Report on the audit of UNDP Haiti
Gestion bassins versants Sud, Output No. 76792
Executive Summary

The UNDP Office of Audit and Investigations (OAI), from 29 March to 28 April 2014, through Fabel, Werner & Schnittke (the audit firm), conducted an audit of Gestion bassins versants Sud, Output No. 76792 (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 2013 and covered project expenditure from 1 January to 31 December 2011.

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 (CDR), which includes expenditure for the period from 1 January 2012 to 31 December 2013 and the accompanying Funds Utilization statement1 as of 31 December 2013. The audit did not cover the Statement of Assets as no assets were purchased by the Project. In addition, 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 reports and corresponding management letters submitted by the audit firm, the results are summarized in the table below:

<table>
<thead>
<tr>
<th>Year</th>
<th>Project Expenditure</th>
<th>Project Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount (in $ '000)</td>
<td>Opinion</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>2,583</td>
<td>Unqualified</td>
</tr>
<tr>
<td>2013</td>
<td>(77)*</td>
<td>Unqualified</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Amount (in $ '000)</td>
<td>Opinion</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>-</td>
<td>n/a</td>
</tr>
<tr>
<td>2013</td>
<td>-</td>
<td>n/a</td>
</tr>
</tbody>
</table>

*The expenditure for 2013 is negative because project expenses which were previously charged to this Project were reversed in 2013 and charged to other projects.

The audit firm issued an unqualified opinion on the Funds Utilization statement.

Key recommendations: Total = 3, high priority = 0

The audit did not result in any high (critical) priority recommendations. There are three 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 recommendations include actions to address: the disclosure of correction bookings; the accounting of responsible parties; and determination of the administrative fee.

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.
United Nations Development Programme
Office of Audit and Investigations

OAI took note of the audit firm’s opinion on the CDR for financial years 2012 and 2013 and the points highlighted as emphasis of matter. In OAI’s opinion, these points, as presented in the audit reports, do not warrant an emphasis of matter and therefore, will not be given further consideration.

Implementation status of previous OAI audit recommendations: Report No. 1101, 16 August 2013.
Total recommendations: 1
Implementation status: 100%

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. Sophie de Caen
UNDP Haiti
Senior Country Director

UNDP Haiti
Gestion bassins versants Sud
Output ID 00076792
Executive Summary
Executive Summary

Dear Ms. de Caen,

We performed an audit of the financial reports of the project “Gestion bassins versants Sud”, Output ID 00076792, for the years 2012 and 2013.

The earthquake of January 12, 2010 has generated around 300,000 dead, over 300,000 injured. The most affected areas were Port-au-Prince and surrounding municipalities, such as Leogane, Grand Goave, Miragoane and Jacmel. The project aims to contribute to disaster risk reduction through the development and management of watershed basins, mitigation activities, job creation and agricultural development in the Southern Department of Haiti. The main objective of the project is to contribute to disaster risk reduction through the development and management of watershed basins, employment generation and agricultural development in the Department of the South.

Our audit was performed on site in Haiti from March 29 to April 28, 2014.

For the purpose of our audit, we assessed the control risk, i.e. the risk that a material deviation would be not detected by management itself within reasonable time, as follows:

- In general terms, the internal control procedures were adequate in relation to the project tasks and the control environment. In 2012, management reorganized the internal procedures. The administrative procedures are fixed in writing. A high percentage of the documentation is already archived electronically. With respect to the high risk of natural disasters, we believe that this practice is an example for others.
- Authorization procedures and the required segregation of duties were complied with.
- Fast Track Procedures (FTP) were applied. Management prepared the requested log of all direct contracting cases in the framework of FTP.
- Problems of internal control existed with respect to correction bookings and the accounting of responsible parties. These detected problems were mainly caused by the accelerated project turnover in the emergency situation after the earthquake.
Concerning financial control we could determine the following:

- A budget comparison was submitted.
- We could link the submitted ATLAS register to the signed Combined Delivery Reports (CDRs).
- Expense bookings are supported by vouchers and other supporting documents.
- All inventory items were present.
- On-site checks showed that the financial documentation could be linked to the reported output. The expenses were made for the approved purpose of the project.

