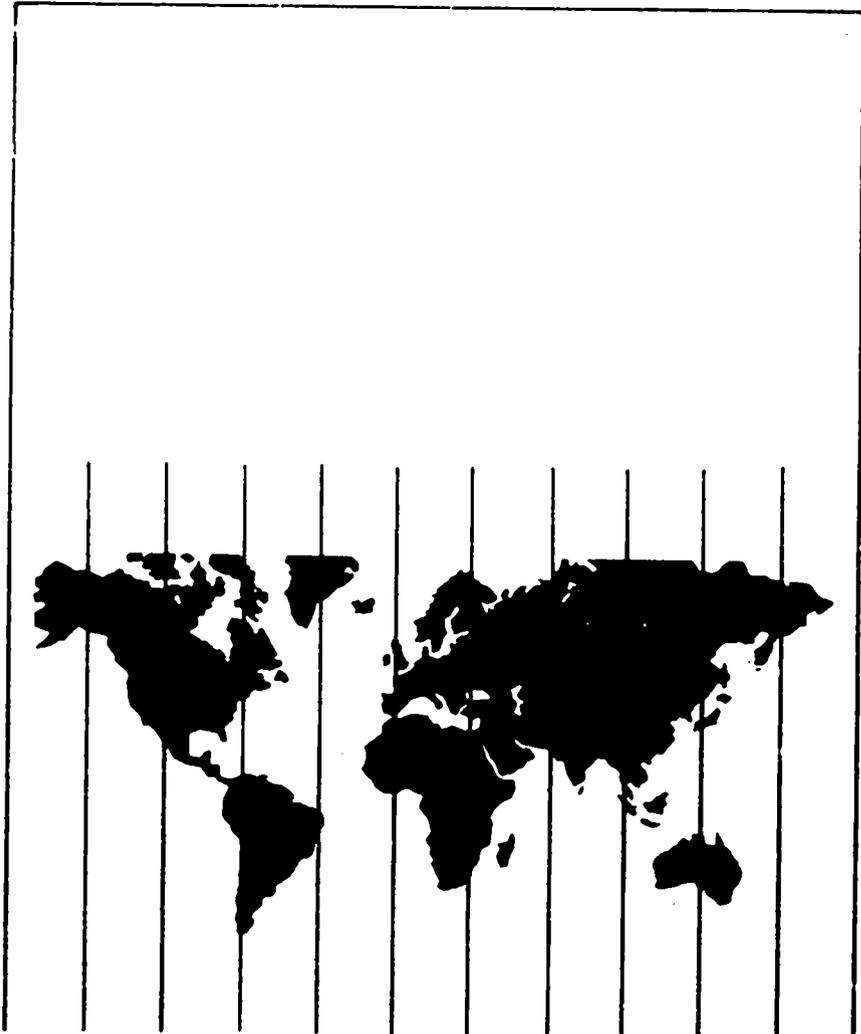


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Acquisitions

UNITED STATES
AGENCY FOR INTERNATIONAL DEVELOPMENT

THE
INSPECTOR
GENERAL



Regional Inspector General for Audit
NAIROBI

AUDIT OF
BEIRUT YMCA PROJECTS
NO. 268-0138 AND 268-0342

AUDIT REPORT NO. 3-268-89-07-N
June 2, 1989

UNITED STATES OF AMERICA
AGENCY FOR INTERNATIONAL DEVELOPMENT
REGIONAL INSPECTOR GENERAL/AUDIT

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NAIROBI, KENYA

June 2, 1989

MEMORANDUM FOR AID REPRESENTATIVE, BEIRUT, F. E. Machmer, Jr.

FROM: RIG/A/Nairobi, Richard C. Thabet *Richard C. Thabet*

SUBJECT: Non-Federal Audit of Beirut YMCA Projects No. 268-0138
and 268-0342, Audit Report No. 3-268-89-07-N

This report presents the results of the non-federal audit of the A.I.D.-funded Young Men's Christian Association projects in Beirut, Lebanon. The audit was conducted by the accounting firm of KPMG Peat Marwick.

The objectives of the audit were to (a) perform an audit in accordance with generally accepted auditing standards and the financial and compliance elements of the Standards for Audit of Governmental Organizations, Programs, Activities and Functions issued by the Comptroller General of the United States in 1981; (b) review direct and indirect costs to assure propriety and allowability of charges to USAID and the validity of overhead rates; (c) determine whether the contractor or grantee had complied with applicable laws, regulations, and terms of the contract agreement; (d) identify and evaluate internal controls; (e) analyze the potential for cost savings through more efficient and effective operations; and (f) prepare professional audit reports in accordance with SAS 14. The audit was requested by the USAID Representative to Beirut, Lebanon.

The auditors concluded that most, but not all, of the cost claimed for reimbursement from USAID resulted from the grantee's program activities in compliance with the grant provisions. The auditors recommended financial recovery of \$30,764 from the \$6,068,676 claimed for reimbursement. The amount recommended for disallowance consisted of (a) \$11,529 for commodities originating in an unauthorized country (Czechoslovakia); (b) \$17,572 for indirect cost in excess of the audited rates for Project No. 268-0342; and \$1,663 for indirect cost in excess of the authorized rate for Project No. 268-0318 during 1987. The auditors also identified various weaknesses in the grantee's system of internal controls.

a

The audit was conducted in accordance with the relevant government auditing standards, and evaluated YMCA operations for the period June 6, 1984 through December 31, 1987. The auditors made no specific recommendations resulting in potential cost savings, but several recommendations relating to more efficient and effective operations were included in the "Auditors' Report on Internal Accounting Controls".

KPMG Peat Marwick issued a qualified opinion on the YMCA revenue and expenditure statement due to their inability to allocate indirect cost between the two projects and the uncertainty of the origin of most of the goods purchased under the grants. The auditors issued a disclaimer of opinion on the grantee's system of internal controls, and a qualified opinion on YMCA's compliance with USAID regulations, because of the procurement of goods from unauthorized countries of origin, and the lack of a system to properly allocate indirect costs.

The auditee's, in their response, disagreed that the purchase of milk was not from an "Authorized Geographic Code" country, and therefore should not be disallowed. YMCA generally concurred on most other matters. The full text of their reply is included as Annex 1 to the audit report.

The following report recommendation is included in the Inspector General's recommendation tracking system:

Recommendation No. 1

We recommend that USAID/Beirut:

- (a) recover \$30,764 in unallowable costs, and
- (b) provide documentation of the recovery of \$30,764 to the Regional Inspector General for Audit, Nairobi.

We consider the recommendations unresolved pending a specific plan for corrective actions. Please advise me within 30 days of actions planned or taken to resolve these recommendations.

NON-FEDERAL AUDIT OF
THE BEIRUT YMCA PROJECTS
(PROJECT No. 268-0318)
(PROJECT No. 268-0342)

NON -FEDERAL AUDIT OF
THE BEIRUT YMCA PROJECTS

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NON-FEDERAL AUDIT OF THE
YOUNG MENS CHRISTIAN ASSOCIATION
(PROJECTS No. 268-0318 & 268-0342)

EXECUTIVE SUMMARY

The YMCA Lebanon is a private voluntary organization located in Beirut, Lebanon. USAID provides assistance to Lebanon through grants to YMCA and other private voluntary organizations, to help war affected/needly people in all Lebanese regions. YMCA coordinated its activities through about 100 local private voluntary organizations that are involved in humanitarian services. USAID/Lebanon staff monitor the implementation of these activities.

