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AUDIT OF  
RESEARCH GRANTS FOR  
MAHIDOL UNIVERSITY  
PROJECT NO. 398-0249

AUDIT REPORT NO. 2-493-88-12-N  
JANUARY 29, 1988

UNITED STATES GOVERNMENT

# Memorandum

TO: Dr. John R. Eriksson  
Director, USAID/Thailand

DATE: January 29, 1988  
RIG/EA-88-107

FROM: Leo L. LaMotte  
Regional Inspector General  
for Audit

SUBJECT: Audit Report No. 2-493-88-12-N  
Audit of the Research Grants for Mahidol University,  
Project No. 398-0249

Attached is a copy of the final report on the subject audit. The certified public accounting firm of Ernst & Whinney (Bangkok) prepared the report dated August 26, 1987. The purpose of the review was to determine whether project funds were being properly accounted for in compliance with the terms of the grants and other applicable A.I.D. policies and procedures and to identify and evaluate the accounting systems and internal controls of the funds.

Mahidol University was the recipient of five A.I.D. grants totaling \$730,711 under the Program Development and Support Project No. 398-0249 which was to enhance science and technology development in Thailand. The first grant amounting to \$150,000 for the period March 5, 1984 to September 30, 1987 provided for research on "Biological Control of Schistosomiasis Transmitting Snails in Southeast Asia." A second grant of \$149,930 for the period May 17, 1984 to September 30, 1987 focuses on "Improvement of Bacterial Agents for Control of Mosquito Vectors." A third grant of \$131,500 for the period June 10, 1985 to October 31, 1988 deals with "Fiber Farming Through Weed Utilization." The fourth grant of \$150,000 from August 8, 1985 to November 30, 1988 researched on "Antigenic Diversity of Plasmodium Vivax." Another grant of \$149,281 for the period August 7, 1985 to November 30, 1988 pertains to "Development of Immunodiagnosis and Improvement of Immunotherapy of Snake Venom Poisoning."

The auditors performed substantive and compliance tests on transactions totaling \$392,977 or 94% of actual expenditures. Of this amount, \$140,244 in costs were questioned. The grantee was found to have complied with all other material terms and conditions of the grant agreement examined.

This report recommends that USAID/Thailand resolve with Mahidol University questioned costs in the amount of \$140,244, and that USAID/Thailand assist the University to resolve internal control problems identified in this report. These recommendations however will not be separately included in the Inspector General's audit recommendation follow-up system by mutual agreement of USAID/Thailand and RIG/A/Manila. Instead, these recommendations are consolidated into Audit Report No. 2-493-88-04-N entitled "Audit of Science and Technology Research Grants, Project No. 398-0249."

**Ernst & Whinney**

**RESEARCH GRANT**

**MAHIDOL UNIVERSITY**

**PREPARED FOR : REGIONAL INSPECTOR GENERAL/AUDIT/MANILA**

**PREPARED BY : ERNST & WHINNEY (BANGKOK)**

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26th August, 1987

Mr. Leo L. La Motte,  
Regional Inspector General/Audit,  
Agency for International Development,  
Ramon Magsaysay Center,  
1680 Roxas Blvd., Manila 2801,  
PHILIPPINES.

Dear Sir,

MAHIDOL UNIVERSITY

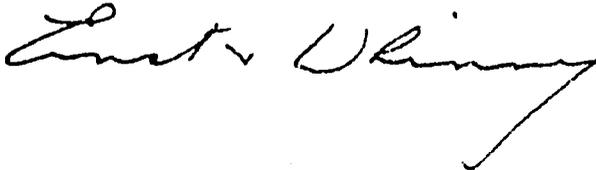
- Grant No. 936-5542
- Grant No. 936-5542
- Grant No. 936-5542-G-00-5058-00
- Grant No. 936-5542-G-00-5078-00
- Grant No. 936-5542-G-00-5079-00

We have completed our examination of the systems and controls with respect to the above captioned in accordance with the contract no. 398-0249-C-00-6048-00 dated 19th June, 1986 as per amendment no. 1 and 2 and present herewith our findings and recommendations.

The matters dealt with in this report are based on the information and documents provided to us and therefore our comments cannot be expected to be exhaustive and to include all possible weaknesses on the systems of accounting and internal control.

Should you require clarification on the report or additional information to be added to, please feel free to contact us.

Yours faithfully,



Encl.  
RT: jk

RESEARCH GRANT  
MAHIDOL UNIVERSITY

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APPENDIX V - GRANT NO. 936-5542-G-00-5079-00	

1. INTRODUCTION

This report provides the results of our review of accounting system and internal control under the contract of which the contents are summarised as follow :

GRANTEE : The Royal Thai Government acting through the Department of Technical and Economic Cooperation. Mahidol University will act on behalf of the Department of Technical and Economic Cooperation concerning the administration of the grant.

GRANT The grants included in the exercise are summarised as follow :

<u>Grant No.</u>	<u>Project Outline</u>	<u>Project Period</u>	<u>Budgeted Amount US\$</u>
936-5542 (Dr. Suchart U.)	Biological Control of Schistosomiasis Transmitting Snails in Southeast Asia	5/3/84- 30/9/87	150,000
936-5542 (Dr. Somsak P.)	Improvement of Bacterial Agents for Control of Mosquito Vectors	17/5/84- 30/9/87	149,930
936-5542-G-00-5058-00	Fiber Farming Through Weed Utilization	10/6/85- 31/10/88	131,500
936-5542-G-00-5078-00	Antigenic Diversity of Plasmodium Vivax	8/8/85- 30/11/88	150,000
936-5542-G-00-5079-00	Development of Immunodiagnosis and Improvement of Immunotherapy of Snake Venom Poisoning	7/8/85- 30/11/88	149,281

## RESULT OF AUDIT :

<u>Grant No.</u>	<u>Date of Report</u>	<u>Fund</u>	<u>Actual</u>			<u>Questioned</u>
		<u>Received</u>	<u>Spending</u>	<u>Amount</u>	<u>Verified</u>	<u>Costs</u>
		<u>to date</u>	<u>Reported</u>	<u>US\$</u>	<u>%</u>	<u>US\$</u>
936-5542 (Dr. Suchart U.)	31/1/87	89,386	89,386	84,643	95	39,954
936-5542-G-00-5078-00	31/3/87	73,450	72,797	68,548	94	1,794
936-5542-G-00-5079-00	28/2/87	63,456	72,738	71,983	99	9,275
		386,133	417,801	392,977	94	140,244
		=====	=====	=====	==	=====

REMARK : The above tabulation is based on the exchange rate of US\$ 1 = Baht 26 which had been adopted in translating Baht figures to U.S. dollars.

For questioned costs, details are set out in individual grant reports in Baht value as follow :

<u>Grant Number</u>	<u>Appendix</u>
936-5542 (Dr. Suchart U.)	I
936-5542 (Dr. Somsak P.)	II
936-5542-G-00-5058-00	III
936-5542-G-00-5078-00	IV
936-5542-G-00-5079-00	V

## 2. INITIAL DISCUSSION

Initial discussion with the Principal Investigators, the field work in respect of evaluating, testing the systems of internal control, reported expenditure and compliance thereto with terms of grant agreement and final discussion on findings with the Principal Investigators were conducted during 12th May, 1987 to 23rd June, 1987.

3. ADMINISTRATION OF GRANTS

	Grant No. 936-5542 (Dr. Suchart)		Grant No. 936-5542 (Dr. Somsak)		Grant No. 936-5542-G- 00-5058-00		Grant No. 936-5542-G- 00-5078-00		Grant No. 936-5542-G- 00-5079-00	
	Mahidol	Principal	Mahidol	Principal	Mahidol	Principal	Mahidol	Principal	Mahidol	Principal
	<u>University</u>	<u>Investigator</u>	<u>University</u>	<u>Investigator</u>	<u>University</u>	<u>Investigator</u>	<u>University</u>	<u>Investigator</u>	<u>University</u>	<u>Investigator</u>
- Receiving of fund	/		/		/		/		/	
- Custody of project fund	/		/		/		/		/	
- Procurement of goods and services	/		/		/		/		/	
- Receiving of goods and services	/		/		/		/		/	
- Disbursement authorization	/		/		/		/		/	
- Staff recruitment	/		/		/		/		/	
- Recording of book of account	/		/		/		/		/	
- Financial report	/		/		/		/		/	
- Custody of books of account	/		/		/		/		/	
- Physical control	/		/		/		/		/	
- Management control		review of operating performance		review of operating performance		review of operating performance		review of operating performance		/

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4. AUDIT

At the time of this exercise no audit had been conducted by the internal auditor of Mahidol University or Department of Technical and Economic Cooperation and Office of the Auditor General of Thailand.

5. SCOPE OF WORK

The objective of the exercise is to review financial and internal control systems established by the research grantee institution and the principal investigators. Specifically, under the terms of the engagement this encompasses :

- 5.1 Hold initial discussion with research grantee institution and principal investigators concerning systems review and audit work to be performed.
- 5.2 Examine the accounting systems and internal controls of the research grantee institution and the principal investigators.
- 5.3 Ascertain the propriety of procedures used by the grantee to authorize and bill USAID for expenditures under the grant.
- 5.4 Examine a representative sample of expenditures reimbursed by USAID as to their compliance with USAID requirements.
- 5.5 Ascertain whether the grantee had completed with the terms of the grant.
- 5.6 Prepare an audit report for RIG/A/MANILA which include an outline of specific deficiencies as well as any recommendations for improvement.

The examination was conducted in accordance with generally accepted government auditing standards appropriate to the scope of audit as described below.

The scope of audit encompassed an examination of research grantee institution/principal investigators' financial operating procedures, financial transactions, accounts and reports and included such tests of these records and such other auditing procedures as were necessary in the circumstances. Our audit does not include coverage of the economy and efficiency of operations, nor do we attempt to assess the results of the contract performance.

Receipts and disbursements were documented and reviewed. Compliance and substantive tests were carried out.

6. FINANCIAL STATEMENTS

We have examined the Status Of Funds/And Request For Funds of Mahidol University for the grants and the periods as set out in section 1 of this report.

Our examination was made in accordance with generally accepted auditing standards and the financial and compliance elements of the Standards for Auditing of Governmental Organisations, Program, Activities and Functions, issued by the U.S. Comptroller General in 1981, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The Status Of Funds/And Request For Funds includes costs in the amount of US dollars 140,244 as set out in section 1 of this report which we have questioned for the adequacy of supporting documentation and for disallowance under the terms of grant agreements.

