



AUDIT

OF

UNDP HAITI

Gestion bassins versants Sud II
(Directly Implemented Project, Output No. 85351)

Report No. 1353

Issue Date: 8 August 2014

Report on the audit of UNDP Haiti
Gestion bassins versants Sud II, Output No. 85351
Executive Summary

The UNDP Office of Audit and Investigations (OAI), from 27 March to 28 April 2014, through Fabel, Werner & Schnittke (the audit firm), conducted an audit of Gestion bassins versants Sud II, Output No. 85351 (the Project), which is directly implemented and managed by the UNDP Country Office in Haiti (the Office). This was the first audit of the Project.

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 to 31 December 2013 and the accompanying Funds Utilization statement¹ as of 31 December 2013 as well as Statement of Assets. 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	Amount (in \$ '000)	Opinion
3,172	Unqualified	1	Unqualified

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

Key recommendations: Total = 4, high priority = 0


The audit did not result in any high (critical) priority recommendations. There are four 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 reporting of responsible parties; the use of a separate bank account; and the calculation of management fees.

OAI took note of the audit firm's opinion on the CDR for financial year 2013 and the points highlighted as emphasis of matter. The audit firm highlighted that in financial year 2013 there was an understatement in the administrative fee charged to the project, estimated by the audit firm at \$215,982. The Office management indicated that the administrative fee was mistakenly not charged to this project and action will be taken to correct this omission.

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.

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 II
Output ID 00085351
Executive Summary

Fabel, Werner & Schnittke GmbH

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Executive Summary

Dear Ms. de Caen,

We performed an audit of the financial reports of the project “Gestion bassins versants Sud II”, Output ID 00085351, for the year 2013.

The project “Reducing the vulnerability of the population and infrastructure in the South department – Phase II” is a continuation of the project “Sud I” (output 76792). The project is focused on environmental issues in the South of Haiti, in particular, on the development of the co-management plan of the Hydrographic Unit of Aquin-St. Louis du Sud. The intervention area is centered on the hydrographic units of Aquin -St. Louis du Sud, Les Cayes and Tiburon-Port Salut and the Cavaillon River watershed.

Our audit was performed on site in Haiti in the time frame from March 27 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. 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 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 were able to determine the following:

- A budget comparison was submitted.
- We could link the submitted ATLAS register to the signed Combined Delivery Statements (CDRs) and the statement of undepreciated fixed assets.
- 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:

- Excessive number of correction bookings occurred.
- Expenses of responsible parties were registered when funds were transferred to these parties. In some cases, the reports of the responsible parties were incomplete.
- UNDP has a contractual right to charge the project with a 7 percent administration fee on the net project expenses and a 1 percent management fee on the grand total. In a project-wide summary it is evident that UNDP charged the project less 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, 16.7 percent of all bookings were corrections in 2013¹. We recommend to reduce the amount of correction bookings.

2. Accounting of Transactions to 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. Financial regulation as per the Programme and Operation Policy and Procedures Manual states:

“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 Haiti is encouraged to monitor the usage of funds in ATLAS. We thus recommend introducing registers of outstanding project balances.

3. Reporting by Responsible Parties

We found that some of the recipient organizations that received project funds did not provide sufficient evidence that funds were appropriately spent on project activities. The reporting of these units can sometimes be incomplete.

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.



4. Separate Bank Accounts for Project Funds

UNDP Haiti requires to the extent possible that recipient organizations open separate bank accounts, on which the project cash should be kept. However, a test showed that funds were no longer present at the separate bank account at the end of the year. We were unable to reconcile cash balance and fund balance. There is a risk that funds are not used for the agreed purpose. We recommend that the responsible parties should follow the requirements of UNDP Haiti.

5. 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 and a 1 percent management fee on the grand total. We undertook an attempt to re-calculate the administrative fee and the management fee. Our calculation showed that management charged less to donors than possible. A comparison with the internal calculations of UNDP showed that the project was undercharged for \$ 215,981.94 in 2013. We introduced an explanatory line into the “emphasis of matter” paragraph of the audit report. We recommend that the accounts should be corrected in the next accounting period.

Berlin, July 25, 2014

Frank Fabel, CPA, MA



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

UNDP Haiti
Gestion bassins versants Sud II
Output ID 00085351
Audit Report 2013

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 “Gestion bassins versants Sud II”, Output ID 00085351 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 II”, Output ID 00085351, 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 \$ 3,172,440.56 incurred by the project “Gestion bassins versants Sud II”, Output ID 00085351 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.

For certain funds, UNDP has a right to charge the project with an administrative fee of 7 percent. In 2013, the project was undercharged for \$ 215,981.94.