The objectives of the audit were to: (a) perform an audit in accordance with generally accepted auditing standards and the financial and compliance elements of the Standards for Audit of Governmental Organizations, Programs, Activities and Functions issued by the Comptroller General of the United States in 1981 (Yellow Book); (b) review direct and indirect costs to assure propriety and allowability of charges to USAID and the validity of overhead rates; (c) determine whether the contractor or grantee has complied with applicable laws, regulations, and terms of the contract agreement; (d) identify and evaluate internal controls; (e) analyze the potential for cost savings through more efficient or effective operations; and (f) prepare professional audit reports in accordance with SAS 14, as presented in the "Codification of Statements on Auditing Standards", AU Section 621, analyzing problems areas in need of improvement, proposing recommendations and itemizing costs recommended for acceptance, disallowance, and further negotiations (questioned costs).

It is our opinion that most, but not all, of the cost claimed for reimbursement from USAID resulted from the grantee's program activities in compliance with the grant provisions.

Our audit covered the expenditures made for the period June 6, 1984 through December 31, 1987 totalling US Dollars 6,068,676 and revealed the following:

1. Accounting records

Standard provisions 6, 7 and 8 require that the Grantee accounting system provides for the allocations of indirect costs.

YMCA/Lebanon need the establishment of:

- Financial rules and Administrative regulations (procedures and manuals).
- Cost accounting system.

2. Procurement of Goods

Standard Provisions 15 (c) stipulates that all goods the costs of which are to be reimbursed shall be purchased in and shipped from only "Special Free World" countries.

Disallowable costs; Goods of Tchekoslovak Origin (Tatra Milk) were procured during the years 1984-1987, amounted to U.S. Dollars 11,529,00 (LL. 1,379,032). relating to Project 268-0342, Lebanon Relief Assistance.

We recommend that USAID/Lebanon take appropriate action to recover these amounts.

3. Overhead Rates

3.1 Project 268-0342: Lebanon Relief Assistance (LRA)

The recommended rates for LRA that should be negotiated with YMCA are:

Year	Provisional Rates	Recommended Rates	Recommended amounts to be refunded to USAID/Lebanon	
			L.L.	\$
1984	12	9.34	34.756	3,909
1985	7	8.00	(71.283)	(3,938)
1986	7	5.93	78.036	897
1987	7	4.61	7,600.531	<u>16,704</u>
			Total	<u><u>17,572</u></u>

We recommend that USAID/Lebanon take appropriate action to recover the excess of Overhead for the above period.

3.2 Project 268-0318: Vocational Training (VTP)

YMCA management fees, for the period June 6, 1984 to September 30, 1987 were paid in lieu of Overhead. As of October 1, 1987 Overhead were computed at negotiated provisional rates of 7% in lieu of administrative charges.

3.2.A Management Fee

Year	Administrative Charge (Flat Fee)	Allowable Indirect Costs	Percentage of Indirect costs to direct costs		Difference
	L.L.	L.L.	%	L.L.	\$
1984	1,038.000	403,556	14.51	634,444	71,366
1985	1,296.000	588,643	13.24	707,357	39,080
1986	1,884,000	931,145	11.60	952,855	10,952
1987	4,014.300	3,459,965	10.99	554,335	<u>3,054</u>
				Total	<u>124,452</u> -----

The difference between the administrative charge (flat fee) and the allowable indirect costs amounting to U.S.Dollars 124,452 were accented by the USAID legal consultant. (refer to annex 2, letter of AID legal consultant).

3.2.B Negotiated Provisional Rate (August to December 1987)

Year	Provisional Rate	Recommended Rate	Recommended amounts to be refunded to USAID/Lebanon	
	%	%	L.L.	\$
1987	7	11.21	756,525	1,663.00

We recommend that USAID/Lebanon take appropriate action to recover the above amount.

Due to the sharp devaluation of the Lebanese pound during the period 1984 to 1987, we recommend that USAID/Lebanon reconsider the prevailing exchange rates.

NON-FEDERAL AUDIT OF THE
YOUNG MENS CHRISTIAN ASSOCIATION
(PROJECT No. 268-0318 and 268-0342)

Background

On May 18, 1981 USAID provided a grant to the Beirut YMCA. The grant, which was eventually funded to \$4,215,000, was to provide vocational training in building trades such as tiling, brick laying, plastering, carpentry, electrical wiring, plumbing, and drafting for young un-employed Lebanese with no job skills and to organize, conduct, manage and evaluate one hundred centers for training purposes. A second project (Number 268--342) commenced in February, 1984, and eventually funded at \$5,993,000. The purpose of this project was to provide humanitarian / relief assistance to needy and war affected families in Lebanon.

Audit Objectives and Scope

The objectives of audit are to: (a) perform an audit in accordance with generally accepted auditing standards and the financial and compliance elements of the Standards for Audit of Governmental Organizations, Programs, Activities and Functions issued by the Comptroller General of the United States in 1981 (Yellow Book); (b) review direct and indirect costs to assure propriety and allowability of charges to USAID and the validity of overhead rates; (c) determine whether the contractor or grantee has complied with applicable laws, regulations, and terms of the contract agreement, (d) identify and evaluate internal controls; (e) analyze the potential for cost savings through more efficient or effective operations; and (f) prepare professional audit reports in accordance with SAS 14, as presented in the "Codification of Statements on Auditing Standards", AU Section 621, analyzing problem areas in need of improvement, proposing recommendations, and itemizing costs recommended for acceptance, disallowance, and further negotiations (questioned costs).

The audit was performed in Beirut, Lebanon at the offices of Beirut YMCA from May 16 through September 15, 1988. The audit covered transactions from the beginning of the grant agreement (May 18, 1981) through December 31, 1987. In addition to meeting with officials of Beirut YMCA, we discussed the project with officials from the Regional Inspector General for Audit/Nairobi (RIG/A/N) to obtain additional information on (a) expenditures, (b) disbursements, and (c) USAID's specific areas of concern.

We reviewed the terms and conditions of the Project Grant Agreements and Amendments, and Project Implementation Letters in order to gain knowledge and understanding of (a) goals and objectives of the project and grants, (b) activities being financed by USAID under the grants, (c) types of cost intended to be financed, and (d) financial procedures and requirements.

We reviewed the YMCA project accounting system, internal controls and capability to properly identify and account for costs, in accordance with the grant agreements, amendments and implementation letters. We reviewed the organization of YMCA and the system used by YMCA to account for and track project expenditures.

We reviewed fully the 1987 transactions, and on sampling basis, we detail tested the transactions supporting approximately 20 percent of the years 1986, 1985 and 1984 activities. Our detailed test covered every aspect of the transactions tested from the point of requisition to the point of receipt of goods or services in order to ensure their authenticity reasonableness and propriety.

Our audit was made in accordance with generally accepted governmental auditing standards. Accordingly, we included such test of the records and internal control procedures as we considered necessary in the circumstances.

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Auditors Special Report on Statement of
Agency for International Development Revenue
and Expenditures of Beirut YMCA

Independent Auditors' Special Report

1. We have audited the accompanying Statement of Agency for International Development Revenue and Expenditures of Beirut YMCA for the period June 6, 1984 to December 31, 1987. This financial statement is the responsibility of YMCA's management. Our responsibility is to express an opinion on this financial statement based on our audit.
2. Except as explained in the Fourth and fifth paragraph, we conducted our audit in accordance with generally accepted auditing standards for financial and compliance audits contained in the U.S. General Accounting Office Standards for Audit of Governmental Organizations, Programs, Activities and Functions. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management; as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As described in footnote 1, the Beirut YMCA's accounting policy was to prepare its statement of AID Revenue and Expenditures on a basis outlined by the terms and conditions of grant agreements with AID and the applicable U.S. Government laws and regulations. Accordingly, the accompanying statement of AID Revenue and Expenditures is not presented in conformity with generally accepted accounting principles.