In our opinion, subject to the effects of such adjustments, if any, as might have been required had the ultimate resolution of the allowability of the questioned costs contained in the Status Of Funds/And Request For Funds been known, the Status Of Funds/And Request For Funds of Mahidol University for the grants and the periods as set out in section 1 presents fairly the expenditures, in conformity with generally accepted accounting principles.

This report is intended solely for the use of the Agency for International Development and should not be used for any other purposes.

7. COMPLIANCE MATTERS

We have examined the Status Of Funds/And Request for Funds of Mahidol University for the grants and the periods as set out in section 1 of this report.

Our examination was made in accordance with generally accepted auditing standards; the provisions of Standards for Audit of Governmental Organisations, Programs, Activities and Functions, promulgated by the U.S. Comptroller General, as they pertain to financial and compliance audits; the Guidelines for Financial and Compliance Audits of AID Financed Agreements and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In connection with our examination, we found that for the grant items tested, Mahidol University complied with the material terms and conditions of the terms of grant agreement, except as stated below in the individual grant reports as follow :

<u>Grant Number</u>	<u>Appendix</u>
936-5542 (Dr. Suchart U.)	I
936-5542 (Dr. Somsak P.)	II
936-5542-G-00-5058-00	III
936-5542-G-00-5078-00	IV
936-5542-G-00-5079-00	V

As for the transactions not tested, based on our examination and the procedures referred to above, nothing came to our attention to indicate that Mahidol University had not complied with the material terms and conditions of the terms of grant agreement.

8. STUDY AND EVALUATION OF INTERNAL ACCOUNTING CONTROL

The management of the research grantee institution is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgements by the research grantee institution are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorised use or disposition and that transactions are executed in accordance with the research grantee institution's authorization and recorded properly to permit the preparation of the Status Of Funds/And Request For Funds in accordance with the accounting practices prescribed by OMB Circular A-122, Cost Principles for Nonprofit Institutions and/or the terms and conditions of the grant agreements. Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected.

Our study and evaluation revealed weaknesses in the systems of internal control to which the weaknesses and recommendations are addressed in this section. The matters as addressed came to our notice during the conduct of financial and compliance audit which are designed primarily with a view to the expression of opinion on the accounts and compliance with the terms and conditions of the grant agreements and our comments cannot be expected to include all possible weaknesses in the systems of accounting and internal control. Accordingly, we do not express an opinion on the system of internal accounting control of Mahidol University and principal investigators taken as a whole. However our study and evaluation disclosed no condition that we believe to be a material weakness.

Findings and recommendations resulting from study and evaluation of internal accounting control are as follow :

8.1 ADMINISTRATION OF GRANT FUNDS

Finding

Administration of grant funds are by the principal investigators except for the areas as set out in section 3.

Recommendation 8.1

In order to promote the efficiency and effectiveness of research undertaken by the principal investigators, (ie : to allow greater time to be devoted to research work) administration could be performed by Mahidol University. Similarly, the University may be in a better position to administer due to administrative staff complement who are technically competent in administration.

8.2 DISBURSEMENT - TERMS OF GRANT AGREEMENT

Finding

For the grants included in the exercise except for Grant no. 936-5542-G-00-5078-00 disbursements are not in accordance with the terms of grant agreement and disallowable cost are made without prior written approval from USAID.

Recommendation 8.2

It is recommended that disbursement not in accordance with the terms of grant agreement and disallowable cost should be made against prior written approval from USAID.

8.3 BANK RECONCILIATION

Finding

For the three grants included in the exercise except for Grant no. 936-5542 (Dr. Suchart U.), 936-5542 (Dr. Somsak P.) no reconciliation of cash balances in cash book of the project and bank statement is made.

Recommendation 8.3

Such reconciliation should be prepared and documented on a monthly basis and submitted to a higher responsible official for review and be initialled as evidence of reviewing.

8.4 SEGREGATION OF DUTIES

Finding

The functions of execution, recording and custody are vested solely with one person for the following grants :

8.4.1 For Grant no. 936-5542 (Dr. Suchart U.)

Principal Investigator

Accountant

- Procurement of goods and services
  - Receiving of goods and services
  - Preparing voucher for payment
  - Being one of authorized signatories for signing cheque
  - Engagement of staff
  - Approval of hiring termination
  - Preparing payroll sheet
  - Checking payroll sheet
  - Distribution of pay packets
- Recording of cash book
  - Kept unused cheque
  - Preparing cheque
  - Reconciliation of bank balance

8.4.2 For Grant no. 936-5542-G-00-5079-00

- Approval of hiring/termination
- Preparation of payroll sheet
- Arranging/distribution of pay packets

Recommendation 8.4

It is recommended that the function of execution, recording and custody be segregated from each other in order to strengthen control over the project fund.

8.5 PAYMENT - SUPPORTING DOCUMENTS

Finding

With reference to Grant no. 936-5542 (Dr. Suchart U.), and 936-5542 (Dr. Somsak P.) in certain cases there are insufficient documentary evidence as to the receipt of payment by supplier.

Recommendation 8.5

In order to substantiate payments the followings are recommended :

- (i) Third party evidence (i.e. official receipt) containing details of name or trade-name and location of the entity issuing the receipt, date, amount, kind, description, quantity and price of goods be obtained.
- (ii) Should this not be feasible (e.g. payment to individual), photocopy of identification card including signatory of recipient be obtained.

8.6 SEPARATION OF USAID FUND

Finding

With reference to Grant no. 936-5542-G-00-5078-00 funds from USAID transferred to the project are deposited in the bank current account of Mahidol University and mixed with other fund. This, however, is the general policy of the University.

Recommendation 8.6

In order to comply with the Standard Provision of grant agreement, USAID fund should be deposited in a separate bank account and be in the Project's name. Disbursements for goods and services are also made from this account.

8.7 AUTHORISATION FOR DISBURSEMENT

Finding

With reference to Grant no. 936-5542-G-00-5058-00 authorisation for disbursement from bank accounts are signed by the Principal Investigator only.

Recommendation 8.7

It is recommended that disbursements from bank accounts should be authorised by two persons in order to increase the element of checking as to the propriety of payments.

8.8 PAYMENT - OFFICIAL RECEIPTS

Finding/Recommendation 8.8

With reference to Grant no. 936-5542-G-00-5078-00 payments made for central research facility are supported by receipts which do not bear the Faculty's or University's seal and sets out the name of the Dean as the recipient. As discussed by the Principal Investigator cheques are made payable to the Faculty and such receipts is the standard procedure. It is recommended that in order to avoid confusion and to support the receiving of funds, receipts be substantiated with Faculty/University seal with the Faculty/University being stated as recipient, if possible.

8.9 WRITTEN AGREEMENT FOR RENTAL OF LAND

Finding

With reference to Grant no. 936-5542-G-00-5058-00 rental of land at three project sites are made without written agreement.

Recommendation 8.9

It is recommended that written agreement be prepared in order that rights could be enforced under section 538 of the Civil and Commercial Code.

8.10 APPROVAL FOR RECRUITMENT OF STAFF OR RATE ADJUSTMENT

Finding

With reference to Grant no. 936-5542 (Dr. Suchart U.) no written approval for recruitment of staff and rate adjustment are available such that there is no proof that recruitment of staff or rate adjustment are made by authorized person.

Recommendation 8.10

It is recommended that written authorization by a responsible person should be undertaken for any changes as to rate or personnel and be provided to accounting staff prior to disbursements.

8.11 EVIDENCE OF PAYMENT APPROVAL

Finding

With reference to Grant no. 936-5542-G-00-5078-00 no evidence of payment approval is available such that there is no proof as to the approval of payment by authorised official.

Recommendation 8.11

It is recommended that all payments should be subjected to approval prior to disbursements.

8.12 TIME RECORD

Finding/Recommendation 8.12

For the grants included in the exercise except for Grant no. 936-5542 (Dr. Suchart U.), and 936-5542-G-00-5078-00 in order to comply with the terms of grant agreement, time record should be prepared to document the time actually devoted to the project by each person.

8.13 ISSUANCE OF PAYMENT VOUCHER

Finding

With reference to Grant no. 936-5542-G-00-5079-00 payment vouchers are not prepared prior to disbursement for purchase of equipment, material and supply.

Recommendation 8.13

In order to ensure that all payments are made with prior approval, payment vouchers should be prepared and effectively authorised before disbursements.

8.14 RECORDING OF CASH BOOK

Finding

From the review of books of account of Grant no. 936-5542-G-00-5058-00, receipts are not recorded immediately upon receiving.

Recommendation 8.14

It is recommended that receipts should be recorded immediately upon receiving in order to facilitate control and administration of cash.

8.15 FINANCIAL REPORTS

Finding/Recommendation 8.15

With reference to Grant no. 936-5542-G-00-5058-00 in order to comply with the terms of grant agreement, financial reports should be submitted immediately to USAID after period ended (ie. quarterly).

**Ernst & Whinney**

Appendix I

RESEARCH GRANT  
MAHIDOL UNIVERSITY  
GRANT NO. 936-5542  
BIOLOGICAL CONTROL OF SCHISTOSOMIASIS  
TRANSMITTING SNAILS IN SOUTHEAST ASIA

PREPARED FOR : REGIONAL INSPECTOR GENERAL/AUDIT/MANILA

PREPARED BY : ERNST & WHINNEY (BANGKOK)

MAHIDOL UNIVERSITY  
BIOLOGICAL CONTROL OF SCHISTOSOMIASIS  
TRANSMITTING SNAILS IN SOUTHEAST ASIA

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\* These pages are not included, refer to summary report.

