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AUDIT OF THE OVERHEAD RATES FOR
PROJECTS NO. 505-0020 AND NO. 505-0027
WITH THE BELIZE CHAMBER OF COMMERCE AND
INDUSTRY IN BELIZE

AUDIT REPORT No. 1-505-88-18-N
August 22, 1988

AGENCY FOR INTERNATIONAL DEVELOPMENT

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August 22, 1988

MEMORANDUM

TO : A.I.D./Belize Representative, Mospina Jordan

FROM : RIG/A/T, *Coimage N. Gothard*
Coimage N. Gothard, Jr.

SUBJECT: Audit Report No. 1-505-88-18-N, "Audit of the Overhead Rates for Projects No. 505-0020 and No. 505-0027 with the Belize Chamber of Commerce and Industry in Belize"

This report presents the results of a non-Federal financial and compliance audit requested by your Mission of the overhead rates for Project No. 505-0020 with the Belize Institute of Management (BIM) and Project No. 505-0027 with the Belize Export and Investment Promotion Unit (BEIPU), both implemented through the Belize Chamber of Commerce and Industry (BCCI). The certified public accounting firm of Touche Ross prepared the report, which is dated August 1, 1988.

The purpose of this audit was to determine (1) fair and equitable overhead rates for Projects No. 505-0020 and No. 505-0027 using criteria established in OMB Circular A-122, identifying any questionable costs associated with the fund accountability statements for the two A.I.D. projects; (2) the adequacy of the system of internal control; and (3) the extent of compliance with agreement terms and applicable laws and regulations.

In the opinion of Touche Ross, the fair and equitable overhead rates applicable to BIM (Project No. 505-0020) and BEIPU (Project No. 505-0027) were respectively 14 percent and 51 percent of BCCI's total joint and indirect costs for the nine-month period ended September 30, 1987 and 12 percent and 39 percent for the calendar year ended December 31, 1986, based on the direct allocation method. Their review also identified \$6,787 in questionable direct costs reimbursed by A.I.D./Belize to BEIPU for Project No. 505-0027. Touche Ross's study and evaluation of internal accounting control revealed conditions which they believe result in more than a relatively low risk that errors or irregularities in amounts that would be material in relation to the A.I.D. projects may occur and not be detected within a timely period. The major weaknesses observed were (1) inadequate controls over cash receipts and disbursements, (2) unrecorded transactions and assets, (3) a lack of segregation of duties in the accounting department, (4) unreconciled bank accounts, and (5) a bank account not recorded in the accounting records. In the opinion of Touche

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Ross, BCCI, BIM and BEIPU complied with agreement terms and applicable laws and regulations tested, except that (1) A.I.D. funds for Project No. 505-0020 were commingled in the same bank account with other BIM funds, and (2) certain provisions of the agreements requiring a financial viability plan, independent evaluations, and annual audits of the projects were not met. For items not tested, nothing came to their attention to indicate non-compliance.

The Touche Ross report contains 17 recommendations concerning the overhead rates, internal control, and compliance with agreement terms. The findings are significant and, as a result, we will include the following recommendations in the Office of the Inspector General's audit recommendation follow-up system:

Recommendation No. 1

We recommend that A.I.D./Belize:

- a. negotiate and finalize overhead rates for Projects No. 505-0020 and No. 505-0027 for fiscal years 1986 and 1987 based on the recommended rates in the Touche Ross report dated August 1, 1988;
- b. review A.I.D.'s payments for overhead for fiscal years 1986 and 1987 and make the necessary adjustments;
- c. establish the provisional overhead rates for fiscal year 1988 based on the 1987 rates of 14 and 51 percent respectively for BIM and BEIPU; and
- d. negotiate a settlement concerning the disposition of the \$6,787 in questionable direct costs identified by the Touche Ross report as reimbursed to BEIPU for Project No. 505-0027.

Recommendation No. 2

We recommend that A.I.D./Belize obtain evidence from the Belize Chamber of Commerce and Industry (BCCI), the Belize Institute of Management (BIM), and the Belize Export and Investment Promotion Unit (BEIPU) to demonstrate implementation of the 11 recommendations for improving internal controls and the 3 recommendations for compliance contained in the Touche Ross report, dated August 1, 1988.

Please advise this office within 30 days of actions planned or taken to implement these recommendations.

Lara & González, CPA
Member Firm
Touche Ross International

AUDIT OF THE OVERHEAD RATE FOR THE
BELIZE CHAMBER OF COMMERCE AND INDUSTRY
USAID/BELIZE PROJECTS 505-0020 AND 505-0027

AUDIT OF THE OVERHEAD RATE FOR THE
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Lara & González, CPA
Member Firm
Touche Ross International

August 1, 1988

Mr. Coinage N. Gothard
Regional Inspector General for Audit
U. S. Agency for International Development
Tegucigalpa, Honduras, C. A.

Dear Mr. Gothard:

This report presents the results of our audit of the overhead rates for the USAID/Belize Projects No.505-0020, Training for Employment and Productivity and No.505-0027, Export and Investment Promotion, both being implemented through the Belize Chamber of Commerce and Industry, from August 30, 1985 to September 30, 1987.

BACKGROUND

The Belize Chamber of Commerce and Industry (BCCI) is a long established voluntary organization of professionals and private enterprises whose main objectives are:

1. To promote the development of commerce, industry, agriculture, tourism, the professions and the trades in Belize.
2. To enhance the investment climate and to promote it at home and abroad.
3. To foster and encourage cooperation among businessmen in the use of their human resources with a view to strengthening and improving the economic development of the country.
4. To promote, support or lawfully oppose legislature or other measures affecting the private sector interests and to work closely with the government whenever possible on matters of national interest.

In June 1984 the Chamber received a US\$200,000 grant from the United States Agency for International Development in Belize (USAID/Belize), for the purpose of providing support for the Belize private sector's export promotion activities. The period of this grant was June 1984 to February 1986. The funds were for direct costs only.

The Belize Institute of Management (BIM) which was formed in July 1975 is a voluntary organization of professional and private enterprises and organizations whose main objective are to promote the development of private enterprise in Belize through the provision of necessary management and related training.

USAID/Belize and the Belize Chamber have signed two cooperative agreements, No. 505-0020 and 505-0027, to provide technical training to the private sector and to promote export and investment in Belize.

Cooperative agreement No. 505-0020, Training for Employment and Productivity was signed on August 30, 1985 for a five year term expiring on August 31, 1990. The purpose of this agreement was to promote private enterprise development and the growth of export and tourism-oriented enterprises in Belize through the provision of necessary management, public administration and skills training. Through this agreement the BCCI will assist in reestablishing the Belize Institute of Management (BIM) and cooperatively with BIM, provide management training to private and public officials and skills training to technicians and workers of private firms. The total cost of the Training for the Employment and Productivity Project is estimated at US\$3,720,000. The cooperative agreement provides US\$2,750,000 and will be complemented with local counterpart contributions from participant institutions and beneficiary private firms and public agencies.

Cooperative agreement No. 505-0027, Export and Investment Promotion was signed on July 24, 1986 and its expiration date is scheduled for July 23, 1991. Its purpose is to develop the capacity of the private sector to promote, provide technical assistance for, and facilitate export and tourism projects undertaken in Belize. To implement this project the BCCI established the Belize Export and Investment Promotion Unit (BEIPU). The agreement and its amendments obligate US\$2,400,000 in total expenditures. Counterpart contributions by the private sector including BCCI, beneficiaries, and public agencies are estimated at US\$830,000.

BCCI is responsible for implementing both projects, BIM and BEIPU.

AUDIT OBJECTIVES AND SCOPE

The specific objectives of our examination were:

1. To perform a financial and compliance audit of the Belize Chamber of Commerce and Industry in order to determine a

fair and equitable overhead rate for the Projects No. 505-0020 and 505-0027, for the fiscal years 1985, 1986 and the nine month period ending September 30, 1987.

2. To determine the adequacy of the BCCI's internal accounting control system to record transactions under the projects.
3. To review the BCCI's compliance with the agreement terms and applicable laws and regulations.

Our review was made in accordance with generally accepted auditing standards and the United States Comptroller General's "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions" (1981 Revision), and therefore included such tests of the accounting records and other auditing and technical procedures as we considered necessary in the circumstances.