4. We were not able to test the validity of certain evidential matter related to program disbursements through physical examination, observation and inspection as our engagement as auditors was as of May 9, 1988. However; alternative procedures were conducted by direct correspondence with beneficiaries, also limited site visits were made giving satisfactory results.
5. The geographic origin of most of the goods procured was not mentioned on the suppliers invoices, therefore, we were unable to determine the allowability of costs charged to the projects.
6. Due to the absence of a cost accounting system, we were unable to determine the proper allocation of indirect costs to each project. However, YMCA management distributed the Administrative Expenses by taking into consideration as base of calculation the estimate of time spent by YMCA staff on each project, we reviewed the basis of the allocation of costs and we were able to recommend the Negotiated Provisional Rates as is evidenced in our recommendation to that effect.
7. As stated in Footnote 2 to the statement of AID Revenue and Expenditure there were a total of 1,749,912 Lebanese pounds worth of disallowable costs. This amount is material in relationship to the grants.
8. In our opinion, subject to any exceptions that would have arisen had we been able to fully conduct physical inspection of program disbursements (refer to paragraph 4 above), and the final admission of goods procured from uncertain geographic sources (refer to paragraph 5 above), and except for the disallowability of expenditures in the aggregate of LL. 1,749,912 (refer to paragraph 7 above), the statement of AID Revenue and Expenditures of Beirut YMCA referred to in the first paragraph above present fairly the revenues and expenditures of Beirut YMCA attributed to the AID Grants during the period June 6, 1984 to December 31, 1987 in accordance with the terms and conditions of the grant agreements with AID and the applicable US Government Laws and Regulations.

9. Contractor information contained in this report may be privileged. The restrictions of 18 USC 1905 should be considered before any information is released to the public. This report is intended solely for the use of management of Beirut YMCA or the Agency for International Development and should not be used for any other purpose.

Pest Hornick

September 15, 1988

BEIRUT YMCA

STATEMENT OF AID REVENUE AND EXPENDITURES
FOR THE FOUR YEAR PERIOD ENDING DECEMBER 31, 1987

	V.T.P. A		L.A.R. B		TOTAL	
	268-0318 Project		268-0342 Project		\$	L.L.
	\$	L.L.	\$	L.L.		
<u>Fund Balance at Beginning of Period</u>	290,532.02	1,605,441.-	-	-	290,532.02	1,605,441
<u>Revenues</u>						
<u>Federal Reimbursements Received</u>	1,300,300.95	94,757,269.-	4,280,539.89	515,658,632.-	5,580,840.84	610,415,901
<u>Total:</u>	1,590,832.97	96,362,710.-	4,280,539.89	515,658,632.-	5,871,372.86	612,021,342
<u>Expenditures: Salaries</u>						
Home Officer	208,025.66	5,830,120.-	-	-	208,025.66	5,830,120
Field Office	37,002.79	1,083,690.-	-	-	37,002.79	1,083,690
<u>Consultants (Eng.)</u>	265,746.45	6,867,700.-	-	-	265,746.45	6,867,700
<u>Travel & Transport Costs</u>	28,175.78	1,328,104.-	13,243.48	2,569,341.-	41,419.26	3,897,445
<u>Evaluation</u>	5,587.90	957,222.-	2,000.-	850,000.-	7,587.90	1,807,222
<u>Other Direct Costs (Insurances , Contingencies)</u>	14,025.96	411,475.-	150.-	4,425.-	14,175.96	415,900
<u>Equipments & Materials</u>	695,272.81	57,707,146.-	-	-	695,272.81	57,707,146
<u>Overheads</u>	310,883.57	9,842,146.-	244,567.59	19,901,575.-	555,451.16	29,743,721
<u>PVOs</u>	-	-	3,121,918.95	319,163,671.-	3,121,918.95	319,163,671
<u>YMCA Direct Procurement</u>	-	-	758,343.44	109,420,896.-	758,343.44	109,420,896
<u>Total Expenditures:</u>	1,564,720.92	84,027,609.-	4,140,223.46	451,909,908.-	5,704,944.38	535,937,511
<u>Excess of Federal Receipts over transfer to Revenues</u>	26,112.05	12,335,107.-	140,316.43	63,748,724.-	166,428.48	76,083,831
<u>Additions/Other</u>	1,027.18	35,150.-	2,748.23	89,425.-	3,775.41	124,575
<u>Total</u>	27,139.23	12,370,257.-	143,064.66	63,838,149.-	170,203.89	76,208,406
<u>Reductions/Other</u>	-	-	2,900.43	93,918.-	2,900.43	93,918
	27,139.23	12,370,257.-	140,164.23	63,744,231.-	167,303.46	76,114,488

DETAILED STATEMENT OF AID REVENUE AND EXPENDITURES FOR THE FOUR YEAR
PERIOD ENDED DECEMBER 31, 1987

EMERGENCY RELIEF PROJECT
NO. 268-0342

	\$ 1984		\$ 1985		\$ 1986		\$ 1987		\$ Total	
		L.L.		L.L.		L.L.		L.L.		L.L.
<u>Fund Balance at Beginning of Period</u>	-	-	-	-	62,681.77	1,120,750.-	7,274.69	374,863.-	-	-
<u>Revenues</u>										
<u>Federal Reimbursement Received</u>	300,000.-	1,500,000.-	1,070,162.43	18,263,250.-	900,377.46	28,416,672.-	1,950,000.-	467,478,750.-	4,280,539.87	515,658,632.-
<u>Total:</u>	300,000.-	1,500,000.-	1,070,162.43	18,263,250.-	1,023,059.23	29,537,382.-	1,957,274.69	467,853,517.-	4,280,539.87	515,658,632.-
<u>Consultants</u>										
<u>Travel & Transport Costs</u>	-	-	-	-	4,591.24	146,125.-	8,652.24	2,423,216.-	13,243.48	2,569,341.-
<u>Allowances (Evaluations)</u>	-	-	-	-	-	-	2,000.-	850,000.-	2,000.-	850,000.-
<u>Other Direct Costs (Insurance Contingencies)</u>	-	-	-	-	150.-	4,425.-	-	-	150.-	4,425.-
<u>Equipment (Material supplies)</u>	-	-	-	-	-	-	-	-	-	-
<u>Overhead - Management Fees</u>	32,000.-	160,000.-	26,034.68	465,500.-	86,972.79	2,241,992.-	99,560.12	17,034,083.-	244,567.59	19,901,575.-
<u>PVOs Grants</u>	268,000.-	1,340,000.-	959,074.62	16,277,000.-	655,549.65	17,479,849.-	1,239,294.68	284,066,822.-	3,121,918.95	319,163,671.-
<u>YMCA Direct Procurement</u>	-	-	22,371.36	400,000.-	268,520.86	9,290,128.-	467,451.22	99,730,768.-	758,343.44	109,420,896.-
<u>Total Expenditures (Obligation grants)</u>	300,000.-	1,500,000.-	1,007,480.66	17,142,500.-	1,015,784.54	29,162,519.-	1,816,958.26	404,104,899.-	4,140,223.46	451,909,908.-
<u>Excess of Federal Receipts over Transfer to Revenues</u>	-	-	62,681.77	1,120,750.-	7,274.69	374,863.-	140,316.43	63,748,724.-	110,316.43	63,748,724.-
<u>Additions</u>										
<u>Other (Program Income)</u>	-	-	-	-	-	-	2,748.23	89,425.-	2,748.23	89,425.-
<u>Reduction</u>	-	-	-	-	-	-	-	-	-	-
<u>Other (Identify)</u>	-	-	-	-	-	-	2,900.43	93,918.-	2,900.43	93,918.-
<u>Fund Balance at End of Period</u>	-	-	62,681.77	1,120,750.-	7,274.69	374,863.-	140,164.23	63,744,231.-	140,164.23	63,744,231.-