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## 6. RESULT OF VERIFICATION OF DISBURSEMENTS

<u>Description</u>	<u>Total Budgeted</u>		<u>Fund received to date</u>	<u>Total Expenditures</u>		<u>Verification</u>	
	<u>US\$</u>	<u>Baht</u>		<u>Per Status of Funds</u>	<u>Per Books of Account</u>		
				<u>Baht</u>	<u>Baht</u>	<u>Baht</u>	<u>%</u>
SALARY	30,800	800,800	646,478	646,478	631,140	631,140	98
EQUIPMENT/MATERIAL	15,300	397,800	444,363	444,363	371,272	336,670	76
TRAVEL - LOCAL	8,040	209,040	239,412	239,412	246,286	238,671	99
TRAVEL - REGIONAL	15,000	390,000	394,076	394,076	416,593	367,066	93
TRAVEL - INTERNATIONAL	20,460	531,960	492,273	492,273	504,475	490,605	99
MISCELLANEOUS	4,500	117,000	107,424	107,424	151,913	136,579	127
<b>TOTAL</b>	<b>94,100</b>	<b>2,446,600</b>	<b>2,324,026</b>	<b>2,324,026</b>	<b>2,321,679</b>	<b>2,200,731</b>	<b>95</b>
	=====	=====	=====	=====	=====	=====	=====

Questioned  
Cost  
(Baht)

6.1 From our review of the Status of Funds/And Request For Funds as at 31st January, 1987 revealed that the reported expenditures do not agree with the books of account. The discrepancy of which is due to the fact that the Status of Funds/And Request For Funds is prepared according to the amounts of fund received from USAID. Details of the discrepancy are as follow :

<u>Description</u>	<u>Total Expenditures (Baht)</u>		
	<u>Per Status of Funds</u>	<u>Per Books of Account</u>	<u>Over (under) Books of Account</u>
Salary	646,478	631,140	15,338
Equipment/ Material	444,363	371,272	73,091
Travel-local	239,412	246,286	(6,874)
Travel-regional	394,076	416,593	(22,517)
Travel- international	492,273	504,475	(12,202)
Miscellaneous	<u>107,424</u>	<u>151,913</u>	<u>(44,489)</u>
	2,324,026	2,321,679	2,347
	=====	=====	=====

The discrepancies of "Salary" and "Equipment/Material" line items which were over reported, are questioned as to the adequacy of supporting documentation.

88,429

6.2 Test from book of account to source documentation reveals that the following transactions as recorded are not supported by any internal or external documentation. Although entries in the book of account refers to payment vouchers and after inquiries by Ernst & Whinney the person entrusted with accounting duties could not locate the requested documents.

<u>Cheque No.</u>	<u>Date of Payment</u>	<u>Description</u>	<u>Amount (Baht)</u>	
4530315	18-11-85	Subscription fee	3,010	
4534571	1- 4-86	Paid to Dr. Suchart	14,000	
4534576	29- 4-86	- do -	25,100	
7731501	20- 5-86	- do -	977	
			<u>43,087</u>	43,087
			*****	

6.3 In certain cases there are insufficient documentary evidence as to the receipt of goods/services whereby no receiving report nor acknowledgement on delivery order was prepared, as detailed by the following :

<u>Date of Payment</u>	<u>Description</u>	<u>Amount (Baht)</u>	
2.11.84	Air Conditioner 33,400 BTU	29,500	
16.10.85	Paper Boxes	550	
18.11.85	Lamp	225	
		<u>30,275</u>	30,275
		*****	

## 7. COMPLIANCE - TERMS OF GRANT AGREEMENT

Based on the samples selected there has been compliance with the terms of the grant agreement. The exceptions are as follow :

7.1 The following payments of foods and beverages are questioned as to whether they are entertainment expense which is disallowable under the Standard Provision of which such disbursements are made without prior written approval from USAID.

<u>Payment Date</u>	<u>Description</u>	<u>Amount (Baht)</u>	
21- 8-84	Foods and Beverages	1,239	
5- 4-85	- do -	716	
15- 7-85	- do -	1,419	
15- 8-85	- do -	8,354	
2- 9-85	- do -	2,024	
16-10-85	- do -	2,225	
1- 5-86	- do -	310	
7- 7-86	- do -	677	
11- 9-86	- do -	1,251	
23-12-86	- do -	941	
		<u>19,156</u>	19,156
		=====	

7.2 Payment for traffic fine of Baht 200 which is included as "Miscellaneous" (Partial payment of cheque no. 1240536 dated 15th August 1985) is disallowable under the Standard Provision.

200

7.3 International travel expenses for Southeast Asia and U.S. of Baht 367,066 and 490,605 respectively were made without presence to USAID for written approval an itinerary of each planned trip as required by section 15 of Standard Provision.

857,671

Furthermore, included in the aforementioned are the following payments :

(1) Payments for travel tax of Baht 21,000 were made, the details are as follow :

<u>Date of Payment</u>	<u>Description</u>	<u>Amount (Baht)</u>
31/ 5/84	Travel to Malaysia	2,000
13/ 6/84	Travel to Philippines	2,000
16/ 5/85	- do -	3,000
14/ 6/85	- do -	2,000
22/ 7/85	Travel to Jakarta and Kuala Lumpur	2,000
10/ 5/86	Travel to Philippines	2,000
22/10/86	Travel to Hong Kong and Taipei	2,000
27/ 9/84	Travel to U.S.A.	2,000
11/11/85	- do -	2,000
26/ 9/86	- do -	2,000
		<u>21,000</u>
		=====

- (ii) Per diem rate charged to the project exceed the rate in budget. Details are as follow :

<u>Date of</u> <u>Payment</u>	<u>Description</u>	<u>Charged</u> <u>Rate</u> <u>per Day</u> <u>US\$</u>	<u>Budget</u> <u>Rate</u> <u>per Day</u> <u>US\$</u>	<u>Amount</u> <u>over</u> <u>Budget</u> <u>Baht</u>
31/ 5/84	Travel to Malaysia	100	60	9,200
13/ 6/84	Travel to Philippines	75	60	6,210
27/ 6/85	- do -	72	60	3,240
15/ 8/85	Travel to Jarkata and Kuala Lumpur	100	60	6,480
30/10/86	Travel to Hong Kong and Taipei	70	60	3,120
27/ 9/84	Travel to U.S.A.	75	60	11,730
11/11/85	- do -	100	60	23,760
26/ 9/86	- do -	70	60	<u>10,400</u>
				74,140
				=====

- (iii) Payments related to travel in Southeast Asia (eg : taxi, books) of Baht 66,579 were neither in the budget nor were there written approval from USAID as detailed by the following :

<u>Date of Payment</u>	<u>Description</u>	<u>Amount (Baht)</u>
31/ 5/84	Travel to Malaysia	18,401
13/ 6/84	Travel to Philippines	10,191
18/ 3/85	- do -	14,236
27/ 6/85	- do -	5,555
15/ 8/85	Travel to Jarkata and Kuala Lumpur	5,434
20/ 5/86	Travel to Philippines	10,137
30/10/86	Travel to Hong Kong and Taipei	<u>2,625</u>
		66,579
		=====

(iv) Payment for travel to Hong Kong and Taipei was neither in the budget nor was there written approval from USAID of which the expenses are as follow :

<u>Description</u>	<u>Amount (Baht)</u>
Air ticket	22,200
Travel tax - already included in (i)	2,000
Per diem - Baht 3,120 already included in (ii)	22,050
Miscellaneous - already included in (iii)	<u>2,625</u>
	48,875
	=====

Total Questioned Costs 1,038,818 \*

\* The amount of Baht 1,038,818 is equal to US dollars 39,954 at the exchange rate of 1US\$ = Baht 26.

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## 8. STUDY AND EVALUATION OF INTERNAL CONTROL

Findings and recommendations resulting from study and evaluation of internal control are categorised into two types as follow :

- (i) Shortcomings or lack of internal control which are fundamental :
  - in protecting an entity's resources against waste, fraud and inefficiencies.
  - in ensuring the accuracy and reliability of the entity's accounting/operating data.
  - in securing compliance with the terms of grant agreement.
- (ii) Improvements in order to supplement the existing system of internal control.

### 8.1 SHORTCOMINGS OR LACK OF INTERNAL CONTROL

#### 8.1.1 Administration of Grant Funds

Administration of grant funds are by the Principal Investigator except for the areas as set out in section 3.

In order to promote the efficiency and effectiveness of research undertaken by the Principal Investigator, (ie : to allow greater time to be devoted to research work) administration could be performed by Mahidol University. Similarly, the University may be in a better position to administer due to administrative staff complement who are technically competent in administration.

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8.1.2 Payment - Supporting Documents

With reference to 6.2.1, in order to substantiate payments the following are recommended :-

(i) Payment vouchers should be prepared and effectively authorised before disbursement and third party evidence (eg : official receipt) containing details of name or trade-name and location of the entity issuing the receipt, date, amount, kind, description, quantity and price of goods be obtained.

(ii) Should this not be feasible (ie : payment to individual), photocopy of identification card including signatory of recipient be obtained.

8.1.3 Segregation of Duties

The functions which are carried out by the Principal Investigator and Accountant are set out below :

Principal Investigator

Accountant

- Procurement of goods and services
  - Receiving of goods and services
  - Preparing voucher for payment
  - Being one of authorized signatories for signing cheque
  - Engagement of staff
  - Approval of hiring termination
  - Preparing payroll sheet
  - Checking payroll sheet
  - Distribution of pay packets
- Recording of cash book
  - Kept unused cheque
  - Preparing cheque
  - Reconciliation of bank balance

It is recommended that the function of execution, recording and custody be segregated from each other in order to strengthen control over the project fund.

8.1.4 Disbursement - Terms of Grant Agreement

With reference to 7.2, 7.3 and 7.4 in order to comply with the terms of grant agreement, entertainment, fine and travel tax cannot be reimbursed from USAID.

8.1.5 Disbursement - Term of Grant Agreement

Ancillary to 7.1, 7.5 and 7.6 are that disbursement are made without prior written approval from USAID.

It is recommended that such disbursement should be made against prior approval from USAID.

8.1.6 Approval for Recruitment of Staff or Rate Adjustment

At present, no written approval for recruitment of staff and rate adjustment are available such that there is no proof that recruitment of staff or rate adjustment are made by authorized person.

It is recommended that written authorization by a responsible person should be undertaken for any changes as to rate or personnel and be provided to accounting staff prior to disbursements.

8.2 IMPROVEMENTS

8.2.1 Payment - Cancellation

Authorised payment vouchers and related supporting documents are not stamped "PAID" or otherwise being cancelled upon payments.

Cancellation should be made immediately on authorised payment vouchers and related supporting documents after payments had been made in order to prevent resubmission.

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8.2.2 Payment Voucher and Cash Book Format

Payment vouchers are not sequentially controlled in which there is no adequate procedure to ensure that they are completely and correctly recorded in each line item.

In order to ensure that all transactions are completely accounted for, payment vouchers should be prenumbered and be sequentially recorded in cash book. In addition, a multi-column cash book of which each line item of disbursements should be adopted in order to ensure the correctness of allocation of expenditures.

8.2.3 Withholding Tax - Personal Income tax

Payments of salary and per diem allowance exceeding the rate authorised by the Revenue Authority to project person are not subjected to withholding tax.