Berlin, July 25, 2014

Frank Fabel, CPA, MA
Executive Director

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UN Development Programme

Report ID: unglcdrp

Combined Delivery Report By Project

Digitally signed by
 Chef de Projet
 Reduction
 Vulnerabilite Sud,
 Jean Renand VALIERE
 Date: 2014.03.31
 17:10:23 -04'00'

Page 1 of 4
 Run Time: 31-03-2014 22:03:57

Selection Criteria :

Business Unit : HTI10
 Period : Jan-Dec (2013)
 Selected Project Id : ALL
 Selected Fund Code : ALL
 Selected Dept. IDs : B0508
 Selected Outputs : 00085351

Project Id : 00060857 Réduction de la Vulnérabilité		Period :	Jan-Dec (2013)	
Output # : 00085351 Gestion BassinsVersants Sud II		Impl. Partner :	99999 UNDP	
		Location :		
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp

Dept: 50805 (Haiti - Energy & Environmnt)

Fund : 04000 (Core Programme, UNU Centre)

71405 - Service Contracts-Individuals	0.00	58,622.29	0.00	58,622.29
71410 - MAIP Premium SC	0.00	399.95	0.00	399.95
71530 - UNV-Rest and Recuperation	0.00	3,300.00	0.00	3,300.00
71605 - Travel Tickets-International	0.00	1,100.00	0.00	1,100.00
71615 - Daily Subsistence Allow-Intl	0.00	1,779.00	0.00	1,779.00
71620 - Daily Subsistence Allow-Local	0.00	10,280.59	0.00	10,280.59
71635 - Travel - Other	0.00	85.00	0.00	85.00
72210 - Machinery and Equipment	0.00	3,960.00	0.00	3,960.00
72315 - Food & Textile Products	0.00	399.09	0.00	399.09
72405 - Acquisition of Communic Equip	0.00	384.74	0.00	384.74
72515 - Print Media	0.00	480.86	0.00	480.86
72705 - Hospitality-Special Events	0.00	576.04	0.00	576.04
72810 - Acquis of Computer Software	0.00	2,128.45	0.00	2,128.45
72815 - Inform Technology Supplies	0.00	46.97	0.00	46.97
73120 - Utilities	0.00	1,171.54	0.00	1,171.54
74210 - Printing and Publications	0.00	591.26	0.00	591.26
74215 - Promotional Materials and Dist	0.00	254.32	0.00	254.32
74525 - Sundry	0.00	626.68	0.00	626.68
74599 - UNDP cost recovery chrgs-Bills	0.00	766.26	0.00	766.26
76125 - Realized Loss	0.00	58.72	0.00	58.72
76135 - Realized Gain	0.00	- 89.16	0.00	- 89.16
77630 - Dep Exp Owned - ITC	0.00	61.62	0.00	61.62

Total for Fund 04000	0.00	86,984.22	0.00	86,984.22
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Fund : 30000 (PROGRAMME COST SHARING)

61305 - Salaries - IP Staff	0.00	63,716.54	0.00	63,716.54
61310 - Post Adjustment - IP Staff	0.00	51,912.56	0.00	51,912.56
62310 - Contrib to Jt Staff Pens Fd-IP	0.00	9,524.16	0.00	9,524.16
62315 - Contrib. to medical, social in	0.00	218.00	0.00	218.00
62320 - Mobility, Hardship, Non-remova	0.00	5,235.00	0.00	5,235.00
62340 - Annual Leave Expense - IP	0.00	4,451.28	0.00	4,451.28
63335 - Home Leave Trvl & Allow-IP Stf	0.00	925.02	0.00	925.02
63365 - Special Oper Living Allow-IP	0.00	3,270.00	0.00	3,270.00
63530 - Contribution to EOS Benefits	0.00	1,649.04	0.00	1,649.04
63535 - Contribution to Security	0.00	1,758.98	0.00	1,758.98
63540 - Contribution to Training	0.00	439.75	0.00	439.75
63545 - Contribution to ICT	0.00	2,234.05	0.00	2,234.05
63550 - Contributions to MAIP	0.00	297.86	0.00	297.86
63555 - Contribution to UN JFA	0.00	791.55	0.00	791.55
63560 - Contributions to Appendix D	0.00	131.93	0.00	131.93
65115 - Contributions to ASHI Reserve	0.00	3,517.97	0.00	3,517.97
65135 - Payroll Mgt Cost Recovery ATLA	0.00	386.28	0.00	386.28

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UN Development Programme

Report ID: unglcdrp

Combined Delivery Report By Project

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Run Time: 31-03-2014 22:03:57