DETAILED STATEMENT OF AID REVENUE AND EXPENDITURES FOR THE FOUR YEAR

PERIOD ENDED DECEMBER 31, 1987

B

VOCATIONAL TRAINING PROGRAM

Project No. 268-0318

	\$ 1984		\$ 1985		\$ 1986		\$ 1987		\$ Total	
	L.L.		L.L.		L.L.		L.L.		L.L.	
<u>Fund Balance at Beginning of Period</u>	290,532.02	1,605,441.-	169,583.31	1,321,054.-	48,564.43	896,985.-	151.06	10,121.-	290,532.02	1,605,441
<u>Revenues</u>										
<u>Federal Reimbursement Received</u>	350,000.-	2,470,000.-	300,000.-	5,317,000.-	240,259.19	8,987,037.-	410,070.76	77,983,232.-	3,300,300.95	94,757,269
<u>Total:</u>	640,532.02	4,075,441.-	469,583.31	6,638,054.-	288,794.60	9,884,022.-	410,221.82	77,993,353.-	1,590,832.97	96,362,710
<u>Expenditures: Salaries</u>										
<u>Home Office (Instructors)</u>	79,882.47	467,200.-	72,711.24	991,500.-	37,377.25	1,278,600.-	18,054.70	3,092,820.-	208,025.66	5,830,120
<u>Field Office (Supervisors)</u>	14,465.02	84,600.-	12,217.54	166,600.-	6,822.98	233,400.-	3,497.25	599,090.-	37,002.79	1,083,690
<u>Consultants (Engineering)</u>	115,412.39	675,000.-	84,151.43	1,147,500.-	45,895.73	1,570,000.-	20,286.90	3,475,200.-	265,746.45	6,867,700
<u>Travel & Transport Costs</u>	6,206.62	36,300.-	10,020.22	136,637.-	6,504.40	222,502.-	5,444.54	932,665.-	28,175.78	1,328,104
<u>Allowances (Evaluations)</u>	-	-	-	-	-	-	5,587.90	957,222.-	5,587.90	957,222
<u>Other Direct Costs (Insurance Contingencies)</u>	4,653.43	27,216.-	5,698.10	77,700.-	2,355.16	80,565.-	1,319.27	225,994.-	14,025.96	411,475
<u>Equipment (Material supplies)</u>	124,144.57	726,071.-	141,178.75	1,925,132.-	135,640.35	4,639,983.-	294,309.13	50,415,959.-	695,272.81	57,707,146
<u>Overhead - Management Fees</u>	126,184.21	738,000.-	95,041.60	1,296,000.-	55,074.86	1,884,000.-	34,582.90	5,924,146.-	310,883.57	9,842,146
<u>Total Expenditures</u>										
<u>(Obligation grants)</u>	470,948.71	2,754,387.-	421,018.88	5,741,069.-	289,670.74	9,909,051.-	383,082.59	65,623,096.-	1,564,720.92	84,027,603
<u>Excess of Federal Receipts over Transfer to Revenues</u>	169,583.31	1,321,054.-	48,564.43	896,985.-	876.12	25,029.71	27,139.23	12,370,257.-	26,112.05	12,335,107
<u>Additions</u>										
<u>Other (Program Income)</u>	-	-	-	-	1,027.18	35,150.	-	-	1,027.18	35,150
<u>Reduction</u>	-	-	-	-	-	-	-	-	-	-
<u>Other (Identify)</u>	-	-	-	-	-	-	-	-	-	-
<u>Fund Balance at End of Period</u>	169,583.31	1,321,054	48,564.43	896,985.-	151.06	10,121.-	27,139.23	12,370,257.-	27,139.23	12,370,257

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Notes to Statement of AID Revenue and Expenditures
of Beirut YMCA for the period June 6,1984 to December 31,1987

1. Basis of Presentation

The accompanying statement of AID Revenue and Expenditures of Beirut YMCA has been prepared on a basis outlined by the terms and conditions of grant agreements with AID and the applicable US Government laws and regulations. The purpose of the Statement is to present, in summary form YMCA activities under Grants 268-0318 and 268-0342 for the period June 6, 1984 to December 31, 1987, which have been financed by the U.S. Agency for International Development. Accordingly, the accompanying statement of AID Revenue and Expenditures is not presented in conformity with generally accepted accounting principles.

2. Disallowable Costs

Goods of Tchechoslovak Origin (Tatra Milk) were procured during the years 1984-1987:

Year	YMCA Direct Procure- ment	PVO	Total	Rate of Exchange	Value in U.S.Dollar
-----	-----	-----	-----	-----	-----
	L.L.	L.L.	L.L.	L.L.	
1984(note 1)	-	272	272	8.89	30.60
1985(note 1)	-	74,202	74,202	18.10	4,099.55
1986(note 1)	411,640	75,828	487,468	87.00	5,603.05
1987(note 2)	<u>625,100</u>	<u>562,870</u>	<u>1,187,970</u>	455.00	<u>2,610.90</u>
	<u>1,036,740</u>	<u>713,172</u>	1,749,912		12,344.10
	-----	-----			
	<u>Less/</u> Amount already refunded to				
	USAID/Lebanon-during 1987				
			<u>370,880</u>	455.00	(<u>815.10</u>)
			<u>1,379,032</u>		<u>11,529.00</u>
			-----		-----

Notes: 1) Examined on test check basis

2) Fully examined.

Recommendation No. 1

We recommend that USAID/Lebanon take appropriate action to recover above amounts.

Accountants and Consultants

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AUDITORS REPORT ON OVERHEAD RATES

1. We have audited the accompanying Statement of Agency for International Development Overhead Rate Computation of Beirut YMCA for the period June 6, 1984 to December 31, 1987. This financial statement is the responsibility of YMCA's management. Our responsibility is to express an opinion on this financial statement based on our audit. Agency of International Development had the following list of grants with Beirut YMCA during this period: Project 268-0318 Vocational Training and Project 268-0342 Lebanon Relief Assistance.
2. We conducted our audit in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in the U.S. General Accounting Office Standards for Audit of Governmental Organizations, Programs, Activities, and Functions. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimate made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As described in footnote 1, the Beirut YMCA's accounting policy was to prepare its statement of AID Overhead Rate Computation on a basis outlined by the terms and conditions of grant agreement with AID and the applicable US Government laws and regulations. Accordingly, the accompanying statement of AID Overhead Rate Computation is not presented in conformity with generally acceptable accounting principles.



4. Beirut YMCA had no cost accounting system. However, upon the application of adequate alternative auditing procedures we were able to satisfy ourselves as to the fairness of the allocation of indirect expenses to Relief, VTP, and YMCA.
5. In our opinion, the Statement of Agency for International Development Overhead Rate Computation of Beirut YMCA presents fairly the Direct Costs, Indirect Costs, and Overhead Rate Computation of Beirut YMCA attributed to AID Grants during the period June 6, 1984 to December 31, 1987 in accordance with the terms and conditions of the grant agreements with AID and the applicable US Government laws and regulations.
6. Contractor information contained in this report may be privileged. The restrictions of 18 USC 1905 should be considered before any information is released to the public. This report is intended solely for the use of management of Beirut YMCA of the Agency for International Development and should not be used for any other purpose.