Failure to deduct withholding tax could render the project to be jointly liable for the tax shortfall and surcharge of 1.5 percent permonth (maximum of 100 percent).

It is recommended that withholding tax be deducted when such payments are made to staff in order to preclude the consequences of the Revenue Code despite the fact at this point in time the amount involved is insignificant.

8.2.4 Withholding Tax - Corporate Income tax

Payments of goods to suppliers are made without withholding tax of 1 percent. Any payments made by the government unit to juristic body should be deducted withholding tax at the rate of 1 percent as per section 69 bis of the Revenue Code.

Failure to deduct withholding tax could render the Project to be jointly liable for the tax shortfall and surcharge of 1.5 percent per month (maximum of 100 percent).

It is recommended that 1 percent withholding tax be deducted when any payments are made to juristic body in order to preclude the consequence of the Revenue Code despite the fact at this point in time the amount involved is insignificant.

8.2.5 Insurance Cover

There is no insurance cover for assets purchased by USAID's fund.

We recommend that insurance policy be made to cover valuable assets.

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8.2.6 Evidence of Goods and Services Received

In certain cases no evidence of receiving of goods and services are available as set out in 6.2.2, such that there is no proof as to the receipt of benefits.

It is recommended that receiving reports ' or acknowledgement on delivery order be prepared in order to substantiate that benefits had been received.

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**Ernst & Whinney**

**9. PRINCIPAL INVESTIGATOR'S RESPONSE TO THE REPORT**

# Ernst & Whinney

31st July, 1987

Dr. Suchart Upatham,  
Principal Investigator,  
Department of Biology,  
Faculty of Science,  
Mahidol University,  
BANGKOK.

G.P.O. Box 1047  
Sinthon Building, 9th Floor,  
132 Wireless Road, Bangkok 10500, Thailand.

Telephone: 2500233-7  
Cable: ERNSTAUDIT BANGKOK  
Telex: 87661 ERNST TH  
FAX: (66) 2-2501479  
*(formerly Turquand Youngs & Co.)*

Dear Sir,

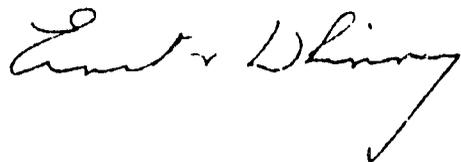
MAHIDOL UNIVERSITY  
GRANT NO. 936-5542  
BIOLOGICAL CONTROL OF SCHISTOSOMIASIS  
TRANSMITTING - SNAILS IN SOUTHEAST ASIA

Enclosed for your consideration please find a copy of our report (draft) in conjunction with the review of financial and internal control systems of the referenced subject.

Should you concur with the accuracy of the report kindly acknowledge in writing within two weeks from the date of this letter in order that the final report can be issued to USAID. Please feel free if you wish to provide us with any additional information/documents so as to ensure the accuracy and completeness of the report.

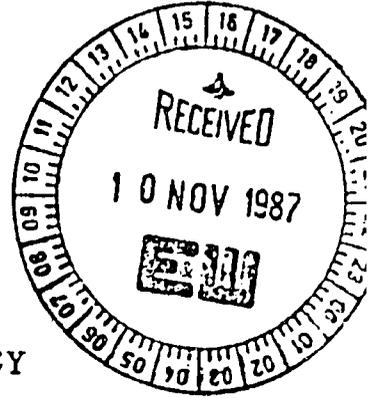
We would like to take this opportunity to express our appreciation to all members of the staff who have assisted us in carrying out our work.

Yours faithfully,



CA/kte

24



**MAHIDOL UNIVERSITY**  
FACULTY OF SCIENCE, DEPARTMENT OF BIOLOGY

RAMA VI ROAD  
BANGKOK 10400, THAILAND.

Telegrams : SCIMAHIDOL  
Telephone : 282-0192 Ext. 427  
Telex : 84770 UNIMAH TH

November 9, 1987

Ernst and Whinney  
G.P.O. Box 1047  
Sinthon Building, 9th Floor  
132 Wireless Road  
Bangkok 10500

Dear Sir:

I refer to your draft report concerning the financial and internal control systems of Mahidol University, Grant no. 936-5542 (Biological control of schistosomiasis transmitting-snails in Southeast Asia). I am sorry for the delay in replying to your comments for I have just returned from my official travel duty abroad.

I do not concur with the accuracy of the report prepared by your representatives, as follows:

Administration of grant. I, as principal investigator, did not procure goods and services, receive goods and services, and record books of accounts. My research collaborators (investigators) procured goods and services and received goods and services, and I prepared letters with delivery orders or receipts attached for the Dean to approve. In case of purchases of small items using cash, only receipts were sent with letters to the Dean. Not all stores have delivery orders. Every one knows it. The Faculty's accountant recorded all expenditures in the books and kept all receipts. At the Faculty, principal investigator is not authorized to sign any check. I, as the Deputy Dean, am authorized as one of the four officers to sign checks. However, I did not sign checks resulting from my project unless three other officers were away, and this did not occur frequently. Financial report was prepared by the principal investigator with the Faculty's accountant according to the amounts of money spent. Unfortunately, receipts were not kept according to budget categories, and thus making it difficult to verify each expenditure category. However, the over expenditure of a budget category did not exceed 15% of the amount allocated for that particular budget category.

2/5

Verification of disbursements

As stated above, because of receipts were not kept according to budget categories, and thus making it difficult to verify the accuracy of each expenditure category.

Under category 6.2, page 7, receipts for 43,087 baht were placed in another file. The Ernst and Whinney representatives came while the Faculty's accountant was on maternity leave. However, we asked them to return to check on the receipts later on, but they did not bother to do so. The said receipts are now in the same file in the Faculty's accountant office.

Under category 6.3, page 7, receipts for 30,275 baht concerning an air-conditioner (29,500 baht), paper boxes (550 baht) and a lamp (225 baht). The air-conditioner is located in a snail laboratory, room number B413, with a USAID sticker pasted on it. The paper boxes and lamp are located in the Center for Applied Malacology's library and snail laboratory, respectively (room number B413). I personally requested the Ernst and Whinney representatives to check on such goods, but they did not take time to do so.

Compliance with terms of grant agreement.

Under categories 7.1 and 7.2, page 8, we were not aware of the rules. We learned about them close to the end of the project when I actually asked the USAID Office of Science and Technology. We thought that these items were allowed under miscellaneous category which we had budgeted for.

Under category 7.3, page 9, we also were not aware of the rules that we had to write for approval from USAID before travel because it was budgeted in the project. Nevertheless, our travels concerned with research and scientific exchanges with our collaborators and specimen collections, which were all budgeted in the project. Per diem rate was charged from \$70-\$100 instead of \$60 per day because a room generally cost \$70 per day. A motel was a little bit cheaper, but it was far away from the campus. Travel tax was charged to the project because we did not know that it was not allowed. If we had known it, we would have charged it to Mahidol University because we, as civil servants, had to obtain approval from the Rector before we travelled each time. However, the expenditure of travel category did not exceed the amount of the allocated budget.

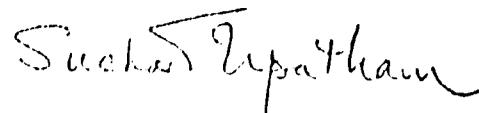
Recommendations

Our project was one of the first few projects awarded by USAID in this country, and was terminated at the end of May 1987. It was a very good project, and we accomplished a great deal of work, from both inside and outside the country. With the problems encountered and experiences obtained, we would like to share with and recommend to others, as follows:

1. Principal investigator should ask USAID Office, or USAID Office should inform principal investigator, as to what can and what cannot be charged against the project at the inception of the project. It is now apparent that rules are not similar for all grants.
2. Principal investigator should allocate a budget to hire an accountant to look after the project's financial affairs, and USAID Office should not object to it. This will enable investigators to devote their times to research work which they are supposed to do. My experience has taught me that the Faculty's accountant cannot afford full time for financial matters of research projects because the amounts of work are too much, and that the Faculty's accountant primary responsibility is to look after the Faculty's financial affairs.
3. At Mahidol University, for example the Faculty of Science, the Rector authorizes the Dean to look after all approved grants. This is very good because it is quick and convenient for an investigator to request for money. The process normally takes 2-3 days. If grant funds are administered by the University as suggested by Ernst and Whinney (page 12), it will take 3-4 weeks or longer to obtain money. I think that the best way to overcome this is to allocate a budget to hire an accountant to look after the project's financial matters, as stated before, in order to expedite, or to reduce red tape, the process of obtaining grant money.

After all, we managed a research project, and not a commercial firm or company.

Yours sincerely,



Suchart Upatham, Ph.D.  
Deputy Dean  
Faculty of Science

Ernst & Whinney

Appendix II

RESEARCH GRANT  
MAHIDOL UNIVERSITY  
GRANT NO. 936-5542  
IMPROVEMENT OF BACTERIAL AGENTS FOR  
CONTROL OF MOSQUITO VECTORS

PREPARED FOR : REGIONAL INSPECTOR GENERAL/AUDIT/MANILA

PREPARED BY : ERNST & WHINNEY (BANGKOK)

67

MAHIDOL UNIVERSITY  
IMPROVEMENT OF BACTERIAL AGENTS FOR  
CONTROL OF MOSQUITO VECTORS

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\* These pages are not included, refer to summary report.

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## 6. RESULT OF VERIFICATION OF DISBURSEMENTS

<u>Description</u>	<u>Total Budgeted</u>		<u>Fund received</u>	<u>Actual</u>	<u>Verification</u>	
	<u>US\$</u>	<u>Baht</u>	<u>to date</u>	<u>Spending</u>	<u>Baht</u>	<u>%</u>
			<u>Baht</u>	<u>Baht</u>		
SALARY	52,400	1,355,900	958,100	1,090,700	1,090,700	100
EQUIPMENT	26,000	598,000	598,000	596,500	596,500	100
SUPPLIES	41,900	1,080,300	911,300	1,006,526	746,613	74
TRANSPORTATION	2,000	52,700	37,100	18,900	18,900	100
TRAVEL (SEA)	4,000	106,000	54,000	30,645	30,645	100
TRAVEL (USA)	6,000	157,139	157,139	104,632	104,632	100
CONTINGENCY	4,000	104,000	-	-	-	-
OVERHEAD	<u>13,630</u>	<u>340,330</u>	<u>340,330</u>	<u>340,330</u>	<u>340,330</u>	<u>100</u>
TOTAL	149,930	3,794,369	3,055,969	3,188,233	2,928,320	92
	=====	=====	=====	=====	=====	---

Questioned  
Cost  
(Baht)

6.1 Test from book of account to source documentation reveals that the amount of Baht 12,382 as recorded as "Supplies" are questioned as to the adequacy of supporting documentation. The amount represents advance to project personnel for purchases which are still to be received or liquidated accordingly.