Our audit opinion is therefore unqualified.

These are our main audit findings:

- Frequent correction bookings occurred.
- We observed that expenses of responsible parties were recognized when transferred to these parties.
- UNDP has a contractual right to charge the project with a 7 percent administration fee on the net project expenses. In a project-wide summary it became evident that UNDP charged the project slightly more than possible.

The following paragraphs explain the main findings and our recommendations thereon in detail.
1. Correction Bookings

UNDP Haiti has an unusual high amount of “correction bookings”. Measured as a percentage of “negative bookings” in relation to the total number of bookings, 13.3 percent of all bookings were corrections in 2012 and 40.0 percent of all bookings in 2013. We recommend to reduce the amount of correction bookings.

2. Accounting of Responsible Parties etc.

UNDP Haiti records expenses to responsible parties or recipients of capital grants etc. at the time when the payment is made to these “sub-grantees”, not when the usage of funds is reported and accepted. We believe that this practice is still admissible as the FRR determine with respect to DIM:

“The country office should use ATLAS to keep track of the financial status of the project at all times, to control expenses, to handle outstanding commitments, to make payments and to monitor the performance of contractors. Atlas shall be used for both financial management and substantive monitoring.” (Emphasis by FWS)

This wording seems to recommend an accounting method in which payments to sub-grantees are first registered as a receivable, which would be closed upon satisfactory reporting. Because the regulation above is a “should” regulation and not an obligatory one (“shall”), we believe that the current practice of “immediate expense” is not a reason to qualify our audit opinion. We understand the regulation in the way that UNDP is encouraged to monitor the usage of funds in ATLAS. We thus recommend introducing registers of outstanding project balances.

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1 One re-allocation is counted as one transaction only, although two accounts are affected. There could also be correction bookings which appear as positive transactions only. This occurs when expenses are allocated to the projects under audit from other projects – these bookings are not counted with the above indicated method. On the other hand, evaluation bookings could also be negative.
3. Determination of the 7 Percent Administrative Fee

UNDP Haiti has a contractual right to charge the project a 7 percent administration fee on the net project expenses. We undertook an attempt to re-calculate the administrative fee. A comparison with the internal accounts of UNDP Haiti showed that the project was slightly overcharged for $101.00. We introduced an explanatory line into the “emphasis of matter” paragraph of our audit report. Management suggested that the charge will be reversed in the next accounting period.

Berlin, July 25, 2014

Frank Fabel, CPA, MA
UNDP Haiti
Gestion bassins versants Sud
Output ID 00076792
Audit Report 2012
We have audited the accompanying Combined Delivery Report (CDR) and Funds Utilization Statement (“the statement”) of the project “Gestion bassins versants Sud”, Output ID 00076792, for the period from 1 January to 31 December 2012.

Management is responsible for the preparation of the statement for the project “Gestion bassins versants Sud”, Output ID 00076792, 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.
In our opinion, the attached statement of expense presents fairly, in all material respects, the expense of $2,582,785.39 incurred by the project “Gestion bassins versants Sud”, Output ID 00076792, for the period from 1 January to 31 December 2012 in accordance with agreed upon accounting policies and were:

(i) in conformity with the approved project budgets;

(ii) 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 qualifying our opinion, we would like to draw your attention to the following points:

We noted that the project under audit did not use a dedicated bank account for DIM project activities and accordingly a statement of cash position was not produced.

For certain funds, UNDP has a right to charge the project with an administrative fee of 7 percent. In 2012, the project was overcharged for $101.00.