Pest Marmica

September 15, 1988

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STATEMENT OF AID OVERHEAD RATE COMPUTATION
FOR THE PERIOD JUNE 6, 1984 TO DECEMBER 31, 1987

A. RELIEF

Year	Ext.	Recommended Rate	Direct Cost	Revised Indirect Costs	Provisional Overhead	Recommended Amounts to be Refunded (Collected)	Rates of exchange at December 31, 1 US.Dollar	Recommended Amounts to be Refunded (Collected)
		Z	L.L.	L.L.	L.L.	L.L.	L.L.	\$
1984	1	9.34	1,340,000	125,244	160,000	34,756	8.89	3,909
1985	2	8	4,650,000	576,781	665,500	(71,287)	18.10	(1,410)
1986	3	5.93	36,482,027	2,163,956	2,241,992	78,036	87.00	897
1987	4	4.61	305,101,118	14,070,956	21,671,487	7,600,531	455.00	16,204
TOTAL								17,572

B. VTP

B.1 Management Fees for the period January 1984 up to July 1987 (Note 4 and annex 1)

Year	Ext.	Percentage of Indirect Costs to direct costs	Direct Cost	Allowable Indirect Costs	Administrative Charge (Flat Fee)	Difference	Rates of Exchange	Difference
		Z	L.L.	L.L.	L.L.	L.L.	L.L.	\$
1984	1	14.51	2,708,072	403,556	1,078,000	674,444	8.89	71,366
1985	2	13.24	4,445,069	588,647	1,296,000	707,357	18.10	39,080
1986	3	11.60	8,025,051	931,145	1,884,000	952,855	87.00	10,912
1987	4	10.99	31,458,215	3,459,965	4,014,300	554,335 (July 31, 87)	181.50	3,054
TOTAL								124,452

B.2 Provisional Overhead (August to December 1987)

Year	Ext.	Recommended Rates	Direct Cost	Revised Indirect costs	Provisional Overhead	Recommended Amounts to be refunded	Rates of Exchange	Recommended Amounts to be refunded
		Z	L.L.	L.L.	L.L.	L.L.	L.L.	\$
1987	4	11.21	10,287,351	1,153,321	1,909,846	756,525	455.00	1,663

Notes to Statement of AID Overhead Rate Computation

1. Basis of Presentation

The accompanying Statement of AID Overhead Rate Computation has been prepared on the basis outlined by the terms and conditions of Grants agreements with AID and the applicable US Government laws and regulations. The purpose of the Statement is to present in summary form the Recommended Rates which should be negotiated as final rates with YMCA and the recommended amounts to be refunded to USAID/Lebanon.

2. Distribution of Expenditures

Due to the absence of a cost accounting system; management distributed the Administrative Expenses of YMCA activities by taking into consideration as base of calculation the estimate of time spent by YMCA staff on each project as follows:

	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>
	%	%	%	%
VTP	47.50 (Jan-June)	31.67 (Jan-April)	25	25
	25.00 (July-Dec)	18.33 (May-Dec)		
Relief	22.50 (July-Dec)	45.00 (May-Dec)	70	70
YMCA	<u>5.00</u>	<u>5.00</u>	<u>5</u>	<u>5</u>
	<u>100.00</u>	<u>100.00</u>	<u>100</u>	<u>100</u>
	-----	-----	---	---

3. Disallowed Costs

In order to indentify the unallowable costs for the four year period ended December 31, 1987, costs were analysed and examined with their supporting documentation.

Schedules 1 to 4 show the unallowable costs with the reasons for disallowances.

4. YMCA management fees, for the period June 6, 1984 to September 30, 1987 were paid in lieu of overhead. As of October 1st, 1987 Overhead were computed at negotiated provisional rate of 7% in lieu of administrative charge.

Recommendation

- a) We recommend that USAID/Lebanon take appropriate action to recover the excess of Overhead for the above period.
- b) Due to the sharp devaluation of the Lebanese pound during the period 1984 to 1987, we recommend that USAID/Lebanon reconsider the prevailing exchange rates.

THE YOUNG MEN'S CHRISTIAN ASSOCIATION (YMCA)
BEIRUT-LEBANON
DETERMINATION OF THE OVERHEAD RATES FOR 1984

L.L.

1) <u>Determination of the allowable costs:</u>	
Total 1984 expenditures (as per financial statements)	632,268
<u>Add</u> /:Provisions & Other charges	<u>117,298</u>
	749,566
<u>Less</u> /-Costs recommended for disallowance	(<u>192,935</u>)
Allowable Indirect Cost - (Schedule 1)	<u><u>556,631</u></u>
Allocated to:	
- Relief	125,244
- VTP	403,556
- YMCA	<u>27,831</u>
	<u><u>556,631</u></u>

2) Determination of the Direct Costs:

2.1 Relief

Total direct cost (\$ 300,000 @ 5) =	1,500,000
<u>Less</u> /-Provisional overhead;	
12% on \$ 268,000 = \$ 32,000 @ 5	(<u>160,000</u>)
Relief - Direct Costs	<u><u>1,340,000</u></u>

2.2 VTP

Total direct costs (not mentioned in 1984 financial statements)	3,818,072
<u>Less</u> /-Management fees (YMCA Income) - for 1984	(<u>1,038,000</u>)
VTP - Net Direct Costs	<u><u>2,780,072</u></u>

3) Overhead Rates:

<u>Relief</u> :	<u>125,244</u> =	9.34% (charged provisional rate 12%)
	1,340,000	
<u>VTP</u> :	<u>403,556</u> =	14.51% (charged as flat fees, amounting to LL. 1,038,000, equivalent to 37.33%).
	2,780,072	

VTP management fees were accepted by the USAID legal consultant. (see annex 2 attached).

THE YOUNG MEN'S CHRISTIAN ASSOCIATION (YMCA)
BEIRUT-LEBANON
DETERMINATION OF THE OVERHEAD RATES FOR 1985

	L.L.
<u>1) Determination of the allowable costs:</u>	
Total 1985 expenditures (as per financial statements)	1,263,319
<u>Add</u> /-Provisions & Other charges	<u>914,943</u>
	2,178,262
<u>Less</u> /-Costs recommended for disallowance	(1,000,984)
Allowable indirect costs -(Schedule 2)	<u><u>1,177,278</u></u>
Allocated to:	
- Relief project	536,783
- VTP project	588,643
- YMCA projects	<u>51,852</u>
TOTAL	<u><u>1,177,278</u></u>
 <u>2) Determination of the direct costs (1985)</u>	
<u>2.1 Relief</u>	
Total direct costs	16,677,000
<u>Less</u> /	
- Advances to PVO's (invoices received during 1986)	(9,561,500)
- YMCA Provisional Overhead (7% on LL. 6,650,000)	(<u>465,500</u>)
Relief - Direct Costs	<u><u>6,650,000</u></u>
 <u>2.2 VTP</u>	
Total direct costs (not mentioned in 1985 financial statements)	5,741,069
<u>Less</u> /-Management fees	(1,296,000)
VTP - Net Direct Costs	<u><u>4,445,069</u></u>
 <u>3) Overhead Rates:</u>	
<u>Relief</u> :	<u>536,783</u> = 8% (charged 7% provisional)
	6,650,000
<u>VTP</u> :	<u>588,643</u> =13.24% (charged as flat fees, amounting to LL.1,296,000
	4,445,069 equivalent to 62%).

VTP management fees were accepted by the USAID legal consultant (see annex 2 attached).

THE YOUNG MEN'S CHRISTIAN ASSOCIATION (YMCA)
BEIRUT-LEBANON
DETERMINATION OF THE OVERHEAD RATES FOR 1986

L.L.