The scope of our work consisted of the following:

- . Reviewing the BCCI's proposed direct and indirect costs for the examined periods.
- . Determining allowable direct costs for each audited period.
- . Determining allowable indirect costs for each audited period.
- . Reviewing documents applicable to cost allowances, both internal and external, agreements, circulars and other documents.
- . Classifying the indirect costs for each period as (1) proposed, (2) questionable, and (3) allowable by analyzing each line item in indirect costs and comparing actual expenses to allowable criteria in OMB circular No. A-122.
- . By Using the allowable direct and indirect costs, calculating overhead rates for each project using various methods, as established in OMB circular No. A-122, for allocation of overhead for each period under audit.
- . As related to the determination of an overhead rate, to study and evaluate the internal accounting controls to determine if there are any material weaknesses in the internal control system or deficiencies in BCCI's accounting procedures that could lead to material errors.
- . Determining whether BCCI has complied with the applicable laws, regulations, agreement terms, project implementation

letters and internal regulations that may have a material effect on the allocation of direct and indirect costs for the periods under audit.

During our work we were alert to situations or transactions that could be indicative of fraud, abuse and illegal expenditures and acts.

RESULTS OF AUDIT

1. Overhead Rate

Our study and evaluation of the various methods of calculating an overhead rate in OMB Circular A-122 indicates that the direct allocation method is the most appropriate. As a result of applying the direct allocation method, overhead rates applicable to USAID/Belize Project No. 505-0020 and 505-0027 are 14% and 51% respectively for the nine-month period ended September 30, 1987.

2. Internal Accounting Control System

Our study and evaluation disclosed conditions, which in our opinion result in more than a relatively low risk that errors or irregularities in amounts that would be material in relation to the projects, may occur and not be detected within a timely manner.

The major findings are as follows:

- a) There were deficiencies in the control over cash receipts for both BIM and BEIPU.
- b) There were deficiencies in control over disbursements of BEIPU.
- c) There was a lack of segregation of duties in the accounting department.
- d) Reconciliations of project funds received and disbursed through bank accounts were not being done on a regular basis.
- e) There was poor communication between BCCI and BEIPU.
- f) There were no written contracts of with employees of BCCI, BIM and BEIPU.
- g) Purchases of project assets and technical assistance expenses paid directly by USAID/Belize were not recorded during the period under review.

- h) Overtime was paid without USAID/Belize approval out of BEIPU's project fund.
- i) There were no subsidiary records for BEIPU, BIM, and BCCI.
- j) Bank account No. 17-277 was not recorded in BIM's books.

3. Compliance with Laws, Regulations and Agreement Terms

As a result of our review, we believe that BCCI, BIM and BEIPU had complied in general terms with the applicable laws, regulations, agreement terms and Project Implementation Letters related with the Projects, except as described below. Nothing came to our attention that caused us to believe that untested items were not in compliance with applicable laws, regulations and agreement terms.

The major findings were as follows:

a) Agreement No. 505-0020 (BIM):

- . Funds received from USAID/Belize under the cooperative agreement have been commingled with other funds.
- . No trade advisory committees had been established.
- . No annual audit of the project had been performed.

b) Agreement No. 505-0027 (BEIPU):

- . An independent evaluation of the BEIPU project had not been done.
- . A committee to study BEIPU's needs and contract technical assistance had not been appointed.
- . No annual audit of the project has been performed.
- . BCCI had not submitted the financial viability plan to USAID/Belize.

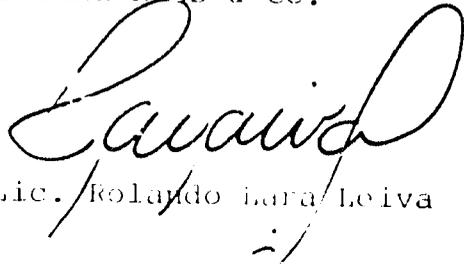
MANAGEMENT COMMENTS

USAID/Belize, BCCI, BIM and BEIPU reviewed this report. Their principal officers participated in a discussion held on June 30, 1988, in USAID/Belize offices. They agreed to review the overhead rate and prepare their comments on the findings herein included. The findings and recommendations were thoroughly

discussed in several meetings with the officers of each involved institution and valid suggested changes were included in this final report. A copy of BIM's comments is enclosed to this report.

Some comments received from involved institutions regarding audit findings referred to developments after the date of the audit and consequently they were considered as not applicable.

TOUCHE ROSS & CO.



Lic. Rolando Lara Leiva

BELIZE CHAMBER OF COMMERCE AND INDUSTRY
USAID/BELIZE PROJECTS No.505-0020 AND 505-0027

REPORT ON OVERHEAD RATES

AUDITOR'S OPINION

We have performed a Financial and Compliance audit of Cooperative Agreements No.505-0020 for US\$2,750,000 and No.505-0027 for US\$2,400,000 between the U.S. Agency for International Development in Belize (USAID/Belize) and the Belize Chamber of Commerce and Industry (BCCI) from August 30, 1985 to September 30, 1987. The purpose of the audit was to determine the overhead rate and the related methodology to be applied by the Belize Chamber of Commerce and Industry for both agreements.

Our work was performed in accordance with applicable guidelines included in OMB Circular No.A-110 for Grants and Agreements with Institutions of Higher Education, Hospitals and other Non-Profit Organizations, and OMB Circular No.A-122 Cost Principles for Non-Profit Organizations, as well as the United States Comptroller General's "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions" (1981 Revision). As agreed in the Work Order we applied the principles contained in OMB circulars No.A-110 and A-122 to calculate overhead rates based on allowable direct and indirect costs using the following methods for allocation of overhead costs: a) Simplified allocation Method, b) Multiple allocation base method, and c) Direct allocation Method.

Based on the results of our work described above, we believe that the direct allocation method is the most appropriate under the circumstances for calculating overhead rates applicable to the USAID/Belize cooperative agreements with the Belize Chamber of Commerce and Industry.

The results of allocating joint direct costs and indirect costs, using the direct allocation method for the two years ended December 31, 1985, 1986 and the nine-month period ended September 30, 1987 resulted in the following:

<u>Major Function</u>	<u>Results of Allocation</u>		
	<u>1985</u>	<u>1986</u>	<u>1987</u>
BIM-Project No.505-0020	-	12%	14%
BEIPU-Project No.505-0027	-	39%	51%
BCCI	100%	49%	35%

We recommend that an overhead rate of 14% based on the Direct Allocation Method be used in 1987 for Project No.505-0020 and 51% for Project No.505-0027. The attached notes describe in detail the methodology and other information related to the overhead rate.

No allocation of indirect costs was made for 1985 since both projects BIM and BEIPU were started in 1986.

Touche Ross & Co.

February 12, 1988
Belize

BELIZE CHAMBER OF COMMERCE AND INDUSTRY
USAID/BELIZE PROJECTS No.505-0020 AND 505-0027

NOTES TO THE REPORT ON OVERHEAD RATES

BACKGROUND

The project periods covered by this report were as follow:

- . USAID/Belize Project 505-0020, Training for Employment and Productivity, BIM, fiscal year ended December 31, 1986 and the nine-month period ended September 30, 1987.
- . USAID/Belize Project 505-0027, Export and Investment Promotion Unit BEIPU, fiscal year ended December 31, 1986 and the nine-month period ended September 30, 1987.

From June 1984 to February 1986 the Belize Chamber of Commerce and Industry (BCCI) was administering the USAID/Belize grant No. 505-0025 with similar objectives as the current project 505-0027 (BEIPU) namely, the Provision of support to the Belize Private Sector's Export and Tourism Promotion Activities. The funds received by BCCI under this grant amounted to US\$200,000 and were for direct costs.

Since the inception of the project 505-0027 BCCI has been charging the project, without a systematic basis, certain joint direct costs such as rent, electricity and water among others. The BCCI started to charge joint direct costs to the project 505-0020 in October, 1986 when BIM moved into the same building with BCCI and BEIPU. Prior to this date, expenses were directly paid and absorbed by BIM.

