

AUDITORS' MANAGEMENT LETTER
RESULTING FROM THE AUDIT OF THE
LIBERIA PETROLEUM REFINING COMPANY
FOR THE YEARS 2004 AND 2005

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April 20, 2006

To the Board of Directors
Liberia Petroleum Refining Company
Bushrod Island
Monrovia, Liberia

Dear Members of the Board:

REF: AUDITORS' MANAGEMENT LETTER

As part of our audit, we are pleased to submit this management letter. The management letter contains significant matters that emerged from the audit of the years 2004 & 2005. These matters are both administrative and financial in nature. In 2004 & 2005, the management of LPRC did not manage the company's funds prudently. Had it not been for the timely credit facilities extended to LPRC by the importers, the Company could have collapsed. Therefore, this report should be carefully reviewed and steps taken to avoid a recurrence of these anomalies. Below are the details of the Administrative and Financial irregularities that we observed.

1. ACCOUNTING POLICIES

The administrative and financial control systems of the Liberia Petroleum Refining Company are not written. The company is verbally managed. There is no manual for the accounting policies and functions of the company. As a result of the absence of an accounting manual, the application of the accounting functions is left to the discretion of the comptroller and top management. The staff of the accounting Department does not have any reference to up date their works. Additionally, The Accounts Department lacks proper supervision. This led to serious problems ranging from accounting errors, and omissions, which hamper the preparation of credible financial statements.

RECOMMENDATIONS:

A. Accounting Manual

For the enhancement of proper accountability, the Board of Directors of the Company must put in place financial management measures. **There must be an Accounting Manual that will state in detail the Accounting Policies of the Company.** Additionally, the Accounting functions of the Company must be computerized. This will ensure the readiness of financial reports and statistical information.

B. Operational Budget

A budget is a good management tool. It ensures the generation and application of funds. The last management did not operate in accordance with its prepared budget. Consequently, in spite of the cash receipts amounting to US\$8.3Million dollars in 2004 and US\$8.4Million dollars in 2005, the Company experienced financial difficulties. Since the war is over, proper management principles should be put in place and followed.

2. **ACCOUNTING ERRORS AND OMISSIONS**

A. **BANK OVERDRAFT**

The Accounts Department stated in its financial statement that it had an overdraft of **US\$300,277.00** in ECOBANK as at December 31, 2005. A thorough review revealed that there was no overdraft facility provided LPRC by ECOBANK to that amount. The negative balance was due to several checks that were written but not presented to the bank as at December 31, 2005. Had there been proper supervision, the accounts department would have identified the error and known that these checks were not paid by the bank and would have effected the appropriate adjustments to state the correct cash balance in the bank as at December 31, 2005. **We therefore recommend that the monthly bank reconciliation statements prepared by junior accountants must be reviewed by a senior accountant and approved by the Chief Accountant and the Comptroller.**

B. **ESCROW ACCOUNTS**

We noted the establishment of an ESCROW account at ECOBANK. The intent of this account was to deposit an amount equal to **US\$0.4** of the products imported to cover the cost of the rehabilitation of the LPRC tanks. This however, did not materialize as the account was said to be closed. We sought confirmation on this account but the bank did not respond to our confirmation letter. Despite the information provided by the management that it had closed the ESCROW account held at ECOBANK, it reported same **US\$25,000.00** as ESCROW, in the management financial statements. The existence of this account is doubtful. Therefore, **we recommend that management should investigate the US\$25,000.00.**

3 PAYABLES**OBSERVATION OF PAYABLES**

The amount stated in the general ledger does not agree with the total of the vendors' subsidiary ledger balances. There is an unexplained variance of **US\$622,652.45 and US\$ 73,018.9** between the general ledger and the subsidiary. The amounts shown in the general ledgers are **US\$807,812.84 and US\$929,297.10** for 2004 and 2005 respectively, while the vendors' subsidiaries add up to **US\$1, 430, 464.50 and US\$1,002,316.98** for 2004 and 2005 respectively. Additionally, there were disparities in balances reported by LPRC and those confirmed by vendors. See table below for details

