do not represent a current financial commitment for the project.

Condition

There are unused POs from previous years, which show up as *commitments* in the financial statements. The following list shows the amounts of POs pending as of 31 December 2014.

PO ID	Amount in \$	Comment
0000010055	7,518.00	PO pending since 22/02/2012.
0000010533	972.00	Payment has been made for DSA UNDP International.
0000010533	398.00	Payment has been made for DSA UNDP International.
0000011452	-139.37	PO pending since 15/11/2012
0000011452	1,507.11	
0000012096	-14.15	PO pending since 08/04/2013
0000012096	200.00	
0000012100	-14.15	PO of two transactions pending since 08/04/2013
0000012100	200.00	
0000012104	-1,942.60	PO containing three transactions , pending since 09/04/2013
0000012104	27,456.25	
0000012400	24,906.00	PO containing nine transactions has been pending since 12/06/2013
0000012530	12,400.00	PO pending since 11/07/2013
0000012530	-658.67	
0000013010	-3,538.83	PO pending since 04/11/2013
0000013010	53,082.40	
0000013203	2,450.00	PO for one item pending since 11/12/2013
0000013738	1,080.89	PO pending since 28/05/2014
0000013738	-34.86	
0000014148	3,474.33	PO pending since 11/09/2014
0000014148	-82.19	
0000014540	25,033.00	This PO contains eleven transactions. There are no supporting documents for all eleven transactions.
0000020957	1,110.00	There are no supporting documents for three items on purchase order number 20957
0000020957	1,670.00	
0000020957	1,660.00	
Total	158,693.16	



Risk

There is a risk that the financial system is charged with unnecessary data thus misrepresenting project financial statements. This could also impact the internal control system.

Priority: Medium

Recommendation

The POs should be timely voided if not used.

Management Response

“All the PO related to the commitment amount shown in the CDR are closed and the corresponding dates and vouchers are shared in the attached documents (Submitted). Therefore, by using this query “UN_IPSAS_COM”, the commitment as of 31 December 2014 is 0. As explained before, it will not be possible to change the commitment amount in the CDR after closing the PO, since the 2014 period is already closed. We take into account the observation and at the end of the year, CO will make sure to close all the PO whose services are already paid.”

B.5 Budget Comparison

Criteria

Budget limits should be kept. Project costs should be properly reflected and in accordance with project objectives and activities. Project activities should be translated into payments in line with the annual work plan.

Condition

According to the CDR, expenses amount to \$3,840,810.78. The revised Annual Work Plan (amended on 25 November 2015, page 6) shows an overall budget of \$3,751,719. Thus, an overspending of \$89,091.78 occurred.

Risk

There is a risk of overspending.



Priority: Medium

Recommendation

Budget limits should be respected as to prevent project go overspent with undesired consequences.

Management Response

“At the end of the year 2014, projects were asked to undertake a budget revision exercise to more accurately reflect the actual status of project implementation. The project 16/6 did not budget some lines that were posted by Headquarters (Account 33001: \$25,206.75) and the office itself for cost recovery (Account 74599: \$63,190.34).”

B.6 Related Party Transactions

Criteria

Disclosure of all related party transactions in the notes to the UNDP financial report is a good practice. We are aware that IPSAS 20 does not explicitly require this practice in project reports, but only in organization-wide reports.

Condition

One related party transaction occurred: a reimbursement of vehicle costs of \$1,145.40 (i.e. the project paid this amount to UNDP as a compensation for a usage of a vehicle). This is a cost recovery and it is recognized in the CDR. We believe that it is useful to disclose the related party transaction in the notes to the project financial statements.

Risk

If related party transactions are not disclosed, there is a risk that the users of the financial reports are not aware of these transactions. There is a risk that users cannot evaluate whether the transactions take place at market level.

Priority: Medium



Recommendation

We recommend applying IPSAS 20 also to project reports. As in the previous year, we disclosed the detected related party transaction in an explanatory paragraph to the audit report.

We look forward to discussing our management letter with you and would be pleased to provide any further information or assistance which may be required.

Berlin, 17 August 2015

Frank Fabel, Audit Partner
Executive Director

Emmanuel Bruce-Attah
Lead Auditor

Christophe Cathala,
Senior Auditor





Annex 1: Audit finding priority ratings

The following categories of priorities are used:

- High (Critical)** Action is considered imperative to ensure that UNDP is not exposed to high risks. Failure to take action could result in major consequences and issues.
- Medium (Important)** Action is considered necessary to avoid exposure to significant risks. Failure to take action could result in significant consequences.
- Low** Action is considered desirable and should result in enhanced control or better value for money. Low priority recommendations, if any, are dealt with by the Auditors directly with the Office management, during the exit meeting, through a separate memo subsequent to the fieldwork. **Therefore, low priority recommendations are not included in the management letter.**