Since the cooperative agreements did not contain provisions for indirect costs (overhead rate), the provisional monthly charge were based on a proposal submitted by BCCI subject to be fixed by a formal audit. In this proposal the Chamber distinguished between joint (shared) direct costs and other costs (indirect costs).

The proposal for allocation of indirect costs is 30% BCCI, 40% BEIPU and 30% BIM. The proposal for allocation of joint direct costs is 20.2% BCCI, 51.4% BEIPU, and 28.4% BIM. This distribution of joint direct costs and indirect costs was determined without basis and was not in compliance with OMB Circular A 122. The proposal also contained a "program service fee" to be charged to USAID/Belize.

It should be noted that BCCI has charged the projects only for joint costs (shared costs). No charges have been made for indirect costs because an agreed overhead rate had not yet been determined.

BELIZE CHAMBER OF COMMERCE AND INDUSTRY

USAID/BELIZE PROJECTS No.505-0020 AND 505-0027

NOTES TO THE REPORT ON OVERHEAD RATES

BCCI's Major Functions

In accordance with OMB Circular No.A-122 and the purposes of the agreements, both BIM and BEIPU can be considered as divisions of BCCI. Therefore, we have identified the major functions as: BIM, BEIPU and BCCI. For agreement purposes the BCCI's project costs were classified as direct, joint direct, and indirect costs. It is to be noted, however, that BIM is a separate legal entity and not a division of BCCI.

Classification of Costs

Following the direct allocation method described in OMB Circular No.A-122, we classified the costs as direct, joint direct and indirect costs. Direct costs are those which are incurred directly by BIM and BEIPU in carrying out their activities under the agreements and can be identified specifically. The joint direct costs are those incurred to benefit different activities and disbursed by one centralized unit, in this case BCCI. The joint direct costs have been prorated individually to each award using the base most appropriate in each particular case. Indirect costs are those that have been incurred for common or joint objectives and cannot be readily identified with a final cost objective.

Based on our understanding of BCCI and considering that incurred costs benefit the major functions in varying degrees, we have classified them into the following categories:

Joint Direct Costs: Rent, electricity, water, salaries and insurance.

Indirect Costs: Office supplies and postage, janitorial and security, telephone and telex, transportation and travel, other expenses, depreciation, and repairs and maintenance.

Basis of Allocation of Joint Direct Costs into Major Functions

- . Rent: floor space used by each major function considering that the upper floor costs are more than the ground floor costs.
- . Electricity: estimation based on the electrical equipment used by BCCI and BEIPU.
- . Water: One third to each institution (BIM, BEIPU and BCCI).
- . Salaries: Estimation based on the time spent on each activity.

BELIZE CHAMBER OF COMMERCE AND INDUSTRY
USAID/BELIZE PROJECTS No.505-0020 AND 505-0027

NOTES TO THE REPORT ON OVERHEAD RATES

Insurance: Present value of the insured equipment and furniture.

Overhead Allocation Methods and Results

The methods contained in OMB Circular A-122 to allocate overhead rates for each project were as follow:

- a) Simplified Allocation Method - When the organization's major functions benefit from its indirect costs to approximately the same degree, the indirect costs are divided by an equitable base.
- b) Multiple Allocation Base Method - When the organization's indirect costs benefit its major functions in different degrees, such costs should be accumulated into separate costs grouping and then each grouping should be allocated individually to benefiting functions by means of a base which best measures the relative benefits.
- c) Direct Allocation Method - Some organizations treat all costs as direct costs except administrative and general expenses and use a base which accurately measures the benefits provided to each award and the administrative and general expenses are allocated using the Simplified allocation Method.

We believe the Direct Allocation Base Method results in the most reasonable and equitable basis of distribution. We also considered the Simplified Allocation Method but felt that it is not appropriate because the organization's major functions do not benefit from its indirect costs to approximately the same degree. Additionally, we considered that the Multiple Allocation Base Method is not applicable for overhead allocation because BCCI did not incur direct project costs during the examined period, and consequently did not exist an equitable basis for the allocation of overhead into the different units.

In our opinion the basis recommended by us with respect to the distribution of joint and indirect costs ensures that non-A.I.D. programs are not being subsidized because each expense has been evaluated individually and the basis which is most appropriate has been applied.

BELIZE CHAMBER OF COMMERCE AND INDUSTRY
USAID/BELIZE PROJECTS No.505-0020 AND 505-0027

NOTES TO THE REPORT ON OVERHEAD RATES

Exchange Rate

The official exchange rate between the U. S. and Belize dollar during the periods ending September 30, 1987 and December 31, 1986 and 1985, was two Belize dollars to one U. S. dollar.

BELIZE CHAMBER OF COMMERCE AND INDUSTRY
USAID/BELIZE PROJECTS No.505-0020 AND 505-0027

REPORT ON OVERHEAD RATES

FINDINGS

1. BCCI Proposal for Joint and Indirect Costs

Condition:

BCCI submitted to USAID/Belize a proposal for the allocation of joint and indirect costs which is presently being used pending determination of an overhead rate resulting from this audit. BCCI's proposal distinguished between joint (shared) costs and other costs (indirect costs). The proposal also contained a program service fee. For the allocation of both joint costs and other costs, BCCI neither applied an adequate basis nor complied with OMB Circular A-122. For example, estimated building floor space was used for allocation purposes instead of an accurate and precise measurement of the floor space.

Criteria:

OMB Circular A-122's methodology for allocating joint and indirect costs described in section D contains different methods which must be applied taking into consideration the nature of the institution's activities.

Cause:

At the commencement of the projects there was failure to establish what methods would be used to allocate joint costs as well as indirect costs as required by OMB Circular A-122.

Effect:

The joint and indirect costs were not fairly and reasonably allocated, and OMB Circular A-122 has not been complied with. Non-A.I.D. programs could be subsidized.

Recommendation:

USAID/Belize should:

- a) Require BCCI to allocate joint and indirect costs on a technical or rational basis as required by OMB Circular A-122.
- b) Provide a copy of OMB Circular A-122 to all concerned and ensure that it is being implemented.

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USAID/BELIZE PROJECTS No.505-0020 AND 505-0027

REPORT ON OVERHEAD RATES

FINDINGS

- c) Require BCCI to use an accurate measurement of building floor space for allocation purposes.

2. BCCI Overhead Rates

Condition:

The recommended overhead rates for Projects No.505-0020 (BIM) and 505-0027 (BEIPU) using the Direct Allocation Base Method as a basis, are 14% and 51% respectively for 1987 as opposed to the BCCI's proposal using another basis. (The methodology for calculating the overhead rate is discussed in detail in the memorandum on the methodology applied to determine overhead rates included in this section).

Criteria:

The methodology described in OMB Circular A-122 was used to calculate the overhead rates being recommended.

Cause:

The difference between the BCCI's proposed allocation of indirect costs and our recommended rates is attributable to different methodologies and different allocations used.

Effect:

The BCCI's proposed allocation of indirect costs is not based on the requirements prescribed in OMB Circular A-122.

Recommendation:

The authorized USAID/Belize Contracting Officer should:

- a) Negotiate and finalize an overhead rate for fiscal years 1986 and 1987 based on our recommended rates.
- b) Review the payments for overhead for fiscal years 1986 and 1987 and make the necessary adjustments, if any.
- c) Establish the provisional rate for fiscal year 1988.

BELIZE CHAMBER OF COMMERCE AND INDUSTRY
USAID/BELIZE PROJECTS No.505-0020 AND 505-0027

REPORT ON OVERHEAD RATES

FINDINGS

3. Questionable Direct Costs

Condition:

Our review of the agreements identified US\$6,787 in questionable direct costs paid by USAID/Belize to project No. 505-0027 (BEIPU) for fiscal years 1986 and the nine months period ended September 30, 1987.

Criteria:

The criteria for questioning these costs are specifically identified in Appendix IX this section.

Cause:

BCCI was not familiar with A.I.D. requirements.

Effect:

BCCI received up to US\$6,787 in payments for questionable costs from USAID/Belize up to September 30, 1987.

Recommendation:

USAID/Belize should review the US\$6,787 in questionable costs that were identified in this report, and negotiate a settlement with BCCI.