VENDORS	LPRC book	Vendors' book	Variance
	US\$	US\$	US\$
Sethi Brothers	18,067.80	21,317.80	3,250.00
EAGLE	20,001.75	20,117.25	115.50
Origin Oil	97,407.42	136,970.79	39,563.37
Atlantic Life Ins.	65,188.32	87,032.42	21,844.10
Medicare	105,044.35	107,608.34	2,563.99
PEGMI	LS1,720,946.61	1,694,428.08	26,518.53

We realized that these irregularities have existed for a long time. Therefore, there is a need for the vendors' accounts to be reconciled. This will avoid LPRC making unnecessary payments on accounts that are incorrect or non-existent.

4. ERRORS IN ACCOUNTS RECEIVABLE

The importers accounts receivable control balances in the general ledger did not agree with the sum of the importers subsidiary ledgers balances in 2004 and 2005. These errors are due to the followings:

- a. The junior accountants who handled the importers accounts are not supervised.
- b. No reconciliation was made between the staff from general accounts and the staff of the accounts receivable section.

IMPORTERS	2004		2005	
	General Ledger	Subsidiary	General Ledger	Subsidiary
	US\$	US\$	US\$	US\$
AMINATA			9,543.59	9,343.53
MOBIL			487.00	1,387.74
SRIMEX			(15,862)	(5,202.62)
MOTC	(35,857.49)	731.00	(87,785.41)	1,311.95
ORIGIN OIL			(111,524.17)	(97,407.42)
WEST OIL	99,734.44	56,416.01	229,948.32	190,761.40

Most of the staff who are assigned in the accounts department do not have formal accounting education or training. Due to the incompetence of these junior accountants, and the absence of supervision and reconciliation, the accounts were noted to be erroneous.

RECOMMENDATIONS:

To keep the Accounts Receivable General Ledger Control and the Subsidiaries Accounts in agreement, we recommend the followings:

- **That a senior accountant reviews and approves all entries before they are posted to the general ledger.**
- **That there should be regular reconciliation of the various subsidiaries in order to establish accuracy in the accounts.**
- **That the accounts department be restructured to include only qualified personnel with formal college education and experience in Accounting.**

Management must sponsor accounting workshops that will improve the efficiency of the Staff of the Accounts Department.

- **That an Accounting Manual of LPRC be written as soon as possible. This will ensure handling of the Company's accounting functions and the preparation of financial statements to be in accordance with internationally accepted accounting principles. Additionally, it will discourage the accounts being kept in accordance with individual style.**
- **All the importers' accounts be reconciled periodically with the General Ledger of LPRC.**

5. ECOBANK PROJECT RECEIVABLE

Included in the receivable for the year ended was an amount of **US\$23,945.00** to be received from ECOBANK project account. Following a thorough review, we noted that the LPRC was rather charged an interest of **US\$33,000.00** on its project account. There are no documents that support this amount. The accounts department cannot explain the matter related to the **US\$23,945.00**.

RECOMMENDATION

Cash is the most liquid of all the assets and every effort should be made to ensure that it is accurately reported in financial statements. We therefore recommend the followings

- **That a senior accountant supervises the preparation of the bank reconciliation statements.**
- **That the bank reconciliation statements be signed and approved, as presently the ones prepared by management are not signed.**
- **That the staff responsible for the bank reconciliations be trained in modern accounting techniques**
- **That the ESCROW account and the ECOBANK Project Account be investigated.**

6. PREWAR RECEIVABLES AND PAYABLES

The Accounts Department stated in the managements accounts several unsupported accounts payables and receivables. These Accounts were assumed to be prewar accounts. The presentation of these accounts in the Company's books is unrealistic, due to the lack adequate supporting evidence. There was no basis to include them in the books of the Company. Therefore, we recommended to the Board of Directors to write them off. The Board in a resolution approved the write off. Consequently, all the unsupported prewar accounts balances were written off during the audit exercise. The financial statements for the year 2004 and 2005 are free of these bad accounts.

RECOMMENDATION

To ensure the removal of the unsupported prewar accounts payables and receivables from the LPRC accounts, we recommend that the Accounts Department pass the adjustments that we made. Unless this is done, the Company's accounts will be carrying misleading in formations that will embarrass the Company in the future.