Project Id : 00060857 Réduction de la Vulnérabilité		Period : Jan-Dec (2013)		
Output # : 00085351 Gestion BassinsVersants Sud II		Impl. Partner : 99999 UNDP		
		Location :		
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
71405 - Service Contracts-Individuals	0.00	200,736.40	0.00	200,736.40
71410 - MAIP Premium SC	0.00	590.47	0.00	590.47
71605 - Travel Tickets-International	0.00	- 10,068.57	0.00	- 10,068.57
71615 - Daily Subsistence Allow-Intl	0.00	- 906.80	0.00	- 906.80
71620 - Daily Subsistence Allow-Local	0.00	29,027.47	0.00	29,027.47
72115 - Svc Co-Natural Resources & Env	0.00	2,580,399.59	0.00	2,580,399.59
72140 - Svc Co-Information Technology	0.00	5,600.56	0.00	5,600.56
72215 - Transporation Equipment	0.00	59,025.20	0.00	59,025.20
72220 - Furniture	0.00	1,422.28	0.00	1,422.28
72311 - Fuel, petroleum and other oils	0.00	9,075.45	0.00	9,075.45
72405 - Acquisition of Communic Equip	0.00	1,925.13	0.00	1,925.13
72425 - Mobile Telephone Charges	0.00	2,254.97	0.00	2,254.97
72440 - Connectivity Charges	0.00	4,500.00	0.00	4,500.00
72505 - Stationery & other Office Supp	0.00	900.42	0.00	900.42
72705 - Hospitality-Special Events	0.00	438.45	0.00	438.45
73410 - Maint, Oper of Transport Equip	0.00	5,903.60	0.00	5,903.60
74110 - Audit Fees	0.00	6,123.70	0.00	6,123.70
74205 - Audio Visual Productions	0.00	25,000.00	0.00	25,000.00
74210 - Printing and Publications	0.00	230.42	0.00	230.42
74220 - Translation Costs	0.00	1,458.75	0.00	1,458.75
74520 - Storage	0.00	369.78	0.00	369.78
74599 - UNDP cost recovery chrgs-Bills	0.00	10,634.03	0.00	10,634.03
76125 - Realized Loss	0.00	4,541.19	0.00	4,541.19
76135 - Realized Gain	0.00	- 4,186.12	0.00	- 4,186.12
Total for Fund 30000	0.00	3,085,456.34	0.00	3,085,456.34
Total for Dept : 50805	0.00	3,172,440.56	0.00	3,172,440.56
Total for Output : 00085351	0.00	3,172,440.56	0.00	3,172,440.56
Project Total :	0.00	3,172,440.56	0.00	3,172,440.56

Signed By :

Date :

07/04/14

Signed By :

Date :

07/04/14

UN
DPCombined Delivery Report By Project

UN Development Programme

Report ID: unglcdrp

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Run Time: 31-03-2014 22:03:57

Selection Criteria :

Business Unit : HTI10

Period : Jan-Dec (2013)

Selected Project Id : ALL

Selected Fund Code : ALL

Selected Dept. IDs : B0508

Selected Outputs : 00085351

Project Id : ALL	Period : Jan-Dec (2013)	
Output # : ALL	Impl. Partner :	
	Location :	
	Govt Exp	UNDP Exp
	UN Agencies Exp	Total Exp

50805 - Haiti - Energy & Envrmmnt

0.00

3,172,440.56

0.00

3,172,440.56



Combined Delivery Report By Project

UN Development Programme
Report ID: unglcdrp

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Run Time: 31-03-2014 22:03:57

Funds Utilization

Selection Criteria :

Business Unit : HTI10
Period : Jan-Dec (2013)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : B0508
Selected Outputs : 00085351

Project/Award: 00060857 Réduction de la Vulnérabilité

Period : As at Dec 31, 2013

Output #	00085351	Impl. Partner :99999 UNDP	UNDP AMOUNT
Outstanding NEX advances			0.00
Undepreciated Fixed Assets			1,417.37
Inventory			0.00
Prepayments			0.00
Commitments			41,195.00



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 “Gestion bassins versants Sud II”, Output ID 00085351, as at 31 December 2013.

Management is responsible for the preparation of the statement for the project “Gestion bassins versants Sud II”, Output ID 00085351, 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 Fixed Assets presents fairly, in all material respects the balance of inventory of the project “Gestion bassins versants Sud II”, Output ID 00085351, amounting to \$ 1,478.99 as December 31, 2013 in accordance with UNDP accounting policies.

Emphasis of Matter

Without qualifying our opinion, we would like to draw your attention to the point that the Combined Delivery Report (CDR) states that the balance of undepreciated fixed assets as of December 31, 2013 amounts to \$ 1,417.37. The difference of \$ 61.62 could not be explained.