BELIZE CHAMBER OF COMMERCE AND INDUSTRY

USAID/BELIZE PROJECTS No.505-0020 AND 505-0027

REPORT ON INTERNAL ACCOUNTING CONTROL

AUDITORS' OPINION

We have performed a financial and compliance audit of the Belize Chamber of Commerce and Industry (BCCI) for the purpose of determining the overhead rate to be applied to grant agreements No.505-0020 for US\$2,750,000 and 505-0027 for US\$2,400,000 with the U. S. Agency for International Development in Belize (USAID/Belize) for the period from August 30, 1985 to September 30, 1987.

As part of our examination we performed a study and evaluation of the BCCI's system of internal accounting control to the extent we considered necessary to determine the nature, timing and extent of our audit procedures. Our study and evaluation was made in accordance with generally accepted auditing standards and the United States Comptroller General's "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions" (1981 revision) and included a review of the significant internal controls in the areas of revenues, disbursements, fixed assets and accounting records.

The management of BCCI through the Belize Institute of Management (BIM) and the Belize Export and Investment Promotion Unit (BEIPU) is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of an internal accounting control system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of the inherent limitations in any system of internal accounting control, errors or irregularities may occur and not be detected. Also projection of any evaluation of the system to future periods is subject to

the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purposes as described in the first paragraph, would not necessarily reveal all material weaknesses in the system, and accordingly, we do not express an opinion on the system of internal accounting control of BCCI taken as a whole. However, our study and evaluation disclosed the conditions described as findings No. 1 to No.11 which, in our opinion, result in more than a relatively low risk that errors or irregularities in amounts that would be material in relation to the projects, may occur and not be detected within a timely manner.

This report is intended solely for the use of BCCI, BIM, BEIPU and the U. S. Agency for International Development. This restriction is not intended to limit the distribution of this report which, upon acceptance by the Office of the Inspector General, is a matter of public record.

Touche Ross & Co.

February 12, 1988
Belize

BELIZE CHAMBER OF COMMERCE AND INDUSTRY
USAID/BELIZE PROJECTS No.505-0020 AND 505-0027

REPORT ON THE INTERNAL ACCOUNTING CONTROL

FINDINGS

1. Deficiencies in Control Over BIM's Cash Receipts

Condition:

Receipt forms were not pre-numbered nor printed with the name of the organization. All cash received was sent to the accountant who prepares the bank deposit slips. No report of cash collections was prepared by the person receiving the cash.

Criteria:

All receipt forms issued should be pre-numbered and issued for all cash received. Deposits should be on a daily basis. Segregation of duties is required for collection, depositing and recording of cash.

Cause:

The parties involved were not aware of the potential errors that can result nor the importance of these control procedures.

Effect:

Deficiencies in the control over cash expose the organization to potential errors and unauthorized use of funds.

Recommendation:

USAID/Belize should require BCCI to ensure that:

- a) Receipt forms have a formal printed design clearly stating BCCI/BIM. These receipts should be pre-numbered and issued for all cash received including USAID/Belize funds.
- b) Daily reports of cash received are prepared and reconciled by the accountant for consistency with the receipt numbers. This report is necessary since BIM has a considerable number of collections related to the holding of seminars.

2. Deficiencies in Control over BEIPU's cash receipts

Condition:

Receipt forms were not pre-numbered and were not issued for all funds received. Such funds include USAID/Belize funds, and

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REPORT ON THE INTERNAL ACCOUNTING CONTROL

FINDINGS

transfer of funds from BCCI to BEIPU.

The BCCI accountant was not aware of all income because BEIPU independently issued invoices for services received and also issued receipts. Therefore, all receipts of revenue were not recorded in the books on a timely basis.

Criteria:

Pre-numbered receipt forms should be issued for all cash received and deposited on a daily basis. The accountant should be aware of all invoices and all receipts issued.

Cause:

BCCI has not established procedures for the receipt, handling and recording of cash; transfers between BCCI and BEIPU are considered to be internal, thus requiring no receipt.

Effect:

As a result of the lack of control over all cash received, errors can occur or transactions can go unrecorded.

Recommendation:

BCCI should issue pre-numbered receipts and invoices printed with BCCI/BEIPU's name. Segregation of duties should be established and specific procedures for billing, collection, depositing and recording should be established. BCCI should centralize the activities of billing and collection for BEIPU, BIM and BCCI.

3. Deficiencies in Control Over BEIPU's Financial Transactions

Condition:

It came to our attention that certain financial transactions that were handled directly by BEIPU have not been recorded. Apparently, the technical advisor was personally handling a project which involved the exportation of anatto seeds through the Marketing Board. The BCCI accountant was not informed of the details and had only recorded one personal check received from the advisor representing commissions to BEIPU. The technical advisor was paid US\$1,543 out of Project funds without adequate documentation.

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REPORT ON THE INTERNAL ACCOUNTING CONTROL

FINDINGS

Criteria:

The management of BCCI is responsible for establishing and maintaining an adequate internal control system that reasonably ensures that all the transactions are recorded on a timely basis with appropriate authorization and documentation.

Cause:

There was a lack of communication between BCCI and BEIPU. Additionally, the technical advisor was directly contracted by USAID/Belize and evidence could not be obtained concerning the terms and conditions of his engagement. The technical advisor apparently managed all the transactions related to the project without reporting to BCCI.

Effect:

It could not be determined that all transactions for the exportations of anatto seeds were recorded since supporting documentation was not provided.

Recommendation:

USAID/Belize should require BCCI to establish a system that ensures that BCCI's management is regularly informed of all financial activities of BEIPU and that all financial transactions are recorded on a timely basis.

4. Lack of Segregation of Duties

Condition:

The accountant authorized some payments, recorded the transactions, prepared the bank deposits, received the bank statements from the manager and prepared the bank reconciliations without evidence of supervision. All functions are considered incompatible.

Criteria:

An adequate Internal Control System requires proper segregation of duties in order to prevent irregularities. Different persons should authorize payments or sign checks, receive the money and

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REPORT ON THE INTERNAL ACCOUNTING CONTROL

FINDINGS

record the transactions. If the segregation of duties suggested here is not practical, then adequate supervision procedures need to be established.

Cause:

Management was not aware of the importance of segregation of duties and left all of the financial and accounting work to the accountant.

Effect:

Errors or irregularities may occur and not be detected on a timely basis.

Recommendation:

USAID/Belize should require BCCI to implement proper segregation of duties for initiation of transactions, collections, payments, deposits, and recording. The assistant accountant should be assigned specific functions and the accountant should supervise the work assigned. The manager and treasurer should also be involved in supervising the accountant's work more closely and regularly.

5. Lack of Reconciliation of Funds Received by BIM and BEIPU from USAID/Belize

Condition:

As of September 30, 1987, the balance available in bank accounts of both BIM and BEIPU did not reconcile with the total funds received from USAID/Belize less total disbursements.

Criteria:

For USAID/Belize purposes monthly reconciliations are necessary.

Cause:

The accountant prepares a reconciliation but not on a regular basis.

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Effect:

USAID/Belize funds were not being properly reconciled on a regular basis. In the case of BIM, for example, it appears that BIM had paid project expenses from its own funds.

Recommendation:

USAID/Belize should require BCCI to reconcile project funds on a monthly basis (Received, disbursed and balance outstanding).

6. Poor Internal Communication Between the BCCI and BEIPU

Condition:

There was poor communication between the BCCI and BEIPU.

Criteria:

The BCCI is the institution responsible for the implementation of the project and consequently BCCI is responsible for establishing procedures that would permit efficient management of the project.

Cause:

During the period under review BEIPU seemed to want to operate independently from BCCI. BEIPU had its own board of directors and thus takes directives from this board.

Effect:

Because BEIPU considered itself to be operationally independent, the manager and accountant of BCCI were not always informed about BEIPU's operations. This had resulted in deficiencies in controls over project activities and USAID/Belize funds.

Recommendation:

USAID/Belize should require BCCI's manager to meet regularly with BEIPU's director in order to improve internal communications.

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7. Lack of Contracts with employees

Condition:

It came to our attention that there were no written contracts of employment for BCCI, BIM and BEIPU's employees

Criteria:

The contract defines terms and conditions of employment for each employee. This contract should be signed by both parties.