7. LEASE AGREEMENT WITH NATIONAL PORT AUTHORITY (NPA)

We noted that the Lease Agreement for the use of the PST land with NPA expired since 2001. There were no efforts made by management to renew this agreement. We do not understand why an entity like LPRC will make payments based on an expired contract. Additional information available reveals that the management had previous disagreement with NPA regarding the rates that were being charged by the other party.

RECOMMENDATION

To avoid embarrassment from the National Port Authority (NPA), we recommend that LPRC should sign a Lease Agreement as soon as possible with NPA.

8, THE ACCOUNT OF THE NATIONAL SOCIAL SECURITY COMPANY

The accounts department maintained three (3) separate subsidiaries ledger accounts for National Social Security & Welfare Corporation. Interestingly all the amounts in these accounts are in the same currency but yet have varying balances. In addition to that, none of the three balances stated in the subsidiaries agreed with the general ledger. LPRC is said to be indebted to NASSCORP in the tone of **LS6,000,000.00**. This amount is enormous and the LPRC management needs to exert every effort to ensure that her claims are accurate and are paid. In 2004 and 2005, the general ledger amount stated were **LS5,776,983.02** and **LS6,938,867.84** respectively while the amounts in the subsidiaries were **LS6,049,208.15** and **LS6, 592,898.18** respectively.

RECOMMENDATION

We strongly recommend that the National Social Security Corporation accounts with LPRC be reconciled so that the correct balances be reflected on both company's books.

9. CASH RECEIPTS

The cash receipt procedures of the Liberia Petroleum Refining Company was noted to be very good. The process begins with a report from the marketing department indicating that a particular ship has arrived and specifying the details of its contents in terms of quantity of petroleum products. Following the receipt of the information by the billing section of the accounts department, a bill in triplicate is prepared. One copy is forwarded to the importer indicating the importer's indebtedness to the LPRC; one copy is forwarded to the Receivables section for appropriate bookings. We traced these bills to ~~their~~ respective importers and were very satisfied with the cash receipt procedures. The total cash receipts from importers for the two years ended December 31, 2004 and 2005 are **US\$8,432,100.00** and **US\$8,321,000.00**. **The cash receipts were properly recorded. Management did very well in this regard.**

RECOMMENDATION

We recommend that the present billing and cash receipts procedures be maintained. However, we also recommend that a competent staff should be responsible for the billing and cash receipts. The importers account balances should be reconciled with the importers balances every month.

10. CASH DISBURSEMENTS

While we are satisfied with the cash receipts recording procedures, we are equally dissatisfied with the disbursement of the Company's funds. During the years 2004 and 2005 the management team of the Company was structured in accordance with the Accra Peace Accord. Consequently, proper management principles were not followed in the management of the Company's funds.

- A. Management informed us that funds were requested and paid to the NTGL Authorities at random. The payments were supported neither by formal request nor by any official receipts. We therefore, were unable to satisfy ourselves if these payments were actually made to the NTGL Authorities as management claimed.
- B. There was a direct interference in the affairs of the Company by the NTGL. At the request of the NTGL, the Company purchased Vehicles, Gasoline & Fuel, for the Executive Mansion, paid cash on behalf of the Chairman and Vice Chairman for local and international travels.
- C. A photocopier was purchased by LPRC management at **US\$18,500.00**, but has not been functional since it was purchased.
- D. Costs of the construction works on the buildings at the PST were over stated. The two buildings at the costs of **US\$100,000.00** and **US\$127,000.00**. These buildings could cost less than that had good management principles been followed.

E. Other disbursements as directed by NTGL:

1. LIBERIA PERMANENT MISSION

LPRC remitted the amount of **US\$100,000.00** to the Liberia permanent mission in New York.

2. FUNDS PAID TO MINISTER THOMAS NIMELY YAYA

The company gave **US\$100,000.00** to Thomas Nimely Yaya, Foreign Minister of Liberia for the celebration of the July, 26 Independence day. This amount was paid in September, two months after the July 26 celebration.