Berlin, July 25, 2014

Frank Fabel, CPA, MA
Executive Director
## Combined Delivery Report By Project

### Selection Criteria:
- **Business Unit:** HT110
- **Period:** Jan-Dec (2012)
- **Selected Project Id:** 00060857
- **Selected Fund Code:** ALL
- **Selected Dept. IDs:** B0508
- **Selected Outputs:** 00076792

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<th>Project Id</th>
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<th>Réduction de la Vulnerabilité</th>
<th>Output #: 00076792 Gestion bassins versants Sud</th>
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<table>
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<tr>
<th>Govt Exp</th>
<th>UNDP Exp</th>
<th>UN Agencies Exp</th>
<th>Total Exp</th>
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</table>

#### Dept: 50805 (Haiti - Energy & Environmmt)

#### Fund: 30000 (PROGRAMME COST SHARING)

- **63365 - Special Oper Living Allow-IP:** 0.00, 94,350.00, 0.00, 94,350.00
- **71305 - Local Consult.-Sht Term-Tech:** 0.00, 2,286.63, 0.00, 2,286.63
- **71405 - Service Contracts-Individuals:** 0.00, 208,296.66, 0.00, 208,296.66
- **71410 - MAIP Premium SC:** 0.00, 142.45, 0.00, 142.45
- **71415 - Contribution to Security SC:** 0.00, 0.00, 0.00, 0.00
- **71605 - Travel Tickets-International:** 0.00, 18,874.80, 0.00, 18,874.80
- **71615 - Daily Subsistence Allow-Infl:** 0.00, 5,398.00, 0.00, 5,398.00
- **71620 - Daily Subsistence Allow-Local:** 0.00, 45,586.60, 0.00, 45,586.60
- **71635 - Travel - Other:** 0.00, 684.00, 0.00, 684.00
- **72105 - Svc Co-Construction & Engineer:** 0.00, 9,547.89, 0.00, 9,547.89
- **72115 - Svc Co-Natural Resources & Env:** 40,000.00, 1,792,295.23, 0.00, 1,832,295.23
- **72130 - Svc Co-Transportation Services:** 0.00, 2,778.44, 0.00, 2,778.44
- **72205 - Office Machinery:** 0.00, 28,485.00, 0.00, 28,485.00
- **72215 - Transportation Equipment:** 0.00, 5,482.69, 0.00, 5,482.69
- **72220 - Furniture:** 0.00, 3,579.10, 0.00, 3,579.10
- **72311 - Fuel, petroleum and other oils:** 0.00, 4,716.98, 0.00, 4,716.98
- **72425 - Mobile Telephone Charges:** 0.00, 2,722.07, 0.00, 2,722.07
- **72440 - Connectivity Charges:** 0.00, 2,250.00, 0.00, 2,250.00
- **72705 - Hospitality-Special Events:** 0.00, 3,956.68, 0.00, 3,956.68
- **73125 - Common Services-Premises:** 0.00, 6,326.00, 0.00, 6,326.00
- **73410 - Maint, Ope of Transport Equip:** 0.00, 1,842.63, 0.00, 1,842.63
- **74205 - Audio Visual Productions:** 0.00, 25,000.00, 0.00, 25,000.00
- **74210 - Printing and Publications:** 0.00, 339.83, 0.00, 339.83
- **74525 - Sundry:** 0.00, 34,621.72, 0.00, 34,621.72
- **74590 - UNDP cost recovery chrgs-Bills:** 0.00, 5,959.80, 0.00, 5,959.80
- **75105 - Facilities & Admin - Implement:** 0.00, 171,654.61, 0.00, 171,654.61
- **76125 - Realized Loss:** 0.00, 451.64, 0.00, 451.64
- **76135 - Realized Gain:** 0.00, -1,529.19, 0.00, -1,529.19
- **77305 - Salaries - IP Staff-TA:** 0.00, 56,101.28, 0.00, 56,101.28
- **77310 - Post Adjustment - IP Staff-TA:** 0.00, 23,338.24, 0.00, 23,338.24
- **77315 - Contrib-Med,Soctns-IP Staff-TA:** 0.00, 406.27, 0.00, 406.27
- **77357 - Repat. Gris/Comm Ann Lv-IP-TA:** 0.00, 3,063.67, 0.00, 3,063.67
- **77375 - Contrib-Jt Staff Pns Fd-IP-TA:** 0.00, 18,224.74, 0.00, 18,224.74
- **77385 - Contribution to Security:** 0.00, 3,177.60, 0.00, 3,177.60
- **77386 - Contribution to ICT_TA:** 0.00, 1,191.58, 0.00, 1,191.58
- **77395 - MAIP Premium TA/IP:** 0.00, 158.88, 0.00, 158.88
- **77396 - PAYROLL MGT COST RECOVERY:** 0.00, 772.56, 0.00, 772.56
- **77397 - Appendix D TA/IP:** 0.00, 238.31, 0.00, 238.31