Cause:

In Belize it is not a legal requirement to draw up a written contract of employment.

Effect:

Disagreements over employment terms and conditions could result or payments could be disallowed if not supported by adequate documentation.

Recommendation:

BCCI should adopt the policy of written contracts of employment, which should be drawn up for all employees and signed by both parties.

8. Project Assets and Disbursements were Unrecorded

Condition:

Vehicles purchased directly by USAID/Belize under the BIM project; some equipment donated to BEIPU by the Project Development Assistance Program (PDAP) and some disbursements made directly by USAID/Belize for technical assistance for both the BIM and BEIPU projects; had not been recorded in the principal nor subsidiary accounting records of the project. The BEIPU technical advisor, who was contracted directly by USAID/Belize was using an electricity generator bought with USAID/Belize funds for personal purposes at his home without the approval of BCCI.

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REPORT ON THE INTERNAL ACCOUNTING CONTROL

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Criteria:

BCCI's management is responsible for establishing and maintaining an internal control system that reasonably ensures that all transactions are recorded and all assets are safeguarded from losses due to unauthorized use or disposal.

Cause:

The accountant recently became aware of the need to record the assets purchased directly by USAID/Belize. As a result she requested the supporting documents from USAID/Belize with respect to the vehicles.

Effect:

The accounting records do not reflect all assets being used by BIM and BEIPU projects or total disbursements made under the projects.

Recommendation:

BCCI should request from both USAID/Belize and PDAP the documentation that supports the donated assets and disbursements and record them in the accounting books. The accountant should periodically perform physical inventories and inspections and reconcile results with the books. AID/Belize should require all assets purchased with Project funds to be used only for authorized purposes.

9. Unapproved Overtime Pay - BEIPU

Condition:

BEIPU paid US\$678 for 163 hours in overtime to two secretaries without prior approval from USAID/Belize as required by OMB circular A-122. Moreover, it appears that the overtime was not properly supervised and prior approved. BEIPU paid this amount several months after the work was done and the hours worked were unreasonable and not adequately supported.

Criteria:

Overtime work should be properly justified and supervised as well as approved in advance. OMB Circular A-122 attachment B Section

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REPORT ON THE INTERNAL ACCOUNTING CONTROL

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No.27 requires A.I.D. approval, and therefore this expense is considered questionable.

Cause:

The BCCI accountant was not aware of OMB circular A-122 requirements. BCCI had not established proper procedures with respect to overtime work. A memorandum requesting payment was sent to the accountant without supporting documentation.

Effect:

Overtime payments were not properly approved, monitored or controlled in accordance with OMB circular A-122. Therefore this cost is questionable.

Recommendation:

USAID/Belize should require BCCI to establish procedures for prior approval and supervision of overtime.

10. Subsidiary Records not Used

Condition:

The accounting system did not have subsidiary records for accounts receivable, accounts payable and fixed assets.

Criteria:

In order to serve as a useful management tool for better control, every accounting system should incorporate subsidiary records fully integrated with the control accounts in the general ledger.

Cause:

The accountant did not recognize the need for subsidiary records because of the small number of receivables and payables.

Effect:

The analysis of control accounts takes more time and effort without subsidiary records. Also, there is a possibility that the control accounts are not analyzed at all and financial information is not used for budgetary control.

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Recommendation:

BCCI should:

- a) set up subsidiary records for each control account including fixed assets for BIM, BEIPU and BCCI; and
- b) prepare monthly financial statements and fully analyze and reconcile them against subsidiary records.

11. Unrecorded Bank Account

Condition:

Bank account number 1727-7 in the Atlantic Bank under the name of BCCI was not recorded by BIM nor by the Chamber. This account is used to deposit funds received from USAID/Belize. The account balance as of September 30, 1987 was US\$13,511.

Criteria:

All bank accounts should be recorded in the accounting books and reconciled monthly with the books.

Cause:

The accountant did not see the importance of recording this bank account in the books of BIM or BCCI. Other independent reviews did not detect the deficiency or did not care to comment.

Effect:

BCCI's accounting records do not have control over this bank account. Errors or irregularities may have occurred and not have been detected.

Recommendation:

USAID/Belize should require the bank account in question to be recorded in the books and reconciled monthly.

BELIZE CHAMBER OF COMMERCE AND INDUSTRY

USAID/BELIZE PROJECTS No.505-0020 AND 505-0027

REPORT ON COMPLIANCE WITH LAWS, REGULATIONS AND AGREEMENT TERMS

AUDITORS' OPINION

We have performed a financial and compliance audit of the Belize Chamber of Commerce and Industry (BCCI) with the purpose of determining the overhead rate to be applied to grant agreements No.505-0020 for US\$2,750,000 and 505-0027 for US\$2,400,000 with the U. S. Agency for International Development in Belize (USAID/Belize) for the period from August 30, 1985 to September 30, 1987. Our study and evaluation was made in accordance with the United States Comptroller General's "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions" (1981 Revision), which includes additional standards and requirements for the review of compliance with applicable laws, regulations and agreement terms. The laws, regulations, and agreements reviewed for compliance were:

- 1) Cooperative Agreement No. 505-0020 (BIM) and Project Implementation Letters.
- 2) Cooperative Agreement No. 505-0027 (BEIPU) and Project Implementation Letters.
- 3) A.I.D. handbook 13 (Standard provisions for non - U.S., non - governmental Grantees)
- 4) OMB Circular A-122.
- 5) Income Tax Act of Belize.
- 6) Social Security Act of Belize.

In our opinion and according to the nature and extent of our study and evaluation as stated in the preceding paragraph, except for the accompanying findings No.1 to No. 3 included in the following pages, the Belize Chamber of Commerce and Industry (BCCI), the Belize Institute of Management (BIM) and the Belize Export and Investment Promotion Unit (BEIPU), complied in general

terms with the applicable laws, regulations, agreement terms and Project Implementation Letters. Nothing came to our attention that caused us to believe that untested items were not in compliance with applicable laws, regulations, Agreements terms and Project implementation Letters.

This report is intended solely for the use of BCCI, BIM, BEIPU and the U. S. Agency for International Development. This restriction is not intended to limit the distribution of this report which, upon acceptance by the Office of the Inspector General, is a matter of public record.

Touche Ross & Co.

February 12, 1988
Belize

BELIZE CHAMBER OF COMMERCE AND INDUSTRY

USAID/BELIZE PROJECTS No.505-0020 AND 505-0027

REPORT ON COMPLIANCE WITH LAWS, REGULATIONS AND AGREEMENT TERMS

FINDINGS

1. USAID/Belize funds were Commingled with Other BIM Funds

Condition:

BCCI's accountant received funds for BIM and from USAID/Belize and deposited them into the same bank account No. 1727-7. Then funds were transferred periodically to BIM's operating bank account No. 771-6, which handles both USAID/Belize funds and BIM's own generated funds.

Criteria:

The Cooperative Agreement (No.505-0020) clearly states that BCCI should open a separate bank account to handle funds received from USAID/Belize.

Cause:

The BCCI accountant maintained control over the funds received from USAID/Belize but not over the BIM operating bank account. The accountant transferred funds to BIM according to its needs.

Effect:

There was non compliance with clause G2 of the agreement. BIM deposited USAID/Belize funds transferred from the BCCI (BIM) account, in its operating bank account commingling them with other BIM funds. There is a risk that funds may be used for unauthorized purposes.

Recommendation:

USAID/Belize should require BCCI:

- a) To only use bank account No.1727-7 to control USAID/Belize funding, and account No.771-6 for BIM's other operations. The funds provided for both sources should not be commingled.
- b) To maintain accounting control over all the bank accounts related with the Project through its accounting department by means of journal entries and monthly reconciliations.

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REPORT ON COMPLIANCE WITH LAWS, REGULATIONS AND AGREEMENT TERMS

FINDINGS

2. Lack of Trade Advisory Committees and Annual Audits

Condition:

BIM did not comply with the following provisions of Project 505-0020:

- a) No trade advisory committees to identify key training areas have been established.
- b) An annual audit had not been performed up to September 30, 1987.

Criteria:

Cooperative Agreement No.505-0020 (BIM) clause G5, attachment 1 and B1.a (iii) attachment 2 require the above stated actions.