12,382

14/8

6.2 Overhead of Baht 211,698 and 128,632 paid to the Faculty of Science, Department of Biochemistry and Department of Microbiology respectively, for central research facility was not supported by adequate documentation (ie. official receipt of the Department) whereby only unofficial receipt with recipient signatures are available except for Baht 66,810 which has no recipient signature. 340,330

6.3 Disbursement of the following salaries as accrued for the period as at 16th February, 1987 was not supported by recipient signature as follow :

Payment			Amount
<u>Date</u>	<u>Paid to</u>	<u>Description</u>	<u>(Baht)</u>
20.4.87	Dr. Sakol Pauym	Salary for the period Aug. - Oct. 1986	20,000
20.4.87	Dr. Prapan Wilairat	- do -	20,000
20.4.87	Mr. Chanant Aungsuthanasombat	- do -	12,000
20.4.87	Ms. Pernpis Luksananil	- do -	5,700
20.4.87	Mr. Chatree Seatsathien	- do -	7,500
20.4.87	Ms. Suvimol Tinawath	- do -	<u>2,200</u>
			67,400
			=====

The amounts was, however, questioned in 7.4.

6.4 Air freight charges of Baht 7,776 was recorded twice in "Supplies" line item dated 20.2.86 and 10.6.86 respectively. 7,776

## 7. COMPLIANCE - TERMS OF GRANT AGREEMENT

Based on the samples selected there has been compliance with the terms of the grant agreement. The exceptions are as follow :

7.1 Disbursement for the following equipment were neither approved in the budget nor were there prior written approval from USAID :-

<u>Date</u>	<u>Description</u>	<u>Amount (Baht)</u>	
13.9.84	1 set of Fermentor	160,000	
22.5.85	2 set of Demonstration Hood	65,000	
22.5.85	1 set of Vacuum Pump	11,500	
4.12.85	1 Digital Multipipet	22,652	
10.2.86	1 set of DNA Sequencing	<u>265,000</u>	
		524,152	524,152
		*****	

7.2 Salary for Mr. Wilas during 15th December, 1984 to 31st May, 1985 of Baht 16,000 was included in "Supplies" could be questioned as to whether it should be classified to "Salary" instead, in order to form a proper basis for the computation of 15 percent allowable variance.



## 8. STUDY AND EVALUATION OF INTERNAL CONTROL

Findings and recommendations resulting from study and evaluation of internal control are categorised into two types as follow :

- (i) Shortcomings or lack of internal control which are fundamental :
  - in protecting an entity's resources against waste, fraud and inefficiencies.
  - in ensuring the accuracy and reliability of the entity's accounting/operating data.
  - in securing compliance with the terms of grant agreement.
- (ii) Improvements in order to supplement the existing system of internal control.

### 8.1 SHORTCOMINGS OR LACK OF INTERNAL CONTROL

#### 8.1.1 Administration of Grant Funds

Responsibility for the administration of grant funds are by the Principal Investigator except for the areas as set out in section 3.

In order to promote the efficiency and effectiveness of research undertaken by the Principal Investigator, (ie : to allow greater time to be devoted to research work) administration could be performed by Mahidol University. Similarly, the University may be in a better position to administer due to administrative staff complement who are technically competent in administration.

8.1.2 Payment - Supporting Documents

With reference to 6.1, 6.2 and 6.3 in order to substantiate payments the following are recommended :-

(i) Payment vouchers should be prepared and effectively authorised before disbursement and third party evidence (eg : official receipt) containing details of name or trade-name and location of the entity issuing the receipt, date, amount, kind, description, quantity and price of goods be obtained.

(ii) Should this not be feasible (ie : payment to individual), photocopy of identification card including signatory of recipient be obtained.

8.1.3 Disbursement - Terms of Grant Agreement

With respect to 7.1 and 7.2 are that disbursements are neither in accordance with the budget nor are there prior written approval from USAID.

It is recommended that disbursements not in accordance with the budget should be made against prior approval from USAID.

8.1.4 Time Record

With reference to 7.4 in order to comply with the terms of grant agreement, time record should be prepared to document the time actually devoted to the project by each person.

## 8.2 IMPROVEMENTS

### 8.2.1 Payment - Cancellation

Authorised payment vouchers and related supporting documents are not stamped "PAID" or otherwise being cancelled upon payments.

Cancellation should be made immediately on authorised payment vouchers and related supporting documents after payments had been made in order to prevent resubmission.

### 8.2.2 Withholding Tax

Payments of salary and per diem allowance exceeding the rate authorised by the Revenue Authorities to project personnel are not subjected to withholding tax.

Failure to deduct withholding tax could render the Project to be jointly liable for the tax shortfall and surcharge of 1.5 percent per month (maximum of 100 percent).

It is recommended that withholding tax be deducted when such payments are made to staff in order to preclude the consequences of the Revenue Code despite the fact at this point in time the amount involved is insignificant.

### 8.2.3 Insurance Cover

There is no insurance cover for assets purchased by USAID's fund.

Because value of fixed assets is significant with respect to this grant we recommend that insurance policy be made to cover valuable assets.

**Ernst & Whinney**

**9. PRINCIPAL INVESTIGATOR'S RESPONSE TO THE REPORT**

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**Ernst & Whinney**  
29th June, 1987

G.P.O. Box 1047  
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132 Wireless Road, Bangkok 10500, Thailand.

Telephone: 2500233-7  
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Telex: 87681 ERNST TH  
FAX: (66) 2-2501479

*(formerly Turquand Youngs & Co.)*

Dr. Somsak Pantuwatana,  
Principal Investigator,  
Department of Microbiology,  
Faculty of Science,  
Mahidol University,  
BANGKOK.

Dear Sir,

MAHIDOL UNIVERSITY

GRANT NO. 936-5542

IMPROVEMENT OF BACTERIAL AGENTS FOR CONTROL OF MOSQUITO VECTORS

Enclosed for your consideration please find a copy of our report (draft) in conjunction with the review of financial and internal control systems of the referenced subject.

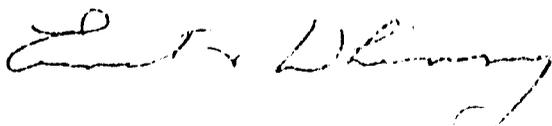
Should you concur with the accuracy of the report kindly acknowledge in writing within two weeks from the date of this letter in order that the final report can be issued to USAID. Please feel free if you wish to provide us with any additional information/documents so as to ensure the accuracy and completeness of the report.

In addition to the foregoing please advise in writing as to the following :-

- (i) Set out in section 7.1 please state whether the said equipment are related to the research under the grant or not.
- (ii) Set out in section 7.4 please state whether the additional staff not addressed in the budget perform services related to the grant or not.
- (iii) Set out in section 7.3 please state whether the per diem rate charge was reasonable to the grant.

We would like to take this opportunity to express our appreciation to all members of the staff who have assisted us in carrying out our work.

Yours faithfully,





# MAHIDOL UNIVERSITY

Department of Microbiology  
Faculty of Science  
Rama VI Road, Bangkok 10400  
THAILAND

CABLE: SCIMAHIDOL  
TELEPHONE: (02) 2453197  
TELEX: 84770 UNIMAH TH

July 8, 1987

Ernst & Whinney  
Sinthon Building, 9th Floor  
132 Wireless Road,  
Bangkok 10500

ERNST & WHINNEY  
RECEIVED

09 JUL 1987

ANSWERED \_\_\_\_\_

INITIAL \_\_\_\_\_

Attention : Ms. Roongnapa Lertsuwanakul

Gentlemen:

According to your letter of June 29, 1987 concerning with your report (draft) in conjunction with the review of financial and internal control systems of the USAID Grant No. 936-5542 entitled "Improvement of bacterial agents for control of mosquito vectors", I would like to clarify the points in question as follows.

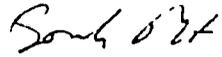
1. In section 7.1, all of equipments purchased are related to the research under the grant. All of equipments are necessary to the routine work in order to fulfill our research work. Without these equipments, it will be very difficult for us to carry on our research work.

2. In section 7.2, all additional staff not addressed in the budget perform services are newcomers who replaced the former ones who resigned from our staff members. Since the Research assistant is not a permanent position as permanent government official, thus, some of them quit to work when they find a better job. Sometimes our research works are in the critical stage and we have to carry on, thus we have to ask graduate students to work as a part time and we pay them as a supplement. In this case, it does help us in maintaining our research activities until we find new assistants and we have to train them before they can fully engage in our research work.

3. In sect 7.3, per diem rate charge in the mentioned trip to Chiang mai was adjusted to the facts that we had American friend who worked for US Army as an entomologist in Thailand ranked Major accompanied us and we had to stay together in Chiang mai. The room rate during that time was 460 per night and the meals were quite expensive, i.e. breakfast was 105. Thus, I tried to adjust the per diem rate according to the rate of WHO (even less than what our friend obtained for his expenses), so that we did not have to feel like a beggar stay in a hotel and all of us in that trip were Associate professor (C 9). I think that it will be very helpful if this matter is set up as a guideline for us in the future, and I still think that per diem rate should be varied according to the city.

Thank you again for your hospitality in giving us a chance to clarify some points questioned by your group.

Very truly yours,



Somsak Pantuwatana

RESEARCH GRANT  
MAHIDOL UNIVERSITY  
GRANT NO. 936-5542-G-00-5058-00  
FIBER FARMING THROUGH WEED UTILIZATION

PREPARED FOR : REGIONAL INSPECTOR GENERAL/AUDIT/MANILA

PREPARED BY : ERNST & WHINNEY (BANGKOK)

MAHIDOL UNIVERSITY  
IMPROVEMENT OF BACTERIAL AGENTS FOR  
CONTROL OF MOSQUITO VECTORS

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\* These pages are not included, refer to summary report.