3. UNIVERSITY OF LIBERIA RE-OPENING

LPRC management remitted to the University of Liberia **US\$100,000.00** for the re-opening of the University.

4. NTLA

The company remitted to the NTLA the amount of **US\$65,000.00** to lobby among NTLA members against repealing of the Act that granted exclusive rights to the LPRC.

5. ELECTORAL BILL

LPRC provided to the government **US\$100,000.00** as its contribution towards the passage of the Electoral Bill.

6. GOL DIVIDEND

LPRC remitted the amount of US\$110,000.00 to the Executive Mansion as GOL dividends.

7. NTGL CHAIRMAN'S TRAVEL

The amount of US\$130,000.00 was paid to the Chairman for travel to the USA in addition to US\$75,000.00 for a trip to the South East and US\$75,000.00 to Northern Region of Liberia

8. VEHICLES PURCHASED FOR NTGL

Two vehicles were purchased from Africa Motor for office of the Chairman. One was valued at US74, 000.00 and the second was valued at US\$42,000.00.

It is very important to note that due to the interference of the NTGL Government in the finances of LPRC, the management was unable to reserve funds for future operation.

RECOMMENDATION

We are glad that the war is over, and that Liberia now has an elected government. To ensure growth in LPRC, we recommend that the present Board of Directors develops an appropriate management policies that will ensure good governance and accountability.

10. FIXED ASSETS

The fixed assets of the Liberia petroleum Refining Company include several buildings, tanks, (Monrovia & Ganta) and vehicles among other assets. Some of these assets have become obsolete and worn out and therefore, are no longer useful; but are still on the books. Some of the assets were looted during the civil crisis. Balances of the looted assets are being maintained in the books as though they exist. Below are some of the matters relating to the Company's fixed assets.

a. BUILDINGS

There is an unexplained variance between the general ledger figure shown as cost of buildings and the fixed assets registry valuation undertaken by the Internal Audit department. The variance could probably be explained by the fact that most of these buildings located at the company main site in Gardnersville were constructed as far back in the sixties, and during the civil crisis, the relevant documents related to the construction works were looted. Additionally the way the accounting for the buildings were done it is difficult to determine which of the buildings was improved upon to adjust their costs. More than that, the computation of the depreciations was not properly done. This resulted in the variance in the building valuations. During our visit to the various sites (Ganta Oil Terminal, and Main site) we noted that the nominal values assigned to these buildings to be fair. Renovation of these buildings could save the company thousand of dollars spent as lease for the land at the PST. Additionally, the strategic location of the GOT means its reopening will provide additional market for the sale of the products to the leeward counties thus increasing the revenue base of the company.

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b. Work In Process Buildings

The financial statements of the company did not include work in progress. There were several buildings, which were under construction at the time but were erroneously reported as though they were completed. The cost spent to date on these buildings were to be reported in the financial statements as work in process and with no depreciation computed on it until they are completed. Instead, the contract cost was included in the building cost and depreciation computed on same. This is not in accordance with generally accepted accounting principles.

RECOMMENDATIONS

- **We recommend that the company contracts the services of a qualified engineering firm to carry out engineering review on the buildings to establish the present values of the buildings. This will help in determining a reasonable cost to be used in future financial statements.**
- **That the portion of the buildings cost which cannot be adequately explained be written off from the books.**
- **That the depreciation be computed in keeping with generally accepted accounting principles promulgated by the international federation of accountants and management policy.**
- **That the company begins negotiations with the UNMIL high command to arrive at a date for the vacation of its premises at the main site in Gardnersville for possible relocation.**
- **That the company does everything possible to re open the Ganta Office as this will make the petroleum product available to most of the leeward counties and provide an increment in the revenue of the company.**

c. VEHICLES

The company owns seventy cars including a fire truck. This has provided enormous relief to the workers due to the acute transportation problems faced by many Liberians. It has provided an opportunity for the workers to be ferried to and from work, something which is worth commendation. While this has eased the transportation needs of the company, enormous resources were mobilized in order to acquire the fleet of cars that the refinery presently has. From the cash flows analysis we noted a total of **US\$845,880.00** and **US\$554,500.00** was spent to acquire the cars during the years 2004 and 2005. Included in the fleet of vehicles are 17 luxurious Nissan saloon vehicles. There is a variance between what is stated as cost of vehicles in the General ledger and what is in the registry. The cost of vehicles as per the registry is **US\$1,871,225.76** while the cost per the general ledger is **US\$1,859,355.91**.