Cause:

- a) The Executive Director believes that the advisory board is the same as the trade advisory committees.
- b) There was oversight on management's part.

Effect:

BCCI is not in compliance with clause G5 and B1.a (iii) established in the Cooperative Agreement.

Recommendation:

In order for BCCI to comply with all the conditions of the agreement, USAID/Belize should require:

- a) BCCI to obtain written approval for not complying with the provision for establishment of a trade advisory committee if USAID/Belize does not consider it necessary.
- b) An annual audit of Cooperative Agreement No.505-0020 (BIM).

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USAID/BELIZE PROJECTS No.505-0020 AND 505-0027

REPORT ON COMPLIANCE WITH LAWS, REGULATIONS AND AGREEMENT TERMS

FINDINGS

3. Lack of an Independent Evaluation, Study of BEIPU's Needs, and Financial Plan

Condition:

BCCI did not comply with the following provisions of Project 505-0027:

- a) No independent evaluation had been done for the BEIPU project.
- b) A committee to study the needs of BEIPU and contract technical assistance as recommended in Project Implementation Letter No.1 had not been appointed.
- c) No financial viability plan was submitted to USAID/Belize by BCCI after the first year. Based on BEIPU's income and expenditure trend over the last year and a half, it does not seem probable that BEIPU's can become financially capable. In the first fifteen months of the project BEIPU's self-generated income was only US\$15,205 and expenditures were US\$237,374.
- e) No annual audit of the BEIPU project has been performed.

Criteria:

Cooperative agreement No.505-0027 clauses F4, G1-g and B1-a establish these requirements.

Cause:

The Chamber had not complied with these requirements because it gave priority to other project activities.

Effect:

BCCI did not comply with all the terms and conditions established in Cooperative Agreement No.505-0027.

Recommendation:

USAID/Belize should require BCCI:

- a) To conduct an independent evaluation of the BEIPU project;

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USAID/BELIZE PROJECTS No.505-0020 AND 505-0027

REPORT ON COMPLIANCE WITH LAWS, REGULATIONS AND AGREEMENT TERMS

FINDINGS

- b) to implement the recommendations included in Project Implementation Letter No.1; and
- c) to annually audit the Cooperative Agreement No. 505-0027 (BEIPU).

BELIZE CHAMBER OF COMMERCE AND INDUSTRY

USAID/BELIZE PROJECTS No.505-0020 AND 505-0027

LIST OF REPORT RECOMMENDATIONS

OVERHEAD RATES

1. USAID/Belize should:
 - a) Require BCCI to allocate joint and indirect costs on a technical or rational basis as required by OMB Circular A-122.
 - b) Provide a copy of OMB Circular A-122 to all concerned and ensure that it is being implemented.
 - c) Require BCCI to use an accurate measurement of building floor space for allocation purposes.
2. The authorized USAID/Belize Contracting Officer should:
 - a) Negotiate and finalize an overhead rate for fiscal years 1986 and 1987 based on our recommended rates.
 - b) Review the payments for overhead for fiscal years 1986 and 1987 and make the necessary adjustments, if any.
 - c) Establish the provisional rate for fiscal year 1988.
3. USAID/Belize should review the US\$6,787 in questionable costs that were identified in this report, and negotiate a settlement with BCCI.

INTERNAL ACCOUNTING CONTROL

1. USAID/Belize should require BCCI to ensure that:
 - a) Receipt forms have a formal printed design clearly stating BCCI/BIM. These receipts should be pre-numbered and issued for all cash received including USAID/Belize funds.
 - b) Daily reports of cash received are prepared and reconciled by the accountant for consistency with the receipt numbers. This report is necessary since BIM has a considerable number of collections related to the holding of seminars.
2. BCCI should issue pre-numbered receipts and invoices printed with BCCI/BEIPU's name. Segregation of duties should be established and specific procedures for billing, collection,

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USAID/BELIZE PROJECTS No.505-0020 AND 505-0027

LIST OF REPORT RECOMMENDATIONS

- depositing and recording should be established. BCCI should centralize the activities of billing and collection for BEIPU, BIM and BCCI.
3. USAID/Belize should require BCCI to establish a system that ensures that BCCI's management is regularly informed of all financial activities of BEIPU and that all financial transactions are recorded on a timely basis.
 4. USAID/Belize should require BCCI to implement proper segregation of duties for initiation of transactions, collections, payments, deposits, and recording. The assistant accountant should be assigned specific functions and the accountant should supervise the work assigned. The manager and treasurer should also be involved in supervising the accountant's work more closely and regularly.
 5. USAID/Belize should require BCCI to reconcile project funds on a monthly basis (Received, disbursed and balance outstanding).
 6. USAID/Belize should require BCCI's manager to meet regularly with BEIPU's director in order to improve internal communications.
 7. BCCI should adopt the policy of written contracts of employment, which should be drawn up for all employees and signed by both parties.
 8. BCCI should request from both USAID/Belize and PDAP the documentation that supports the donated assets and disbursements and record them in the accounting books. The accountant should periodically perform physical inventories and inspections and reconcile results with the books. AID/Belize should require all assets purchased with Project funds to be used only for authorized purposes.
 9. USAID/Belize should require BCCI to establish procedures for prior approval and supervision of overtime.
 10. BCCI should:
 - a) set up subsidiary records for each control account including fixed assets for BIM, BEIPU and BCCI; and
 - b) prepare monthly financial statements and fully analyze and reconcile them against subsidiary records.

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LIST OF REPORT RECOMMENDATIONS

11. USAID/Belize should require the bank account in question to be recorded in the books and reconciled monthly.

COMPLIANCE WITH LAWS, REGULATIONS AND AGREEMENT TERMS

1. USAID/Belize should require BCCI:
 - a) To only use bank account No.1727-7 to control USAID/Belize funding, and account No.771-6 for BIM's other operations. The funds provided for both sources should not be commingled.
 - b) To maintain accounting control over all the bank accounts related with the Project through its accounting department by means of journal entries and monthly reconciliations.
2. In order for BCCI to comply with all the conditions of the agreement, USAID/Belize should require:
 - a) BCCI to obtain written approval for not complying with the provision for establishment of a trade advisory committee if USAID/Belize does not consider it necessary.
 - b) An annual audit of Cooperative Agreement No.505-0020 (BIM).
3. USAID/Belize should require BCCI:
 - a) to conduct an independent evaluation of the BEIPU project;
 - b) to implement the recommendations included in Project Implementation Letter No.1; and
 - c) to annually audit the Cooperative Agreement No. 505-0027 (BEIPU).

BELIZE CHAMBER OF COMMERCE AND INDUSTRY
 USAID/BELIZE PROJECTS No.505-0020 AND 505-0027

ALLOCATION OF JOINT AND INDIRECT COSTS

USING THE DIRECT ALLOCATION METHOD

JANUARY TO SEPTEMBER 30, 1987

(U.S. Dollars)

<u>Joint Costs</u>	<u>BCCI</u>	<u>BIM</u>	<u>BEIPU</u>	<u>TOTAL</u>
Rent (1)	\$ 1,485	\$4,455	\$ 8,910	\$14,850
Electricity (2)	638	-	958	1,596
Water (3)	30	30	30	90
Insurance (2)	139	-	208	347
Salaries and Fringe Benefits (4)	<u>12,336</u>	<u>1,487</u>	<u>10,937</u>	<u>24,760</u>
Total	\$14,628	\$5,972	\$21,043	\$41,643
	=====	=====	=====	=====
	35%	14%	51%	100%
	===	===	===	====

Indirect Costs

Repairs and maintenance	\$ 58
Office supplies and postage	2,237
Telephone and telex	2,391
Transportation and travel	3,814
Others	<u>796</u>
Total	\$9,296
	=====

	<u>BCCI</u>	<u>BIM</u>	<u>BEIPU</u>	<u>TOTAL</u>
Joint Costs	\$14,628	\$5,972	\$21,043	\$41,643
Indirect Costs (5)	<u>3,254</u>	<u>1,301</u>	<u>4,741</u>	<u>9,296</u>
Total	\$17,882	\$7,273	\$25,784	\$50,939
	=====	=====	=====	=====
Rate	35%	14%	51%	100%
	===	===	===	====

1. Distribution made according to square meters plus 20% more to BEIPU because it occupies upper floor.
2. BCCI 40% and BEIPU 60%
3. 1/3 each institution.
4. Estimation of time applied to each activity.
5. In relation to joint costs.