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### Combined Delivery Report By Project

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<td>Output # : 00076792 Gestion bassins versants Sud</td>
<td>Impl. Partner : 99999 UNDP</td>
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<tr>
<td></td>
<td>Location : Haiti</td>
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<th>UN Agencies Exp</th>
<th>Total Exp</th>
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<td>Total for Output : 00076792</td>
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<td>2,582,785.39</td>
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<td>2,622,785.39</td>
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<td>Project Total</td>
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Signed By: [Signature]
Date: 19-03-2013

Signed By: [Signature]
Date: 26/03/2013

Haiti
### Combined Delivery Report By Project

**Report ID:** unlcsrcp

**Selection Criteria:**
- **Business Unit:** HT19
- **Period:** Jan-Dec (2012)
- **Selected Project Id:** 00060857
- **Selected Fund Code:** ALL
- **Selected Dept. IDs:** B0508
- **Selected Outputs:** 00076792

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Page 3 of 5
Run Time: 19-03-2013 16:03:34
### Funds Utilization

#### Selection Criteria:
- **Business Unit:** HT110  
- **Period:** Jan-Dec (2012)  
- **Selected Project Id:** 00060857  
- **Selected Fund Code:** ALL  
- **Selected Dept. IDs:** B0508  
- **Selected Outputs:** 00076792

#### Project Award: 00060857  
**Réduction de la Vulnerabilité**  
**Period:** As at Dec 31, 2012

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<td>Undepreciated Fixed Assets</td>
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**Schedule to Combined Delivery Report**  
**IPSAS Adjustments as at 1 January 2012**

**Selection Criteria:**
- **Business Unit:** HT10
- **Selected Project(s):** 00060857
- **Selected Fund Code:** ALL
- **Selected Output(s):** 00076792

**Project Id:** 00060857  
**Réduction de la Vulnérabilité**  
**Output #:** 00076792  
**Impl. Partner:** 99999 UNDP

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<td>30000-Programme</td>
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**Total for Output:** 00076792  
**Project Total:** 41,852.16

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**NOTES:**

UNDP adopted IPSAS on 1 January 2012 which recognizes an expense based on goods received and/or services rendered. Consequently, expenses related to some IPSAS opening balance would be duplicated in the 2012 CDRs because of the following:

1. Goods received or services rendered in 2012 on non-fixed asset open purchase orders raised prior to 2012 would be recognized as an expense in 2012. These were ULOs in 2011
2. 2012 Inventory opening balances would be expensed in 2012 when goods are consumed or delivered
3. 2012 Prepaid opening balances would be expensed in 2012 when goods are received or services rendered
UNDP Haiti

Gestion bassins versants Sud
Output ID 00076792
Audit Report 2013
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 “Gestion bassins versants Sud”, Output ID 00076792, for the period from 1 January to 31 December 2013.

Management is responsible for the preparation of the statement for the project “Gestion bassins versants Sud”, Output ID 00076792, 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.
In our opinion, the attached statement of expense presents fairly, in all material respects, the expense of $ -77,060.77 incurred by the project “Gestion bassins versants Sud”, Output ID 00076792, for the period from 1 January to 31 December 2013 in accordance with agreed upon accounting policies and were:

(i) in conformity with the approved project budgets;

(ii) 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 qualifying our opinion, we would like to draw your attention to the following points:

We noted that the project under audit did not use a dedicated bank account for DIM project activities and accordingly a statement of cash position was not produced.

We draw attention to the point that expenses in the attached CDR are negative. This means that project expenses, previously located to this project, were re-allocated to other projects.