c-a OTHER ISSUES FROM AUDIT OF VEHICLES

- ⇒ **LPRC acquired a Toyota Hilux pickup for the former chief of Security identified as Christopher Vambo valued at US\$20,000.00. We did not see this vehicle listed in the registry. Management informed us that Mr. Vambo a former General of the defunct National Patriotic Front of Liberia (NPFL) had forcibly taken the vehicle away.**

- ⇒ **A Grand Cherokee jeep acquired at US\$35,264.67 for the use of the Deputy Managing Director for Fiscal Affairs was requested by the NTGL and subsequently transferred to the Bureau of Immigration. The value of this vehicle is still being included in the list of the vehicles stated in the financial statements.**

- ⇒ **The Toyota pickup scrapped by management is also still being included in the listing and costs of the vehicles.**

- ⇒ **Most of the company vehicles are not marked and coded for easy identification and safeguard against theft. Except for the removable stickers placed on the windshield of the vehicles, there are no other visible identification marks of the Liberia Petroleum Refining Company**

RECOMMENDATIONS

- ⇒ **There are adequate vehicles in the company and there is no need to acquire any more.**
- ⇒ **The company must sell all the old buses, which have outlived their usefulness.**
- ⇒ **The vehicles that were scrapped and one transferred to the GOL should be removed from the registry.**
- ⇒ **All LPRC Assets including Vehicles must be marked for proper identification.**

D. TANKS

There are seventy (70) tanks owned by management in four (4) different locations. Namely, Main Site (Gardnerville),-38 Product Storage Terminal (PST),-16, Crude Storage Terminal (CST)-3 and Ganta Oil Terminal-13. These tanks were constructed as far back in the 60's. These tanks have a cumulative capacity of **1,146,824** barrels. Most of the tanks have become obsolete and no longer useful. At present, these tanks have to be constantly repaired in order to keep them going. Tanks 408, 1, and 7 were the most notable of the tanks that were repaired. Interestingly the company secured a loan of **US\$700,000.00** from ECOBANK for the repairs of the tanks but to date the tanks earmarked for repair have not been repaired. Additionally, the company put up an Invitation to Bid for the construction of tanks and other buildings for the company. The contract was awarded to the Mechanical Engineering Group (MEG). The contract price is valued at **US\$12,000,000.00** to be implemented over a period of 36 months.

The details of the contract are available. The tanks in Ganta are in good condition, as the tanks were not used when the war hit the county. The security department of the LPRC is presently manning the site. However, the loading rack, the pipes and other accessories needed to enhance operations at the Ganta Oil Terminal are out. The pipes and loading rack equipments were looted during the war and have since not been replaced.

e. PLANT

The LPRC has included in its registry plant valued at **US\$7,468,000.00**. This amount is the cost of acquisition of the plant. The plant was used for the refining of petroleum products. Since the 80's the LPRC has stopped refining crude oil due to the break down of the plant. The plant has remained erected at the main site and is corroding. It is presently in a very deplorable state and cannot be revitalized. During our visit to the main site, we noted the plant had outlived its usefulness. The plant is not itemized in the registry but is stated in the management's financial statement. Interestingly, the accumulated depreciation has exceeded the value of the plant. This is wrong and should not be so. This is indicative of the fact that the books of the LPRC have not been properly maintained. Similar situation exists for household assets, which in any case no longer exist. We would therefore recommend that management scrap the plant and sell the metal to scrap dealers. That is the only economic recovery value left of the plant. In addition, the accounts department should pass the appropriate adjusting entries, as over the years the additional expenses charged to the income did not relate to these years. This understated the income of the company. The cost of the plant is **US\$7,468,000.00** while the accumulated depreciation is **US\$7,841,399.92**, while the cost of household assets is **US\$3,690** and accumulated depreciation is **US\$7,084.00**.

f- OTHER ASSETS

f-1 Warehouse Inventories

The financial statement included warehouse inventories valued at US\$1,000,000.00. These inventories are said to be kept at the main site. During our visit to the main site, we noted that the warehouse building was completely empty. There were no traces of these inventories mentioned in the management financial statements. The building is in ruins and very deplorable.