BELIZE CHAMBER OF COMMERCE AND INDUSTRY

USAID/BELIZE PROJECTS No. 505-0020 AND 505-0027

ALLOCATION OF JOINT AND INDIRECT COSTS

USING THE DIRECT ALLOCATION METHOD

JANUARY TO DECEMBER 31, 1986

(U.S. Dollars)

<u>Joint Costs</u>	<u>BCCI</u>	<u>BIM</u>	<u>BEIPU</u>	<u>TOTAL</u>
Rent (1)	\$ 1,087	\$3,262	\$ 6,526	\$10,875
Electricity (2)	1,809	-	2,713	4,522
Water (3)	40	40	40	120
Insurance (2)	47	-	71	118
Salaries and Fringe Benefits (4)	<u>15,895</u>	<u>1,312</u>	<u>5,700</u>	<u>22,907</u>
Total	\$18,878	\$4,614	\$15,050	\$38,542
	=====	=====	=====	=====
	49%	12%	39%	100%
	===	===	===	===

Indirect Costs

Repairs and maintenance				\$ 192
Office supplies and postage				3,155
Janitorial and security				2,818
Telephone and telex				8,258
Transportation and travel				1,559
Depreciation				976
Others				<u>1,710</u>
Total				\$18,668
				=====

	<u>BCCI</u>	<u>BIM</u>	<u>BEIPU</u>	<u>TOTAL</u>
Joint Costs	\$18,878	\$4,614	\$15,050	\$38,542
Indirect Costs (5)	<u>9,147</u>	<u>2,240</u>	<u>7,281</u>	<u>18,668</u>
Total	\$28,025	\$6,854	\$22,331	\$57,210
	=====	=====	=====	=====
Rate	49%	12%	39%	100%
	===	===	===	===

Distribution made according to square meters plus 20% more to BEIPU because it occupies upper floor.

2. BCCI 40%, BEIPU 60%
3. 1/3 each institution.
4. Estimation of time applied to each activity.

APPENDIX III

BELIZE CHAMBER OF COMMERCE
TRAINING FOR EMPLOYMENT AND PRODUCTIVITY
USAID/BELIZE PROJECT No.505-0020
FUND ACCOUNTABILITY STATEMENT
FROM AUGUST 30, 1985 TO SEPTEMBER 30, 1987

(U.S. Dollars)

	<u>BUDGETED</u>	<u>DISBURSED</u>	<u>Direct Costs</u>	<u>Joint Costs (APPENDIX V)</u>
BIM/BCCI START-UP EXPENSES				
Salaries	\$ 38,445	\$ 31,274	\$ 24,480	\$ 6,794
Rent & services	17,200	10,937	4,877	6,060
Electricity	5,325	2,942	2,942	-
Telephone	3,225	3,702	3,702	-
Postage/office supplies	4,400	5,689	5,689	-
Recruitment expenses	3,250	2,583	2,583	-
Transportation & travel expenses	9,745	3,413	3,413	-
Miscellaneous	4,400	722	722	-
Subscriptions	2,000	-	-	-
Accounting fees	4,250	3,097	3,097	-
Social security expense	1,425	260	260	-
Vehicle repair	5,000	-	-	-
Repairs & maintenance- building	-	981	981	-
Housing allowance	4,750	4,015	4,015	-
Insurance	2,351	1,285	1,285	-
Contingency	4,800	-	-	-
Repairs & maintenance- equipment	1,400	1,192	1,192	-
Training expense	15,600	-	-	-
Office equipment	2,250	11,276	11,276	-
Training equipment	<u>74,500</u>	<u>35,319</u>	<u>35,319</u>	<u>-</u>
Total	\$204,316 =====	\$118,687 =====	\$105,833 =====	\$12,854 =====

APPENDIX IV

BELIZE CHAMBER OF COMMERCE AND INDUSTRY

EXPORT AND INVESTMENT PROMOTION

USAID/BELIZE PROJECT No.505-0027

FUND ACCOUNTABILITY STATEMENT

FROM JULY 24, 1986 TO SEPTEMBER 30, 1987

(U.S. Dollars)

	<u>BUDGETED</u>	<u>DISBURSED</u>	<u>Direct Costs</u>	<u>Joint Costs (APPENDIX V)</u>	<u>Questiona- ble Costs (APPENDIX IX)</u>
PERSONNEL COSTS					
Salaries/Fringe Benefits		\$ 95,757	\$ 82,577	\$ 13,180	\$ 678
Recruitment/advertising	\$ 99,000	3,948	3,948	-	-
LOGISTICAL SUPPORT					
Rent & utilities	30,000	11,452	-	11,452	-
Telecommunications	13,000	13,134	13,134	-	-
Office supplies	-	5,769	4,369	1,400	-
Maintenance of equipment	7,600	1,000	1,000	-	-
Bank charges & other	-	1,241	947	294	-
TECHNICAL ASSISTANCE					
Studies	40,000	2,100	2,100	-	-
Training expenses	10,000	1,355	1,355	-	-
Marketing assistance	15,000	-	-	-	-
Report & studies	5,000	4,847	4,847	-	3,000
INVESTOR SEARCH	10,000	-	-	-	-
EQUIPMENT & SUPPLIES					
Leasehold improvements	-	2,377	2,377	-	-
Furniture & fixtures	-	-	-	-	-
Office equipment	-	7,741	7,741	-	1,634
Computer	50,000	-	-	-	-
PROMOTIONAL COSTS					
Trade missions/ conferences	56,900	22,552	22,552	-	1,475
Promotion	15,000	3,434	3,434	-	-
Travel & transportation	8,000	8,854	8,854	-	-
EVALUATION & AUDIT	10,000	-	-	-	-
CONTINGENCY/INFLATION	41,500	-	-	-	-
Total	\$411,000	\$185,561	\$159,235	\$26,326	\$6,787
	=====	=====	=====	=====	=====

APPENDIX V

BELIZE CHAMBER OF COMMERCE AND INDUSTRY

USAID/BELIZE PROJECTS No.505-0020 AND 505-0027

STATEMENT OF JOINT COSTS REIMBURSED BY USAID/BELIZE TO THE CHAMBER

FROM AUGUST 1, 1986 TO SEPTEMBER 30, 1987

(U.S. Dollars)

<u>DESCRIPTION OF COST</u>	<u>PERIOD</u>	<u>BIM</u>	<u>BEIPU</u>
Rent	Oct.1986 to Sept.1987	\$ 5,940	\$ 9,900
Electricity & water	Oct.1986 to Sept.1987	-	1,552
Water	Oct.1986 to Sept.1987	120	-
Janitorial supplies	Aug.1986 to Sept.1987	-	1,400
Insurance	Aug.1986 to Sept.1987	-	294
Salaries			
Accountant	Sept.1986 to Sept.1987	2,494	4,514
Clerk	Aug.1986 to Sept.1987	-	3,325
Clerk	Oct.1986 to Sept.1987	1,140	-
Secretary	Aug.1986 to Sept.1987	1,015	2,415
Messenger	Aug.1986 to Sept.1987	1,365	1,400
Charwoman	Aug.1986 to Sept.1987	-	1,526
Charwoman	Oct.1986 to Sept.1987	780	-
	Total	\$12,854	\$26,326
		=====	=====

APPENDIX VI

BELIZE CHAMBER OF COMMERCE AND INDUSTRY

USAID/BELIZE PROJECTS No.505-0020 AND 505-0027

COMPARISON OF JOINT AND INDIRECT COSTS REIMBURSED BY USAID/BELIZE
TO THE CHAMBER WITH AMOUNTS RECOMMENDED
FROM AUGUST 1, 1986 TO SEPTEMBER 30, 1987

(U. S. Dollars)