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## 6. RESULT OF VERIFICATION OF DISBURSEMENTS

<u>Description</u>	<u>Total Budgeted</u>		<u>Fund received</u>	<u>Actual</u>	<u>Verification</u>	
	<u>US\$</u>	<u>Baht</u>	<u>to date</u>	<u>Spending</u>	<u>Baht</u>	<u>%</u>
			<u>Baht</u>	<u>Baht</u>		
SALARY	93,000	2,511,000	623,825	1,001,825	1,001,825	100
ADVISORS	-	-	65,500	106,000	106,000	100
EQUIPMENT/ MATERIALS	14,500	391,500	178,330	218,808	171,253	78
TRAVEL	21,000	567,000	225,821	232,861	155,474	67
OTHER COST/ PUBLISHING	1,500	40,500	-	-	-	-
CENTRAL RESEARCH FACILITY COST	<u>1,500</u>	<u>40,500</u>	<u>6,425</u>	<u>7,165</u>	<u>-</u>	<u>-</u>
TOTAL	131,500	3,550,500	1,099,901	1,566,659	1,434,552	92
	=====	=====	=====	=====	=====	=====

Questioned  
Cost  
(Baht)

6.1 No written agreement is made for rental of land from landlords at three project sites (i.e. Khon Kaen, Chumporn and Lampang of Baht 67,500).

-

6.2 "Status of Funds/And Request for Funds" has reported spending up to October, 1986, whereas based on review the amount per status of Funds/And Request for Funds are up to 30th September, 1986 only. The Principal Investigator had explained that October 1986 refers to 1st October, 1986. In this respect it is recommended that in addition to specifying month and year, the date should also state the day and if possible be at the end of the month in order to avoid confusion.

7. COMPLIANCE - TERMS OF GRANT AGREEMENT

Based on the samples selected there has been compliance with the terms of grant agreement. The exceptions are as follow :

7.1 "Advisors" line item of Baht 106,000 as reported in "Status of Funds/And Request for Funds" was not listed in the budget nor were written approval obtained from USAID. Only revised financial plan prepared by Principal Investigator were submitted to USAID.

7.2 Financial reports (ie. "Status of Funds/And Request for Funds" and "Federal Cash Advance Status Report") for the period as from 1st October, 1986 to 31st March, 1987 were not submitted to USAID after periods ending 31st December, 1986 and 31st March, 1987 as required by the grant agreement.

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7.3 No timesheets were prepared to document the time actually devoted to the project by the Project Director, the Principal Investigator and the Co-investigator in order to substantiate payments of salary of Baht 324,000. We are therefore unable to state whether such persons devoted the time at percentage as set out in the budget or not. 324,000

7.4 Purchase of chemical fertilizer formula - N15 P15 K15 were not in the budget nor is there written approval from USAID, since the authorized chemical fertilizer formula was N13 P13 K21. 14,410

Total Questioned Costs 338,410 \*

\*\*\*\*\*

\* The amount of Baht 338,410 is equal to US dollars 13,016 at the exchange rate of 1US\$ = Baht 26.

8. STUDY AND EVALUATION OF INTERNAL CONTROL

Findings and recommendations resulting from study and evaluation of internal control are categorized into two types as follow :

(I) Shortcomings or lack of internal control which are fundamental :

- in protecting an entity's resources against waste, fraud and inefficiencies.
- in ensuring the accuracy and reliability of the entity's accounting/operating data.
- in securing compliance with the terms of grant agreement.

(II) Improvements in order to supplement the existing system of internal control.

## 8.1 SHORTCOMINGS OR LACK OF INTERNAL CONTROL

### 8.1.1 Administration of Grant Funds

Responsibility for the administration of grant funds are by the Principal Investigator except for the areas as set out in section 3.

In order to promote the efficiency and effectiveness of research undertaken by the Principal Investigator, (ie : to allow greater time to be devoted to research work) administration could be performed by Mahidol University. Similarly, the University may be in a better position to administer due to administrative staff complement who are technically competent in administration.

### 8.1.2 Recording of Receipts

Receipts are not recorded in cash receipt book immediately upon receiving.

Receipts should be recorded in cash receipt book immediately upon receiving in order to ensure that all transactions are accounted for and to facilitate cash management.

### 8.1.3 Bank Reconciliation

Bank reconciliation is not prepared.

Bank reconciliation should be prepared and documented on a monthly basis and submitted to higher responsible official for review and be initialled as evidence of reviewing.

8.1.4 Authorisation for Disbursement

Authorisation for disbursement from bank accounts are signed by the Principal Investigator only.

It is recommended that disbursements from bank accounts should be authorised by two persons in order to increase the element of checking as to the propriety of payments.

8.1.5 Time Record

With reference to 7.3 in order to comply with the terms of grant agreement, time record should be prepared to document the time actually devoted to the project by each person.

8.1.6 Disbursement - Terms of Grant Agreement

Ancillary to 7.1 and 7.4 are that disbursements are neither in accordance with the budget nor are there prior written approval from USAID.

It is recommended that disbursements not in accordance with the budget should be made against prior written approval from USAID.

8.1.7 Financial Reports

With reference to 7.2 in order to comply with the terms of grant agreement, financial reports should be submitted immediately to USAID after period ended (ie : quarterly).

8.1.8 Written Agreement for Rental of Land

Ancillary to 6.1 is that rental of land at three project sites are made without written agreement.

It is recommended that written agreement be prepared in order that rights could be enforced under section 538 of the Civil and Commercial Code.

8.2 IMPROVEMENTS

8.2.1 Payment - Cancellation

Authorised payment vouchers and related supporting documents are not stamped "PAID" or otherwise being cancelled upon payments.

Cancellation should be made immediately on authorised payment vouchers and related supporting documents after payments had been made in order to prevent resubmission.

8.2.2 Payment Voucher and Cash Book Format

Payment vouchers are not sequentially controlled in which there is no adequate procedure to ensure that they are completely and correctly recorded in each line item.

In order to ensure that all transactions are completely accounted for, payment vouchers should be prenumbered and be sequentially recorded in cash book. In addition, a multi-column cash book of which each line item of disbursements should be adopted in order to ensure the correctness of allocation of expenditures.

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8.2.3 Withholding Tax - Personal Income Tax

Payments of salary and per diem allowance exceeding the rate authorised by the Revenue Authority to project person are not subjected to withholding tax.

Failure to deduct withholding tax could render the project to be jointly liable for the tax shortfall and surcharge of 1.5 percent per month (maximum of 100 percent).

It is recommended that withholding tax be deducted when such payments are made to staff in order to preclude the consequences of the Revenue Code despite the fact at this point in time the amount involved is insignificant.

8.2.4 Withholding Tax - Corporate Income Tax

Payments of goods to supplier are made without withholding tax of 1 percent. Any payments made by the government unit to juristic body should be deducted withholding tax at the rate of 1 percent as per section 69 bis of the Revenue Code.

Failure to deduct withholding tax could render the Project to be jointly liable for the tax shortfall and surcharge of 1.5 percent per month (maximum of 100 percent).

It is recommended that 1 percent withholding tax be deducted when any payments are made to juristic body in order to preclude the consequence of the Revenue Code despite the fact at this point in time the amount involved is insignificant.

**Ernst & Whinney**

**9. PRINCIPAL INVESTIGATOR'S RESPONSE TO THE REPORT \***

**\* No response received**

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# Ernst & Whinney

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132 Wireless Road, Bangkok 10500, Thailand

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Telex: 87661 ERNST TH  
FAX: (66) 2-2501479

*(formerly Turquand Youngs & Co.)*

2nd July, 1987

Dr. Thanakorn Uan-on,  
Principal Investigator,  
Faculty of Environment and Resource Studies,  
Mahidol University,  
NAKORNPRATHOM.

Dear Sir,

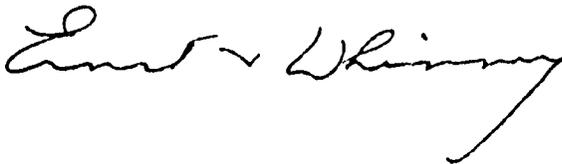
MAHIDOL UNIVERSITY  
GRANT NO. 936-5542-G-00-5058-00  
FIBER FARMING THROUGH WEED UTILIZATION

Enclosed for your consideration please find a copy of our report (draft) in conjunction with the review of financial and internal control systems of the referenced subject.

Should you concur with the accuracy of the report kindly acknowledge in writing within two weeks from the date of this letter in order that the final report can be issued to USAID. Please feel free if you wish to provide us with any additional information/documents so as to ensure the accuracy and completeness of the report.

We would like to take this opportunity to express our appreciation to all members of the staff who have assisted us in carrying out our work.

Yours faithfully,



CA/kte

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Ernst & Whinney

Appendix IV

RESEARCH GRANT  
MAHIDOL UNIVERSITY  
GRANT NO. 936-5542-G-00-5078-00  
ANTIGENIC DIVERSITY OF PLASMODIUM VIVAX

PREPARED FOR : REGIONAL INSPECTOR GENERAL/AUDIT/MANILA

PREPARED BY : ERNST & WHINNEY (BANGKOK)

MAHIDOL UNIVERSITY  
ANTIGENIC DIVERSITY OF PLASMODIUM VIVAX

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\* These pages are not included, refer to summary report.

6. RESULT OF VERIFICATION OF DISBURSEMENTS

<u>Description</u>	<u>Total Budgeted</u>		<u>Fund received</u>	<u>Total Expenditures</u>			
			<u>to date</u>	<u>Per Status of</u>		<u>Verification</u>	
	<u>US\$</u>	<u>Baht</u>	<u>Baht</u>	<u>Request for</u>	<u>Per book</u>	<u>of Account</u>	<u>%</u>
				<u>Funds</u>	<u>of Account</u>	<u>Baht</u>	
				<u>Baht</u>	<u>Baht</u>	<u>Baht</u>	
SALARY	39,180	1,057,860	255,420	117,910	117,937	117,937	100
EQUIPMENT	38,000	1,028,000	1,028,000	881,719	897,003	894,728	101
MATERIALS AND SUPPLIES	49,200	1,328,400	396,900	644,683	644,683	543,243	84
OTHER COST/ PUBLISHING AND OVERTIME	3,600	97,200	24,330	120,000	104,689	97,914	82
CENTRAL RESEARCH FACILITY COST	20,020	540,540	207,077	128,415	128,415	128,415	100
TOTAL	150,000	4,050,000	1,909,697	1,892,727	1,892,727	1,782,237	94
	=====	=====	=====	=====	=====	=====	=====

Ernst & Whinney

Questioned  
Cost  
(Baht)

6.1 From our review of the Status of Funds/And Request For Funds as at 31st March, 1987 revealed that the reported expenditures do not agree for certain line items with the books of account. Details of the discrepancy are set out below in which it is recommended that the discrepancy be investigated and adjusted accordingly. Based on discussion and review the discrepancies are misclassifications between line items.