RECOMMENDATION

- ⇒ **The fixed assets of the Company should be reviewed. Most of the assets in the company's records are not in existence. Therefore, the financial statements prepared by management do not reflect the correct assets and their related values.**

11. DISBURSEMENTS WITHOUT EVIDENCE OF WORK

Several disbursements were made without any evidence of the services rendered of goods delivered.

11.a KERSON SEYKOR

The management hired the services of Kerson Seykor to reconcile the company's receivables, but from our review, there is no evidence showing that reconciliation was carried out. The formal report showing the reconciled balances of the company was not presented to us. A total of US\$4,000.00 was paid to Kerson Seykor for accounting services. This amount was presumably paid for services not rendered.

11.b JETTYWALKWAY/PIPES

The Jetty walkway stretches out in to the sea and allows workers to walk on it to the ship. The walkway is made up of pipes that transport the product from the ship to the tanks. A contract was awarded to Green Coast valued at US\$235,000.00. During the audit, we noted that the Jetty walkway is yet to be completed. The contract price is enormous, the management must exert all efforts to ensure that the Jetty walkway is completed.

11.c DEVIN SAC AKAHN

Devine Sac Akahn is a consultancy firm hired by LPRC to provide management consultancy. The contract price was US\$12,000.00. Of this amount US\$3,000.00 was paid. We have no evidence that there was a contractual agreement between the two entities. The amount of US\$3,000.00 received by Devine Sac Akan cannot be justified. We did not see any documentary evidence of some of the work that it carried out. There are no substantial proofs of work done; consequently, we recommend that no further payments be made to Devine Sac Akahn.

11-d GREEN COAST -TANK-408

LPRC hired the services of Green Coast to rehabilitate Tank 408. Funds were taken from the US\$700,000.00 loan obtained from ECOBANK to repair the tanks. An initial amount of US\$147,500.00 was paid to the contractors to start the work. As at the time of our physical verification of the tanks, we noted that the roof of this tank was off and had not been rehabilitated. The tanks are the sources through which the LPRC gets its fees (Storage & handling fees), therefore we recommend that management ensures that the contractors are made to complete the rehabilitation of this tank or be made to retribute the amount.

11-e TRAINING BUILDING

This building is valued at **US\$100,000.00**. The company made several payments totaling **US\$66,000.00** to the contractor but to date the building has not been turned over to the LPRC management as stipulated in the agreement. The building is not completed as the doors, windows, and other things have not been added to the building.

⇒ **We recommend that management prevail on the contractors to have them complete the building before making the final payment.**

11-f WIRE-U COMMUNICATION Inc.

LPRC contracted and paid the full contract price in the amount of **US\$18,000.00** to **Wire-U Communication Inc.** for the installation of a local area network (LAN). This was to include the installation of internet services that would keep the company updated with modern technology. There is no evidence that the Wire-U carried out the installation. Since the payment of the **US\$18,000.00**, the Network service has not been installed.

RECOMMENDATIONS

⇒ **We recommend that all the above-mentioned companies that received payments from LPRC but have not performed the services should be required to either perform the services or refund the amounts paid to them.**

11-g LPRC PAID US\$60,500. TO BIDDING COMMITTEES

There were three (3) separate committees set up to supervise the bidding that led to the awarding of the contract for the construction of tanks and other safety equipments. The George Gooding Committee, Pewu Zubah committee and the David Vinton committee were set up to carry out this task. US\$22,500.00, US\$33,000.00 and US5, 000.00 were cash used by the various committees. We have not seen the committees' reports and therefore we were unable to satisfy ourselves of the bidding process. However, the Mechanic Engineering Company (MEG) was awarded a contract valued US\$11,994,649.00. Ten (10%) of the Contract price was to be paid before the commencement of the work. However, only US\$550,000.00 has been transferred to the company in January 2006 against the required initial payment as stipulated by the agreement.