1) <u>Determination of the allowable costs:</u>		
Total expenditures (as per 1986 financial statements)		5,416,488
<u>Less/</u> Direct charges of YMCA activities (Camping, life saving and other)		(1,288,370)
		4,128,118
<u>Less/</u> Costs recommended for disallowance		(896,903)
Allowable indirect costs (Schedule 3)		<u>3,231,215</u>
Allocated to:		
- Relief project		2,163,956
- V.T.P. project		931,145
- YMCA projects		<u>136,114</u>
TOTAL		<u>3,231,215</u>
2) <u>Determination of the direct cost:</u>		
2.1 <u>Relief</u>		
Total direct costs (as per 1986 financial statements)		24,332,889
<u>Add /</u>		
1) <u>Adjustments</u>		
Report No. 1/87 relating to 1986 operations, not taken into consideration in the financial statements		5,167,704
2) Subadvances deducted from 1985, as completed in 1986		<u>9,561,500</u>
		39,062,093
<u>Less/</u> YMCA overhead	2,241,992	
Adjustments of overhead on report No. 1/87	<u>338,074</u>	(2,580,066)
Relief - Direct Costs		<u>36,482,027</u>

2.2 <u>VTP</u>	L.L.
Total direct costs (as per 1986 financial statements)	9,909,051
<u>Less/</u> Managements fees	<u>(1,884,000)</u>
VTP - Net Direct Costs	<u>8,025,051</u>

3) Overhead Rates - 1986

Relief: $\frac{2,163,956}{36,482,027} = 5.93\%$ (charged 7%)

VTP: $\frac{931,145}{8,025,051} = 11.60\%$ (charged as flat fees basis, amounting to LL. 1,884,000, equivalent to 23.47%).

VTP management fees were accepted by the USAID legal consultant. (see annex 2 attached).

THE YOUNG MEN'S CHRISTIAN ASSOCIATION (YMCA)
BEIRUT-LEBANON
DETERMINATION OF THE OVERHEAD RATES FOR 1987

L.L.

1) Determination of the allowable costs:

Total expenditures (as per 1987 financial statements)	37,067,766
<u>Less/</u> Direct charges of YMCA activities (Camping, life saving and other)	(7,848,006)
	29,219,760
<u>Less/</u> Cost recommended for disallowance	(9,771,985)
Allowable Indirect Cost - (Schedule 4)	<u>19,447,775</u>

Allocated to:

- Relief project	14,070,956
- VTP Project (Jan.to Sept. 3,125,840 & 1,041,946 Oct-Dec.87)	4,613,286
- YMCA, own projects	<u>763,533</u>
	TOTAL
	<u>19,447,775</u>

2) Determination of the Direct Costs:

2.1 Relief

Total direct costs (as per 1987 financial statements)	404,104,889
<u>Add/</u> Adjustment overhead due for December 1987 report No. 15/87	<u>4,637,404</u>
	408,742,293
<u>Less/</u> Subadvances to PVO	81,457,762
YMCA overhead	17,034,083
Overhead adjustment Dec.87	4,637,404
" related to Dec.86 (338,074)	(338,074)
Evaluation	<u>850,000</u>
Net - Direct costs	<u>305,101,118</u>

2.2 VTP

L.L.

Total direct costs (as per 1987 financial statements)	65,623,096
<u>Less/</u> - Cost of material for sessions relating to 1988	(16,996,162)
- YMCA management fees on VTP (note 1&2)	(5,924,146)
- Evaluation expenses	(<u>957,222</u>)
VTP- Net Direct Costs	<u><u>41,745,566</u></u>
- From January to September 1987	31,458,215
- From October to December 1987	<u>10,287,351</u>
	<u><u>41,745,566</u></u>

3) Overhead Rates - 1987

<u>Relief:</u> <u>14,070,956</u> -	4.61% (charged provisional 7%)
305,101,118	
<u>VTP:</u> a) <u>3,459,965</u> -	10.99 (see notes below) From Jan-Sept. 87
31,458,215	
b) <u>1,153,321</u> -	11.21% From Oct-Dec. 87
10,287,351	

Notes:

- 1) The 6th amendment of the Grant agreement dated September 15, 1987 provided the following:

Para H: Delete the language of paragraph H in its entirety and in lieu thereof substitute:

"Overhead costs will be computed at negotiated provisional rate of 7% in lieu of Administrative Charge".

As of that date, YMCA/Lebanon started charging indirect costs as provided in that amendment.

2) YMCA, 1987 management fees amounting to LL. 5,924,146 were composed as follows:

- Flat management fees, for the period January to July 1987	4,014,300
- Provisional rate of 7%	<u>1,909,846</u>
	LL. <u><u>5,924,146</u></u>

3) The VTP management fees were accepted by the USAID legal consultant.
(see annex 2 attached).

THE YOUNG MEN'S CHRISTIAN ASSOCIATION (YMCA)
BEIRUT - LEBANON
ALLOWABLE INDIRECT COSTS FOR THE YEAR ENDED DECEMBER 31, 1984

Description	Balance at 31.12.1984 <u>L.L.</u>	Allowable Costs		Unallowable Costs <u>L.L.</u>	Analysis of Allowable Costs			Reasons for Dis- allowance
		<u>L.L.</u>	Note		Relief <u>L.L.</u>	V.T.P. <u>L.L.</u>	YMCA <u>L.L.</u>	
Salaries & Wages	255,348	255,348	(2)		103,485	333,446	22,996	See note (2)
Travel	66,617	-		66,617	-	-	-	Travel for YMCA activities other than USAID Grants
Transport, car repairs and Insurance	11,133	11,133		-	2,505	8,071	557	-
Program assistant services	28,800	28,800	(2)	-	-	-	-	-
Entertainment & representation	30,201	6,000		24,201	1,350	4,350	300	For other activities
P.T.T.	9,976	3,976		6,000	896	2,883	197	For international line
Maintenance & Cleaning	9,522	9,522		-	2,142	6,903	476	-
Rent	9,972	8,972		1,000	2,019	6,505	449	Rent paid in advance
Accounting fees	24,000	24,000	(2)	-	-	-	-	-
Donations and tips	8,264	-		8,264	-	-	-	For other activities
Electricity and water	4,438	4,438		-	999	3,218	222	-
Printing and stationery	8,930	8,930		-	2,009	6,474	446	-
Scholarship & staff training	1,100	1,100		-	247	797	56	-
Miscellaneous and others	55,905	55,905	(2)	-	-	-	-	-
Management services	54,250	54,250	(2)	-	-	-	-	-
Social security	19,219	19,219	(2)	-	-	-	-	-
Subscriptions & conferences	16,293	16,293		-	3,666	11,812	815	-
Legal fees	18,000	18,000		-	4,050	13,050	900	-
Bank Charges	300	300		-	67	218	15	-
Provision for staff leaving ind. N.S.S.F.	27,144	15,100	(2)	12,044	-	-	-	Difference of calculation Prior to Grants date
Depreciation	12,363	8,040		4,323	1,809	5,829	402	Camp. Capital Development
Income tax on salaries	21,679	-		21,679	-	-	-	On General Executive Salary
Others	48,807	-		48,807	-	-	-	Bonus paid to staff
TOTAL	<u>749,566</u>	<u>556,631</u>		<u>192,935</u>	<u>125,244</u>	<u>403,556</u>	<u>27,831</u>	

Notes: (1) Basis of our presentation was as outlined by the terms and conditions of the agreement with USAID, and the applicable US Government laws and regulations.

(2) Amounts classified under salaries, for Analysis of Allowable costs, totalling L.L. 450,927.