Berlin, July 25, 2014

[Signature]

Frank Fabel, CPA, MA
Executive Director
# Combined Delivery Report By Project

**UN Development Programme**

**Report ID:** ungdcrp

**Adjustment Criteria:**
- **State Unit:** HT110
- **Status:** Jan-Dec (2013)
- **Selected Project ID:** 00060857
- **Selected Fund Code:** ALL
- **Selected Dept. IDs:** ALL
- **Selected Outputs:** 00076792

## Project ID: 00060857 Réduction de la Vulnerabilité

### Output #: 00076792 Gestion bassins versants Sud

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**Total Project:**

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Signed By: [Signature]
Date: 30-07-14

Signed By: [Signature]
Date: [Signature]
### Combined Delivery Report By Project

**Selection Criteria:**
- **Business Unit:** HT110
- **Period:** Jan-Dec (2013)
- **Selected Project Id:** 005060887
- **Selected Fund Code:** ALL
- **Selected Dept. IDs:** ALL
- **Selected Outputs:** 00072792

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<th>UNDP Exp</th>
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### Funds Utilization

**Selection Criteria:**
- **Business Unit:** HT110
- **Period:** Jan-Dec (2013)
- **Selected Project Id:** 00060857
- **Selected Fund Code:** ALL
- **Selected Dept. IDs:** ALL
- **Selected Outputs:** 00076792

**Project/Award:** 00060857  Réduction de la Vulnerabilité  
**Period:** As at Dec 31, 2013

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Management Letter to Project “Réduction de la Vulnerabilité: Gestion des bassins versants Sud”
Output ID 00076792

Dear Ms. de Caen,

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

1. **Follow up of the Last Management Letter**

The last management letter recommended preparing a “transfer of ownership” document. Management could demonstrate that these documents were prepared.
2. Disclosure of Correction Bookings

Observation:

There are frequent correction bookings.

Priority:

Medium.

Recommendation:

We recommend reducing the amount of correction bookings. Booking errors should be supported by an explanation line in ATLAS, indicating which booking (transaction ID) is reversed. The booking should be supported by an accompanying document.

Management Comment and Action Plan:

The country office agrees to make every effort to reduce the number of correction bookings.

The recommendation regarding proper explanation line in Atlas to describe correction is relevant and the country office will comply.

Correction booking are usually accompanied by supporting documents and validated by Management. The country office has recently published a new Standard Operation Procedure for corrections booking. The procedure will be amended to take into account the need to specify proper explanation line in Atlas.
3. Accounting of Responsible Parties

Observation:

Transfers to responsible parties are booked as an expense when transferred to these entities, not when the condition is met.

Priority:

Medium.

Recommendation:

Our interpretation of the Financial Regulations and Rules (FRR) with respect to direct implementation (DIM) is that expenses should be recorded when incurred, not when resources are transferred to the responsible parties. This interpretation is in line with IPSAS. We believe that the respective regulation in FRR is a “should regulation” (https://info.undp.org/global/popp/frm/pages/direct-implementation-dimmodality.aspx). This means that management has a choice. If you agree to change the accounting method, it is prudent to establish this change with the beginning of the next accounting period.

Management Comment and Action Plan:

In regard to reporting and fund management of responsible parties Haiti Country Office wants to draw auditors’ attention on the fact that a letter of agreement and a micro-grant agreements do not require that the party prepare an official financial report with supporting documents.

The country office however agrees to review the process in order to reduce the risk that UNDP funds are used of unauthorized transactions.
4. Determination of the 7 Percent Administrative Fee

Observation:

UNDP has a contractual right to charge the project a 7 percent administration fee on the net project expenses. We undertook an attempt to re-calculate the administrative fee and the management fee, which lead to contradictive results.

Priority:

Medium

Recommendation:

The Country Office should reassess the fees charged to the project and adjust the CDRs as needed.

Management Comment and Action Plan:

In 2012, GMS fees were overcharged in 2012. Action will be taken to reverse surplus of $101.

Berlin, July 25, 2014

Frank Fabel, CPA, MA
Executive Director
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 and a side letter. Therefore, low priority recommendations are not included in the management letter.