In our opinion, this contract is not necessary at this time, looking at the prevailing cash flows position of the Liberia Petroleum Refining Company. This contract will cause LPRC to experience financial difficulties in its operation. The LPRC will be better off to repair the existing tanks.

12. OTHER UNEXPLAINED CASH PAYMENTS

In 2005, several payments were made without explanation:

- a. A total of US\$47,000.00 was paid to the Board of Directors of the company, but there was no resolution to justify the payments.
- b. An amount of US\$109,000.00 was withdrawn to be paid to managers, but an amount of US\$11,500.00 was unaccounted for.

- c. The **US\$36,184.00** was collected in cash from Srimex; of this amount, **US\$18,000.00** was used to fight press war. The details relating to these payments were not made available to us. Additionally, the balance **US\$18,184.00** has not been accounted for.

- d. **US\$ 20,000.00** was withdrawn from the Ecobank project Account in the name of cash; documentation relating to this payment was not made available to us.

RECOMMENDATION

- ⇒ **Management should investigate these payments and if possible should request refund.**

13 NON-OPERATIONAL PRODUCTS

13.a GASOLINE & FUEL GOODWILL TO THE PUBLIC

The LPRC gave out a total of **6,410 gallons** of gasoline monthly to individuals and institutions that have no relationship with the operations of LPRC. This amounts to approximately **US\$230,760.00**. **This poses huge financial burden on the company cash flows position. It does not enhance growth** to the company and therefore should be abolished.

13. b BOARD OF DIRECTORS GASOLINE

Beside the fees paid to the Board of Directors, **30,600 gallons** of petroleum products and **58,200 gallons** of petroleum products were given to the Boards Members during the years 2004 and 2005 respectively. The Company paid **US\$91,800.00 in 2004** and **US\$174,600.00 in 2005** for the products which management supplied the Board Members. **This gasoline in our opinion was too much and it created serious financial burden on the cash flows of the company. The gasoline for Board Members should be at least 150 gallons per month.**

POSITION	MONTHLY ALLOTMENT	
	2004	2005
CHAIRMAN	500	750
BOARD MEMBERS (8)	250	500
RECORDER	50	100

13.c GASOLINE FOR GOL SECURITY OPERATIONS

The government of Liberia on a monthly basis received **1,000 gallons** and **US5, 000.00** through Sam Ajavon for security operations. LPRC paid **US\$36,000.00** to the suppliers of the gasoline on behalf of the Government (NTGL).

13.d ADDITIONAL GASOLINE & FUEL FOR TOP MANAGEMENT

Top management, in addition to their allotment for office utility, received eleven thousand five hundred (11,500) gallons of mixed products every month. The products are distributed among them for the use of their generators.

RECOMMENDATION

⇒ The matters discussed in 13.a to 13.d are some of the factors that affected the cash flows of the Company. This is to indicate that the Company was not managed properly. Had the funds of the Company been managed effectively, management could have reserved thirty (30%) percent of the funds collected amounting to US\$8.4Million in 2005 and US\$8.3Million in 2004.

14. PRODUCT THEFT AT PST

There is a high rate of THEFT at PST. This product theft always resulted in financial losses to LPRC. The company paid a total of US\$342,595.47 to three different importers for losses they sustained during the discharge of the products. The management of LPRC takes responsibilities for the losses because of theft. . The management informed us that the theft had reached an alarming proportion. It had invited UNMIL personnel to reinforce the security at PST, but there is no reduction in theft of the products.

RECOMMENDATION

- ⇒ **Management must bring this situation under control. This should not be taken lightly, because it poses a serious security threat to the operation of LPRC and the Freeport of Monrovia.**

15. THE PRESENT STAFF OF THE COMPANY

The Company has on its payroll 642 employees. In our opinion, this figure is very high. We informed the management about this high staffing but Management informed us that it was its' way of buttressing the peace process. The war is over and peace has been achieved. **Therefore, in our opinion, management should reduce its present workforce by seventy (70%). This will enable management to maintain effective and efficient staff to properly manage the operations of the company.**