THE YOUNG MEN'S CHRISTIAN ASSOCIATION (YMCA)
BEIRUT - LEBANON
ALLOWABLE INDIRECT COSTS FOR THE YEAR ENDED DECEMBER 31, 1985

Description	Balances at 31.12.1985 L.L.	Allowable		Unallowable	Analysis of Allowable Costs			Reasons for dis- allowance
		Costs L.L.	Note	Costs L.L.	Relief	V.T.P.	YMCA	
					L.L.	L.L.	L.L.	
Salaries & Wages	459,988	459,988	(2)	-	378,733	413,029	34,292	See note 2
Travel	91,476	-		91,476	-	-	-	Travel for YMCA activi- ties other than USAID Grants
Transport, car repairs & Insurance	38,340	38,340		-	17,253	19,170	1,917	-
Program assistant services	25,965	25,965	(2)	-	-	-	-	-
Entertainment & representation	40,742	6,000		34,742	2,700	3,000	300	For YMCA other activi- ties
	104,972	14,972		90,000	6,714	7,466	747	For international tim-
Maintenance & Cleaning	16,605	16,605		-	7,472	8,703	830	-
Rent	160,162	160,162		-	72,073	80,081	8,008	-
Accounting Fees	37,400	37,400	(2)	-	-	-	-	-
Donations and tips	3,950	-		3,950	-	-	-	For YMCA other activi- ties
Electricity and Water	14,426	14,426		-	6,492	7,213	721	-
Printing and stationery	17,009	17,009		-	7,654	8,505	850	-
Scholarship & staff training	2,800	2,800		-	1,260	1,400	140	-
Miscellaneous & others	119,352 (116700 2652)	119,352	(2)	-	1,193	1,326	133	Of which LL. 116,700, bonus to General Executive
Management services	33,174	33,174	(2)	-	-	-	-	-
Social security	28,700	28,700	(2)	-	-	-	-	-
Subscriptions & Conferences	48,817	48,817		-	21,968	24,409	2,440	-
Legal fees	19,378	19,378		-	8,720	9,689	969	-
Bank charges	103	103		-	46	52	5	-
Provisions for staff leaving Indemnity	298,844	100,900	(2)	197,944	-	-	-	Difference of calcula- tions, prior to Grant date.
Difference-reserve for S.S. Indemnity	23,227	23,227	(2)	-	-	-	-	-
Depreciation	14,323	10,000		4,323	4,500	5,000	500	Camp Capital develop- ment
Income tax on salaries	47,329	-		47,329	-	-	-	On G.E. Salary
Provision for apartment fund	531,220	-		531,220	-	-	-	Not related to Grants
TOTAL	<u>2,178,262</u>	<u>1,177,278</u>		<u>1,000,984</u>	<u>536,783</u>	<u>588,643</u>	<u>51,852</u>	

Notes: (1) Basis of our presentation was as outlined by the terms and conditions of the agreement with USAID, and the applicable US Government laws and regulations.

(2) Amounts classified under salaries, for Analysis of Allowable Costs, totalling LL. 826, 054.

THE YOUNG MEN'S CHRISTIAN ASSOCIATION (YMCA)

BEIRUT-LEBANON

ALLOWABLE INDIRECT COSTS FOR THE YEAR ENDED DECEMBER 31, 1986

Description	Balance at	Cost recommended	Allowable	Note	Analysis of Allowable Costs			Reasons for disallowance
	31.12.1986	for Disallowance	Costs		Relief	V.T.P.	YMCA	
	L.L.	L.L.	L.L.		L.L.	L.L.	L.L.	
Managements services & Consultation	1,028,650		1,028,650	(?)				
Salaries and wages	861,466		861,466	(?)	1,456,166	678,156	85,555	See note 1
Travel expenses	397,544	397,544	-		-	-	-	Travel for YMCA activities
Public Relation	52,089	46,089	6,000		4,200	1,500	300	For other activities
P.T.T.	213,521	175,000	38,521		26,964	9,670	1,927	For international calls
Maintenance and cleaning	163,317	-	163,317		114,322	40,829	8,166	-
Rent	169,900	-	169,900		118,930	42,475	8,495	-
Auditing fees	90,000	-	90,000		63,000	22,500	4,500	-
Electricity and water	62,433	-	62,433		43,703	15,608	3,122	-
Printing and stationery	200,658	-	200,658		140,461	50,164	10,033	-
Scholarship	7,100	-	7,100		4,970	1,775	355	-
Other expenses	47,718	47,718	-		-	-	-	Public relations & tips
Social security	72,806	-	72,806	(?)	-	-	-	-
Bank charges	1,986	-	1,986		1,390	497	99	-
Subscriptions & Conferences	37,692	-	37,692		26,384	9,423	1,885	-
Income tax on salaries	68,304	68,304	-		-	-	-	On G.E. Salary
Legal fees	18,000	-	18,000		12,600	4,500	900	-
Camping Fairs	4,800	4,800	-		-	-	-	Other activities
	<u>3,497,982</u>	<u>739,455</u>	<u>2,758,527</u>		<u>2,013,070</u>	<u>877,257</u>	<u>125,337</u>	
Program expenses	62,235	-	62,235	(?)	-	-	-	-
Transportation	189,747	-	189,747		132,823	47,437	9,487	-
Staff leaving indemnity	348,027	153,125	194,902	(?)	-	-	-	Difference of calculation prior to Grants
Depreciation	30,127	4,323	25,804		18,063	6,451	1,290	Camp Capital Develop.
TOTAL	<u><u>4,128,118</u></u>	<u><u>896,903</u></u>	<u><u>3,231,215</u></u>		<u><u>2,163,956</u></u>	<u><u>931,145</u></u>	<u><u>136,114</u></u>	

Notes: (1) Basis for our presentation was as outlined by the terms and conditions of the agreements with USAID, and the applicable US Governments Laws and Regulations.

(2) Amounts classified under salaries, for Analysis of Allowable Costs, totalling L.L. 2,220,057.

THE YOUNG MEN'S CHRISTIAN ASSOCIATION (YMCA)

Schedule 4

BEIRUT - LEBANON

ALLOWABLE INDIRECT COSTS FOR THE YEAR ENDED DECEMBER 31, 1987

Description	Balance at December 31, 1987	Cost recommended for Disallowance	Allowable Cost	Analysis of allowable Costs			Reasons for Disallowance	Refer. OMB Circ A-122 (Art No.)
				Relief	V.T.P.	YMCA		
L.L.	L.L.	L.L.	L.L.	L.L.	L.L.			
Staff remuneration	11,090,617	-	11,090,617	-	-	-		
Social Security	378,303	-	378,303	-	-	-		
Staff Insurance	93,066	-	93,066	-	-	-		
							4,120,013 Composed of:	
							- Difference of indemnity to G.F. 616,713	
							- Employees not registered at CNS 103,300	
							- Extra provision (lump sum) 3,400,000	
							4,120,013	
Provision for staff termination	4,120,013	4,120,013	160,978					
Income Tax on Salaries	166,905	166,905	-	8,825,933	3,046,578	450,453		
P.T.T.	240,032	200,000	40,032	28,022	10,008	2,002	Income Tax on the general executive salary	46
Maintenance & Cleaning	781,989	129,000	652,989	546,347	88,868	17,774	200,000 representing estimated expenses for international line/calls	
Rent	521,775	-	521,775	428,805	77,475	15,495	Capital expenditure (moquette & wall paper 99,000) & 30,000 maintenance to Red Cross International	22
Electricity, Fuel & Water	23,726	-	23,726	16,608	5,932	1,186		
Printing & Stationery	1,075,115	39,570	1,035,545	724,882	258,886	51,777	Stocks of stationery not determined at year end Inventories should be disallowed.	
Sundries	466,040	-	466,040	326,228	116,510	23,302		
Travel expenses	4,574,516	4,574,516	-	-	-	-	Prior approval should be obtained from USAID	50
Transport	1,197,528	-	1,197,528	838,279	299,382	59,876		
Program expenses	437,732	64,368.95	373,363.05	364,786	8,577.05	-	Bank interest (loan on value dates)	19
P.R. Representation	1,846,188	358,188	1,488,000	1,041,600	372,000	74,400	Entertainment paid by General Executive on other activities	
Scholarship	16,800	-	16,800	13,166	1,817	1,817		
Bank charges	8,019	-	8,019	5,613	2,005	401		
Subscription & Conferences	536,453	-	536,453	375,517	134,113	26,823		
Miscellaneous/Donations	17,600	17,600	-	-	-	-		
Auditing fees	707,500	97,500	610,000	427,000	152,500	30,500	Gifts and others	10
Lawyers fees	25,000	-	25,000	17,500	6,250	1,250	Amount provided \$ 1,500 LL. 757,500 (Paid \$1,500 LL. 610,800)	
Depreciation	133,865	4,324	129,541	90,679	32,385	6,477	On camp capital development (2 16,168x22 / 4,324)	
TOTAL	29,219,760	9,271,984.95	19,947,775.05	14,279,456	4,611,284.05	2,263,511		

Basis for our presentation was as outlined by the terms and conditions of the agreements with USAID, and the applicable US Governments laws & Regulations

Contractor information contained in this report may be privileged. The restrictions of 18 USC 1905 should be considered before any information is released to the public. This report is intended solely for the use of management of Beirut YMCA or the Agency for International Development and should not be used for any other purpose.