<u>Description</u>	<u>Total Expenditures (Baht)</u>		
	<u>Per Status of Funds</u>	<u>Per Books of Account</u>	<u>Over (under) Books of Account</u>
Salary	117,910	117,937	(27)
Equipment	881,719	897,003	(15,284)
Materials and Supplies	644,683	644,683	
Other Costs/ Publication and Overtime	120,000	104,689	15,311
Central Research Facility	128,415	128,415	-
Total	1,892,727	1,892,727	-
	=====	=====	=====

6.2 As at 31st March, 1987, advances of Baht 120,000 during the period as from September 1985 to March 1987 included in "Materials and Supplies" were not yet cleared with the Finance Section of the University. Our further verification up to 2nd June, 1987 reveals that Baht 46,656 are still to be received or liquidated accordingly. As discussed with the Principal Investigator, such amounts are to be used for the payment of materials and supplies in the near future.

46,656

#### 7. COMPLIANCE - TERMS OF GRANT AGREEMENT

Based on the samples selected there has been compliance with the terms of grant agreement. The exceptions are as follow :

7.1 Payments for "Materials and Supplies" and "Other Costs/Publication and Overtime" of Baht 56,238 and Baht 24,335 respectively could be questioned as to whether it should be reclassified as "Central Research Facility" in order to form a proper basis for the computation of 15 percent allowable variance. Details are as follow :-

<u>Payment</u> <u>date</u>	<u>Description</u>	<u>Amount</u> <u>(Baht)</u>
28.2.86	Central research facility to Faculty of Tropical Medicine	56,238
28.2.87	- do -	<u>24,335</u>
		80,573
		=====

7.2 No separate bank account is maintained for the project fund whereby funds from USAID are transferred to the project and are deposited in the bank current account of Mahidol University and mixed with other fund.

Total Questioned Costs	46,656*
------------------------	---------

\* The amount of Baht 46,656 is equal to US dollars 1,794 at the exchange rate of 1US\$ = Baht 26.

## 8. STUDY AND EVALUATION OF INTERNAL CONTROL

Findings and recommendations resulting from study and evaluation of internal control are categorised into two types as follow :

- (i) Shortcomings or lack of internal control which are fundamental :
  - in protecting an entity's resources against waste, fraud and inefficiencies.
  - in ensuring the accuracy and reliability of the entity's accounting/operating data.
  - in securing compliance with the terms of grant agreement.
- (ii) Improvements in order to supplement the existing system of internal control.

### 8.1 SHORTCOMINGS OR LACK OF INTERNAL CONTROL

#### 8.1.1 Administration of Grant Funds

Administration of grant funds are by the Principal Investigator except for the areas as set out in section 3.

In order to promote the efficiency and effectiveness of research undertaken by the Principal Investigator, (ie : to allow greater time to be devoted to research work) administration could be performed by Mahidol University. Similarly, the University may be in a better position to administer due to administrative staff complement who are technically competent in administration.

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8.1.2 Separation of USAID Fund

Funds from USAID transferred to the project are deposited in the bank current account of Mahidol University and mixed with other fund. This, however, is the general policy of the University.

In order to comply with the Standard Provision of grant agreement, USAID fund should be deposited in a separate bank account and be in the Project's name. Disbursements for goods and services are also made from this account.

8.1.3 Status of Funds/And Request for Funds

With reference to 6.1 is that the Status of Funds/And Request For Funds is not in agreement with the books of account.

In order to present fairly the financial position and to form a proper basis for the computation of 15 percent allowable variance, it is recommended that such report be prepared and checked to the books of account prior to submission to USAID.

8.1.4 Bank Reconciliation

Bank reconciliation is not prepared.

Bank reconciliation should be prepared and documented on a monthly basis and submitted to higher responsible official for review and be initialled as evidence of reviewing.

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8.1.5 Evidence of Payment Approval

Evidence of payment approval is not available for certain payments such that there is no proof as to the approval of payment by authorised official.

It is recommended that all payments should be subjected to approval prior to disbursements.

8.1.6 Payment - Official Receipts

Payments made for central research facility are supported by receipts which do not bear the Faculty's or University's seal and sets out the name of the Dean as the recipient. As discussed by the Principal Investigator cheques are made payable to the Faculty and such receipts is the standard procedure. It is recommended that in order to avoid confusion and to support the receiving of funds, receipts be substantiated with Faculty/University seal with the Faculty/University being stated as recipient, if possible.

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# Ernst & Whinney

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17th July, 1987

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FAX: (66) 2-2501479

*(formerly Turquand Youngs & Co.)*

Assistant Professor Dr. Srisin Khusmith,  
Principal Investigator,  
Department of Microbiology and  
Immunology,  
Faculty of Tropical Medicine,  
Mahidol University,  
BANGKOK.

Dear Sir,

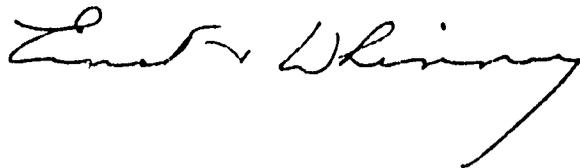
MAHIDOL UNIVERSITY  
GRANT NO. 936-5542-G-00-5078-00  
ANTIGENIC DIVERSITY OF PLASMODIUM VIVAX

Enclosed for your consideration please find a copy of our report (draft) in conjunction with the review of financial and internal control systems of the referenced subject.

Should you concur with the accuracy of the report kindly acknowledge in writing within two weeks from the date of this letter in order that the final report can be issued to USAID. Please feel free if you wish to provide us with any additional information/documents so as to ensure the accuracy and completeness of the report.

We would like to take this opportunity to express our appreciation to all members of the staff who have assisted us in carrying out our work.

Yours faithfully,





MI 099/1987

23 July, 1987

Ernst & Whinney  
G.P.O. Box 1047  
Sinthon Building, 9th Floor  
132 Wireless Road  
Bangkok 10500

ERNST & WHINNEY RECEIVED 12 JUL 1987 ANSWERED _____ INITIAL _____
---

Dear Sir,

We have examined the draft report on the expenditure of our USAID grant No. 936-5542-C-00-5078-00 and would like to bring about a few points which we would like to make comment or change:

1. On page 3

Recording of books of account is done not by the principal investigator but by a financial and accounting assistant in the Secretarial Office of the Faculty.

2. Page 5 % Verification

How the percentage of verification can be calculated? (especially for the categories of equipment, material and supplies as well as other costs/Publication and overtime).

3. Page 10, clause 8.1.5: Evidence of payment approval

Approval of payment in our Faculty is usually practised after the investigators have submitted a memorandum to the dean together with necessary document (receipt, invoice). The dean will then endorse the memorandum which makes effective payment to the suppliers or reimbursement to the principal investigator. This action is taken as a proof for approval.

4. Page 11, clause 8.3.3 Withholding tax

4.1 Salaries and per diem: In our countries those who can generate income from whatever source they earn (including grant) have to be personally responsible for paying tax. We therefore do not wish to withhold any tax for the Revenue Department.

4.2 Payment of goods and services to suppliers: This is likewise not withheld with the same reason stated in 4.1.

If USAID thinks that withholding tax needs to be done, the Agency should inform us in writing, so that we could act accordingly. I do understand that expense from USAID grants is

in general tax exempted. Any movement of this nature would only serve to increase unnecessarily the cost of research. The Agency should also take into account how to deal with investigators who have not been previously informed on this matter, especially when the contract is expired. How could they find money to pay back the withholding taxes, since the grants have been used up?

Yours faithfully,



Srisin Khusmith, D.Sc.  
Associate Professor  
Department of Microbiology and Immunology  
Faculty of Tropical Medicine  
Mahidol University, Bangkok 10400

**Ernst & Whinney**

Appendix V

RESEARCH GRANT  
MAHIDOL UNIVERSITY  
GRANT NO. 936-5542-G-00-5079-00  
DEVELOPMENT OF IMMUNODIAGOSIS AND IMPROVEMENT OF  
IMMUNOTHERAPY OF SNAKE VENOM POISONING

PREPARED FOR : REGIONAL INSPECTOR GENERAL/AUDIT/MANILA

PREPARED BY : ERNST & WHINNEY (BANGKOK)

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MAHIDOL UNIVERSITY  
DEVELOPMENT OF IMMUNODIAGNOSIS AND IMPROVEMENT OF  
IMMUNOTHERAPY OF SNAKE VENOM POISONING

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\* These pages are not included, refer to summary report.

## 6. RESULT OF VERIFICATION OF DISBURSEMENTS

<u>Description</u>	<u>Total Budgeted</u>		<u>Fund received</u>	<u>Actual</u>	<u>Verification</u>	
	<u>US\$</u>	<u>Baht</u>	<u>to date</u>	<u>Spending</u>	<u>Baht</u>	<u>%</u>
			<u>Baht</u>	<u>Baht</u>		
SALARY	38,400	1,017,600	233,594	391,890	391,890	100
EQUIPMENT	43,875	1,162,687	919,413	807,100	807,100	100
MATERIAL AND SUPPLY	33,200	879,800	268,102	477,845	477,845	100
TRAVEL	16,500	437,250	18,200	-	-	-
CENTRAL RES. FAC. COST	14,706	389,709	194,722	194,722	194,722	100
OTHER COST	2,600	68,900	15,825	19,628	-	-
TOTAL	149,281	3,955,946	1,649,856	1,891,185	1,871,557	99
	=====	=====	=====	=====	=====	==

Questioned  
Cost  
(Baht)

Based on total expenditures selected, Baht 51,054 reported as "Equipment" is questioned as to the adequacy of supporting documentation. As discussed with the Principal Investigator, such amount represents the accrual for purchase of some equipment items but is not supported by any documentation.

51,054

7. COMPLIANCE - TERMS OF GRANT AGREEMENT

Based on the samples selected there has been compliance with the terms of the grant agreement. The exceptions are as follow :

7.1 Custom duty were included in the cost of reagents acquired by the project funds. Details of which are as follow :-

<u>Receipt No./Date</u>	<u>Amount (Baht)</u>	
43 / 31.3.86	2,745	
44 / 31.3.86	<u>3,951</u>	
	6,696	6,696
	*****	

7.2 The number of staff exceeds the budget which there is no prior written approval from USAID as follow :

<u>Description</u>	<u>Budget</u>	<u>Actual</u>
Administrative staff		1      22,200

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7.3 No timesheets were prepared to document the time actually devoted to the project by the Principal Investigator and the Co-Investigator to substantiate the payment of salary of Baht 161,190. We are therefore unable to state whether such persons devoted the time at percentage as set out in the budget or not.