DESCRIPTION OF COST	<u>BIM</u>		<u>BEIPU</u>	
	<u>PAID</u>	<u>RECOMMENDED</u>	<u>PAID</u>	<u>RECOMMENDED</u>
<u>Joint Costs</u>				
Rent	\$ 5,940	\$ 7,717	\$ 9,900	\$15,436
Electricity & Water	120	70	1,552	3,741
Janitorial supplies	-	-	1,400	-
Insurance	-	-	294	279
Salaries	<u>6,794</u>	<u>2,799</u>	<u>13,180</u>	<u>16,637</u>
	\$12,854	\$10,586	\$26,326	\$36,093
	=====	=====	=====	=====

	<u>BIM</u>		<u>BEIPU</u>	
	<u>PAID</u>	<u>RECOMMENDED</u>	<u>PAID</u>	<u>RECOMMENDED</u>
<u>Indirect Costs</u>				
Repairs and maintenance	-	\$ 31	-	\$ 105
Office supplies & postage	-	692	-	2,371
Janitorial & security	-	338	-	1,099
Telephone & Telex	-	1,326	-	4,440
Transportation & travel	-	721	-	2,553
Depreciation	-	117	-	381
Other	<u>-</u>	<u>316</u>	<u>-</u>	<u>1,073</u>
	\$ -	\$3,541	\$ -	\$12,022
	=====	=====	=====	=====

APPENDIX VII

BELIZE CHAMBER OF COMMERCE AND INDUSTRY
TRAINING FOR EMPLOYMENT AND PRODUCTIVITY PROJECT

USAID/BELIZE PROJECT No. 505-0020 (BIM)

FUND ACCOUNTABILITY STATEMENT

RECONCILIATION OF FUNDS DISBURSED

AS OF SEPTEMBER 30, 1987

(U.S. Dollars)

Total received from USAID/Belize	\$121,432
Less disbursements per statement (Appendix III)	<u>118,687</u>
Balance as of September 30, 1987	\$ 2,745 =====
Balance in bank account as of September 30, 1987	\$ 15,318
Amount in excess	<u>(12,573)</u>
Balance as above	\$ 2,745 =====

APPENDIX VIII

BELIZE CHAMBER OF COMMERCE AND INDUSTRY
EXPORT AND INVESTMENT PROMOTION PROJECT
USAID/BELIZE PROJECT No. 505-0027 (BEIPU)

FUND ACCOUNTABILITY STATEMENT

RECONCILIATION OF FUNDS DISBURSED

SEPTEMBER 30, 1987

(U.S. Dollars)

Total received from USAID/Belize	\$213,782
Less disbursements per statement (Appendix IV)	<u>185,561</u>
Balance as of September 30, 1987	\$ 28,221 =====
Balance in bank account as of September 30, 1987	\$ 17,286
Cash on hand	<u>9,000</u>
Sub-total	26,286
Shortage	<u>1,935</u>
Balance as above	\$ 28,221 =====

APPENDIX IX

BELIZE CHAMBER OF COMMERCE AND INDUSTRY
EXPORT AND INVESTMENT PROMOTION PROJECT
USAID/BELIZE PROJECT No. 505-0027 (BEIPU)

QUESTIONABLE COSTS

<u>AMOUNT</u>	<u>DATE</u>	<u>CONCEPT</u>	<u>CRITERIA FOR QUESTIONING</u>	<u>REFERENCE TO OMB CIRCULAR A-122</u>
\$1,530	Dec. 30, 1986	Reimbursement to technical advisor for purchase of computer, software, office supplies and equipment, and postage.	Supporting documentation is inadequate.	Attachment A-A2g
104	Jan. 19, 1986	Reimbursement to technical advisor for purchase of Epson Computer ribbons	Supporting documentation is inadequate.	Attachment A-A2g
3,000	Mar. 12, 1987	Reimbursement to technical advisor for investment profiles	Supporting documentation is inadequate.	Attachment A-A2g
1,475	Mar. 17, 1987	Reimbursement to technical advisor for payment for exposition in Florida.	Supporting documentation is inadequate.	Attachment A-A2g
227	July 1, 1987	Payment for overtime work to secretaries	Prior approval from A.I.D. was not obtained.	Attachment B-27
306	July 30, 1987			
145	July 30, 1987			
<u>\$6,787</u>				
=====				

BELIZE CHAMBER OF COMMERCE AND INDUSTRY
USAID/BELIZE PROJECTS No. 505-0020 AND 505-0027
MANAGEMENT COMMENTS



Our Ref: ORG/3-2

July 1, 1988

Julian Castillo
Castillo and Tillett
5 South Street
Belize City, Belize

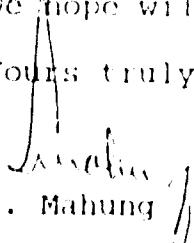
Dear Mr. Castillo,

Attached are our written comments on various findings and recommendations included in your draft report of the overhead audit of project 505-0020. These comments are CAPITALIZED to distinguish them from the text of your report.

There are two kinds of comments. Those which clarify findings or recommendations we disagree with and those which provide an update on findings. The latter type is important because no specific time frame is noted with respect to your findings on compliance items.

We will elaborate on our comments at our upcoming meeting which we hope will be a productive one.

Yours truly,


S. Mahung

cc: Chairman, BIM
President, RCCI
GDO, USAID

BELIZE CHAMBER OF COMMERCE AND INDUSTRY
USAID/BELIZE PROJECTS No.505-0020 AND 505-0027

MANAGEMENT COMMENTS

AID Funds are Commingled with other BIM Funds

Because of the lateness of receipt of funds from USAID and because funds are not transferred to BIM's account automatically and immediatly by BCCI, funds have probably never comingled but the present system does allow for the possibility and the issue needs attention.

Your concept of BIM as a division of chamber is causing you to look at the situation from the wrong end. BIM pays Chamber for accounting services. BIM and BCCI need to work out control over the BCCI (BIM) account and the BIM account for BIM generated revenues be used for that purpose alone, under the sole control of BIM.

There is risk that USAID funds can be used for unauthorized purposes in the BCCI (BIM) account as is presently set up. At present it is BIM's revenues being used for project expenses.

We are looking at this from the wrong end.

Non-Compliance with Agreement No. 505-0020 (BIM)

Not true. An annual review was performed in October 1986 and again in September 1987. These are recorded in year 1 and year 2 implementation plans.

Not true. An advisory committee was established in November 1985 and met in February 1986. Two subsequent attempts to hold other meetings failed. An advisory committee has been re-established at the time of reporting.

An annual audit was performed in March 1988 covering the period November 1985 - December 1987.

First of all, there have been two reviews. Secondly, a seminar-by-seminar review is for a completely different pupose than an annual review.

The opinion of the executive director on the advisory committee is best expressed in the attached letter which was written and set prior to your report. What the executive director said was that BIM conducts training needs survey to obtain information for program planning. This does not mean, however, that training needs surveys are intended to replace such a committee.

BELIZE CHAMBER OF COMMERCE AND INDUSTRY
USAID/BELIZE PROJECTS No.505-0020 AND 505-0027

MANAGEMENT COMMENTS

Audit Objectives and Scope

It should be noted that the audit was restricted to compliance during the period september 1985 to september 1987 and findings may not exist at the time of reporting.

Compliance with Laws, Regulation and Applicable Agreements

- a) Because of the lateness of receipt of funds from USAID and because funds are not transferred to BIM's account automatically and immediatly by BCCI, funds have probably never comingled but the present system does allow for the possibility and the issue needs attention.
- b) Not true. An advisory committee was established in November 1985 and met in February 1986. Two subsequent attempts to hold other meetings failed. An advisory committee has been re-established at the time of reporting.

An annual audit was performed in March 1988 covering the period November 1985 - December 1987.

BCCI's Major Functions

No. BIM is an independent organization incorporated under the laws of Belize. To consider it a division of Chamber is not only factually incorrect but contrary to what is intended by the project.

Lack of Reconciliation of AID Funds Received by BIM

Yes. BIM has paid project expenses from its own funds.

Poor Internal Communication between BCCI and BEIPU

The findings related to communication between BCCI and BEIPU. What is the proper relationship between BIM and BCCI? The directors/manager of BCCI, BEIPU and BIM have weekly meetings.

Project Assets and Disbursements were Unrecorded

This has been corrected since the annual audit in March 1988.

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