Berlin, July 25, 2014

Frank Fabel, CPA, MA
Executive Director



Asset Management Detail Report

Business Unit: HTI10
Operating Unit:

Country: Haiti
Department:

Category: In Service
Impl Agency:

Project Type: Development
Donor:

Amount >=500
Fund Code:

From/To date: 01-JAN-2013 ~ 31-DEC-2013
Project: 00085351 Profile ID:

Business unit	Asset ID	Profile ID	Description	TAG Number	Serial Number	Model	Location	Acquisition Date
HTI10	000000001650	ITC1	A) Notebook computers	000000001650	MP-22A48	00012	HTIPRRVSUD	2013-09-24
Currency	Cost	Quantity	Operating Unit	Department	Impl Agency	Donor	Project	Fund code
USD	739.49	1.00	HTI	50805	001981	00012	00085351	04000
Business unit	Asset ID	Profile ID	Description	TAG Number	Serial Number	Model	Location	Acquisition Date
HTI10	000000001651	ITC1	A) Notebook computers	000000001651	MP-323DE	00012	HTIPRRVSUD	2013-09-24
Currency	Cost	Quantity	Operating Unit	Department	Impl Agency	Donor	Project	Fund code
USD	739.49	1.00	HTI	50805	001981	00012	00085351	04000
Count:			2	Total Value:		1,478.99 (USD)		



Haiti



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Ms. Sophie de Caen
UNDP Haiti
Senior Country Director

Management Letter to Project “Réduction de la Vulnérabilité: Gestion des bassins versants Sud II”, Output ID 00085351

Dear Ms. de Caen

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

1. Disclosure of Correction Bookings

Observation:

There are excessive correction bookings entered in Atlas to correct prior accounting entries.

Priority:

Medium

Recommendation:

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

Fabel, Werner & Schnittke GmbH

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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.

2. Reporting of Responsible Parties

Observation:

Some of the responsible parties did not produce traceable reports to support project expenses based on funds received from the Office. This means that it was not possible to establish an unequivocal link between financial report and the documentation.

Priority:

Medium

Recommendation:

The Country Office should require that the entities produce consistent reports on the basis of reliable ledgers. This will allow for an enhanced financial management while reduce the risks that funds are used for unauthorized transactions. In addition, the Country Office may consider the introduction of possible sanctions in case of non-compliance.



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. Only a final activity and financial report is submitted at the end of the contract. Moreover, those contracts were in course at the time that the audit was taking place. One organization has submitted the report this week and asked for the remaining 10% only yesterday (15 July 2014). Both organizations mentioned by the auditors have provided reports.

The country office however agrees to review the process in order to reduce the risk that UNDP funds are used of unauthorized transactions.

3. Use of Separate Bank Account

Observation:

UNDP Les Cayes requires from responsible parties that they open separate bank accounts to be used for keeping project funds. This measure is intended to ensure that UNDP-funds are not mixed with other financial resources thus making the controls and reporting more cumbersome. We were to assess that one of the responsible parties did not follow the request and furthermore lent UNDP-funds to other entities.

Priority:

Medium

Recommendation:

We recommend the Country Office to enforce third parties that implement project with UNDP funds the use of specific bank accounts for keeping project funds and to reconcile project and cash balances in regular intervals. This will allow for an enhanced financial management while reduce the risks that funds are used for unauthorized transactions.



Management Comment and Action Plan:

UNDP has signed many LOA with the responsible parties. To avoid stopping in some activities with a project, the responsible parties transfer some money from an account of one project by writing a Check with documentation and when the project that was lacking funds receive its funds they returned the amount to the first by Check with documentation. As a reminder, each project has its own account.

UNDP will make sure it will not happen anymore.

UNDP also want to mention that opening separate bank accounts or bank accounts are not a requirement of the LOA according to our rules and regulations.

Auditor's Response :

It is not like this that UNDP is required by internal regulations, that the contracts with the responsible parties should contain such a regulation – and this is not what we want to say. It is like this that one responsible party did not comply with your requirement to keep the project funds on a separate bank account. Thus, our point is a problem of consistency, and not of compliance with overall UNDP rules.

4. Calculation of Management Fee could be misrepresented

Observation:

UNDP Haiti has a contractual right to charge the project a 7 percent administration fee on the net project expenses and a 1 percent management fee on the grand total. We undertook an attempt to re-calculate the administrative fee and the management fee and as a result we believe that the project was undercharged.

Priority:

Medium



Recommendation:

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

Management Comment and Action Plan:

GMS fees were not charged in 2013 for project 85351 “Bassins Versants Sud” although Atlas GMS mechanism information was properly recorded. Action will be taken to record 2013 charges that is amounting of \$215,981.94.

Berlin, July 25, 2014
Frank Fabel, CPA, MA



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.