	<u>161,190</u>
Total Questioned Costs	241,140*
	=====

Furthermore, included in the aforementioned are disbursement for Principal Investigator's salary of Baht 68,505 as recorded in the "Status of Funds/And Request for Funds" which was neither approved in the budget nor was there written approval from USAID.

The amount of Baht 241,140 is equal to US dollars 9,275 at the exchange rate of 1US\$ = Baht 26.

8. STUDY AND EVALUATION OF INTERNAL CONTROL

Findings and recommendations resulting from study and evaluation of internal control are categorised into two types as follow :

- (i) Shortcomings or lack of internal control which are fundamental :
  - in protecting an entity's resources against waste, fraud and inefficiencies.
  - in ensuring the accuracy and reliability of the entity's accounting/operating data.
  - in securing compliance with the terms of grant agreement.
  
- (ii) Improvements in order to supplement the existing system of internal control.

8.1 SHORTCOMINGS OR LACK OF INTERNAL CONTROL

8.1.1 Administration of Grant Funds

Administration of grant funds are by the Principal Investigator except for the areas as set out in section 3.

In order to promote the efficiency and effectiveness of research undertaken by the Principal Investigator, (ie to allow greater time to be devoted to research work. administration could be performed by Mahidol University. Similarly, the University may be in a better position to administer due to its administrative staff complement who are technically competent in administration.

8.1.2 Segregation of Duties

From the review of payroll system, there is inadequate segregation of duties whereby the following functions are carried out by the Principal Investigator (i.e. Dr. Kavi) :

1. Approval of hiring/termination
2. Preparation of payroll sheet
3. Arranging/distribution of pay packets

It is recommended that the function no. 2 be segregated from others in order to strengthen control over the project fund.

8.1.3 Bank Reconciliation

Bank Reconciliation is not prepared.

Bank Reconciliation should be prepared and documented for all bank accounts on a monthly basis and submitted to higher responsible official for review and be initialled as evidence of reviewing.

8.1.4 Fixed Assets

No physical inspection of assets was carried out for project's assets.

In order to provide a sound control over fixed assets, inspection of assets against register is to be carried out annually by responsible official of the University.

8.1.5 Time Record

With reference to 7.5 in order to comply with the terms of grant agreement, time record should be prepared to document the time actually devoted to the project by each person.

8.1.6 Issuance of Payment Voucher

Payment vouchers are not prepared prior to disbursement for purchase of equipment, material and supply.

In order to ensure that all payments are made with prior approval, payment vouchers should be prepared and effectively authorised before disbursements.

8.1.7 Disbursement - Term of Grant Agreement

Ancillary to 7.1 and 7.3 are that disbursements are neither in accordance with the budget nor are there prior written approval from USAID.

It is recommended that disbursement not in accordance with the budget should be made against prior approval from USAID.

8.2 IMPROVEMENTS

8.2.1 Payment - Cancellation

Authorised payment vouchers and related supporting documents are not stamped "PAID" or otherwise being cancelled upon payments.

Cancellation should be made immediately on authorised payment vouchers and related supporting documents after payments had been made in order to prevent resubmission.

8.2.2 Official Receipt

Certain official receipts obtained are made out not in the name of project but under the name of "Dr. Kavi Ratanabanangkoon".

It is recommended that official project's name be used in order to substantiate that payments are by the project and thus leaving no room for doubt and confusion.

8.2.3 Insurance Cover

There is no insurance cover for assets purchased by USAID's fund.

Because value of fixed assets is significant we recommend that insurance policy be made to cover valuable assets.

8.2.4 Withholding Tax - Personal Income Tax

Payments of salary and per diem allowance exceeding the rate authorised by the Revenue Authority to project person are not subjected to withholding tax.

Failure to deduct withholding tax could render the project to be jointly liable for the tax shortfall and surcharge of 1.5 percent per month (maximum of 100 percent).

It is recommended that withholding tax be deducted when such payments are made to staff in order to preclude the consequences of the Revenue Code despite the fact at this point in time the amount involved is insignificant.

51

8.2.5 Withholding Tax - Corporate Income Tax

Payments of goods to suppliers are made without withholding tax of 1 percent. Any payments made by the government unit to juristic body should be deducted withholding tax at the rate of 1 percent as per section 69 bis of the Revenue Code.

Failure to deduct withholding tax could render the Project to be jointly liable for the tax shortfall and surcharge of 1.5 percent per month (maximum of 100 percent).

It is recommended that 1 percent withholding tax be deducted when any payments are made to juristic body in order to preclude the consequence of the Revenue Code despite the fact at this point in time the amount involved is insignificant.

Ernst & Whinney

9. PRINCIPAL INVESTIGATOR'S RESPONSE TO THE REPORT

# Ernst & Whinney

20th July, 1987

Dr. Kavi Ratanabanangkoon,  
Principal Investigator,  
Department of Microbiology,  
Faculty of Science,  
Mahidol University,  
BANGKOK.

G.P.O. Box 1047  
Sinthan Building, 9th Floor,  
132 Wireless Road, Bangkok 10500, Thailand.

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*(formerly Turquand Youngs & Co.)*

Dear Sir,

MAHIDOL UNIVERSITY

GRANT NO. 936-5542-G-00-5079-10

DEVELOPMENT OF IMMUNODIAGNOSIS AND IMPROVEMENT  
OF IMMUNOTHERAPY OF SNAKE VENOM POISONING

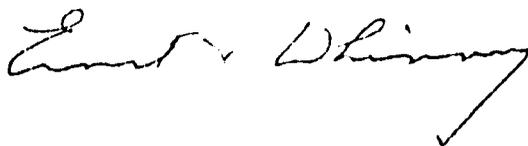
Enclosed for your consideration please find a copy of our report (draft) in conjunction with the review of financial and internal control systems of the referenced subject.

Should you concur with the accuracy of the report kindly acknowledge in writing within two weeks from the date of this letter in order that the final report can be issued to USAID. Please feel free if you wish to provide us with any additional information/documents so as to ensure the accuracy and completeness of the report.

In addition to the foregoing please advise in writing whether or not the staff as set out in section 7.3 of this report perform services related to this grant.

We would like to take this opportunity to express our appreciation to all members of the staff who have assisted us in carrying out our work.

Yours faithfully,

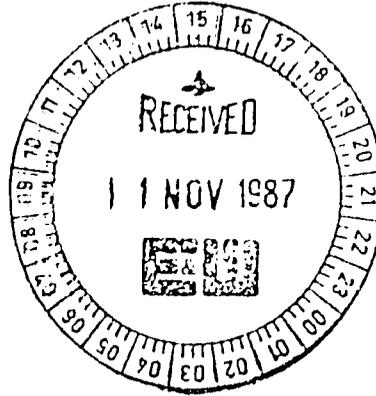




# MAHIDOL UNIVERSITY

Department of Microbiology  
Faculty of Science  
Rama VI Road, Bangkok 10400  
THAILAND

CABLE: SCIMAHIDOL  
TELEPHONE: (02) 2455197  
TELEX: 84770 UNIMAH TH



Nov. 11, 1987.

Ernst and Whinney  
G.P.O. Box 1047  
Sinthon Building, 9th Floor  
132 Wireless Road,  
Bangkok 10500

Ref. Mahidol University  
Grant no. 936-5542-G-00-5079-00  
"Development of Immunodiagnosis and  
Improvement of Immunotherapy of  
Snake Venom Poisoning"

Dear Sir :

Thank you for your draft on the review of financial and internal control systems of the referenced research grant from USAID. I am sorry for the long delay in my reply.

I would like to response to your findings as follows :

Section #6. The Baht 51,054 was the amount representing the accrual for purchase of two pieces of equipments : an ultraviolet detector (LKB Uvicord) and a peristaltic pump which totaled Baht 88,003.75. Documents on these items have since been available.

Section #7.1 A salary of about Baht 4,000 /month was disbursed for the P. I. for the following reasons. Originally one of the co-investigators (Dr.P.B.Billings) intended to contribute 70% of his time to this project but later he has participated in and received salary from two other USAID funded projects (Grant No. 936-5542-G-00-6027-00 and Grant No.936-5542-G-00-7030-00). It has been agreed among the investigators that since the P.I. has contributed full time to only the snake venom project, half of Dr.Billings's salary will be paid to the P.I. This distribution of salary is within the budget set in this category and therefore I did not inform or seek approval from USAID.

Section #7.2 Custom duty was paid for the perishable reagents used in the project. At the time there was no mean of expediting the custom clearing procedure. The biochemicals would have perished during the days of waiting for custom clearing by the University personnels. Arrangements have since been made with the University on this matter and custom duty will not be paid from the grant from now on.

Section #7.3 The administrative staff which has been paid Baht 2,600 /month carried out the following responsibilities :

- a) typing various reports and manuscripts of the research project
- b) accounting
- c) purchasing from local markets small items or spare parts used in the laboratory on the research project
- d) repairing and maintaining simple equipments for example changing vaccuum pump oil, repairing or changing electrical plugs etc.

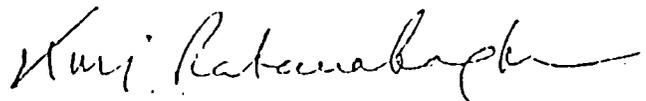
These works are time consuming and the staff has done a great deal to ease the work load from the researchers. However, I regret not having seek the approval of the USAID.

As far as other sections (ie: #7.4 and 8) are concerned the matter has been discussed by USAID and Mahidol University in a Workshop in Nakorn Prathom during 24-25 July 1987. I am sure the recommendation will be made available soon.

I thank you and your capable staff Ms.Sunee Watanapolmongkol for valuable discussions and suggestions. I am happy to learn that the Faculty of Science, Mahidol University has decided to take over all the administrative work of all the USAID grants in the faculty. Hopefully this will minimize the problems encountered by the researchers and the auditors.

I would welcome and appreciate any further suggestions or advice from you.

Sincerely yours,



Kavi Ratanabanangkool Ph.D.  
Associate Professor and  
Principal Investigator

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