Scott Marmick

September 15, 1988

Noncompliance Instances

The audit identified possible areas of noncompliance with regulations or agreements provisions. The areas in question relate to:

1. Accounting and Records

Standard Provisions 6,7 and 8 require that the Grantee accounting system provides for the allocations of indirect costs.

2. Procurement of Goods

Standard Provisions 15(c) stipulates that all goods the costs of which are to be reimbursed shall be purchased in and shipped from only "Special Free World" countries.

3. Lebanese Regulations

Part of the salaries are not declared to the tax authorities and to the Social Security Fund. Also fiscal stamps are not always affixed on receipts and suppliers invoices.

Accountants and Consultants

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AUDITORS' REPORT ON INTERNAL ACCOUNTING CONTROLS

We have audited the Statement of AID Revenue and Expenditures of Beirut YMCA for the four year period ended December 31, 1987 and have issued our report thereon dated September 15, 1988. As part of our audit, we made a study and evaluation of the system of internal accounting control of YMCA, to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards and the standards for financial and compliance audits contained in the U.S. General Accounting Office Standards for Audit of Governmental Organizations, Programs, Activities and Functions (1981 Revision). For the purpose of this report, we have classified the significant internal accounting controls in the following categories:

Accounting Controls

Cash receipts
Cash disbursements
Payroll

Administrative Controls

General requirements
Financial reporting to USAID/Lebanon
Administrative capability
Sub-grantees records
Subcontracts
Specific requirements
Types of goods allowed or unallowed
Eligibility
Cost sharing or matching requirements
Program performance
Reporting requirements (field visits reports)



Our study included all of the control categories listed above. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the Beirut YMCA's Statement of AID Revenue and Expenditures. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole or on any of the categories of controls identified above.

The management of Beirut YMCA 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 a 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 inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless 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 purpose described above would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of YMCA, taken as a whole or on any of the categories of controls identified in the first paragraph. However, our study and evaluation disclosed following conditions listed on schedule A, B and C that we believe result in more than a relatively low risk that errors or irregularities in amounts that would be material in relation to the Statement of AID Revenue and expenditures of YMCA may occur and not be detected within a timely period.

Contractor information contained in this report may be privileged. The restrictions of 18 USC 1905 should be considered before any information is released to the public. This report is intended solely for the use of management of Beirut YMCA or the Agency for International Development and should not be used for any other purpose.

Peat Marnick

September 15, 1988

A. General

1. Administration Rules & Regulations

No written procedures (Manuals) are available at YMCA/Lebanon defining the cycle of each activity, personnel job description, organizational charts and accounting manual.

Recommendations

We recommend the establishment of above manuals defining the activities of the YMCA in Lebanon with the procedures to be adopted.

Management Comments

Management concurs.

2. Cost Accounting Systems

We note the absence of a cost accounting system applied to indirect costs.

Recommendations

We recommend the establishment of a cost accounting system (time sheets) in order to determine the cost per project and to calculate the reasonable overhead rates.

Management Comments

Management concurs.

3. Supporting Documentation

3.1 Stamped Paid Invoices

We noted that invoices and supporting documentation were not always cancelled either before or after payment, to prevent duplicate processing.

Recommendation

We recommend that all supporting documentation be stamped as PAID. YMCA should maintain a special designated rubber stamp to cancel all supporting vouchers when paid. This stamp should preferably indicate the following matters.

- Paid
- Date
- Cheque NO
- Bank
- Project No.....
- Grant No. 268-0318 or 268-0342

Management Comments

Management will take the recommendation into consideration.

3.2 Correctness of Invoices

We noted some arithmetical errors in the suppliers invoices.

Recommendation

We recommend that invoices be checked before payment as to correctness of calculation.

Management comments

Management disagrees with the finding. Invoices are usually checked and errors are corrected by returning original invoices to the suppliers, in order to make adjustments by issuing new invoices.

3.3 Approval of Payment Vouchers

We noted that some payment vouchers are not approved by the program director nor do they contain the name of the project to be charged for.

Recommendation

We recommend that payment vouchers be approved by officials and carry the name and the project number in order to facilitate posting.

Management Comments

Management disagrees with the finding.

The program director has initialled documents before payments. Approval on payment is covered by the co-signature of either two executive committee members or one committee member jointly with the general executive.

The payment vouchers or programs are in 3 different forms (For VTP, Relief and YMCA) and are to be charged directly to their related projects as mentioned on the top of the form.

4. Payroll

4.1 Additional Salaries (Bonuses)

We noted that YMCA is paying to its staff (regular registered employees and part-timers) additional amounts charged to "Management Services and Consultancy."

Such payments, which are very material and represent the bulk of the salaries paid, are not declared to the local tax authorities and social security.

YMCA stands liable to taxation, social security contribution, end of service indemnities and fines for salary payments when they become known to the relative authorities.

Recommendation

We recommend that a special exercise should be made to quantify amounts involved. A provision therefore should be raised by YMCA, and YMCA to up-date its files with the tax authorities.

Management Comments

Management adopted the recommendation.

4.2 Attendance Record

We noted that the Association was not keeping, daily attendance records for the years 1984 to 1987 or time sheets.

Recommendation

We recommend the establishment of attendance records in order to ascertain their presence and duties performed.

Management Comments

The association has established attendance records and time sheets in 1988.

4.3 Employment Contracts for part-timers

We noted that the Association is not making contracts with the part-timers employees.

Recommendation

We recommend that proper contracts for part-timers be established in order to eliminate eventual future conflicts.

Management Comments

The Association is in the process of signing contracts with the part-timers employees in light of clarification by the legal advisor of the YMCA.

4.4 Employees Personnel Files

During our review we noted that the Association does not keep personnel files for its employees.

Recommendation

We recommend that personnel files be kept for all employees in order to maintain an up-to-date data on each employee's status.

Management Comments

Personnel Department started to up-date personnel files for all employees.

4.5 Income Tax on Salaries

Our review of the payroll, revealed that income tax on salaries is not deducted from one employee and that YMCA is paying the relevant taxes on behalf of this employee and such taxes are accounted for expenses without being added to salaries.

Recommendation

We recommend that taxes be withheld from all employees salaries to prevent conflicts with income tax authorities.

Management Comments

Management disagrees with the recommendation. Taxes are withheld from all regular registered employees except for the general executive salary whose taxes are paid directly by the association as per board decision.

4.6 Fiscal Stamps

Our review of the payroll receipts revealed that employees are signing the monthly payroll sheet without fiscal stamps.

Recommendation

We recommend that fiscal stamp be affixed on payroll receipts to prevent tax authorities fines.

Management Comments

Payroll receipts signed and approved will be affixed by fiscal stamps, once available.

5. Banks

5.1 Bank: Reconciliations

We noted that banks reconciliations are not prepared on a timely basis. As a result, there is no assurance that unauthorized or erroneous transactions would be detected on a timely basis.

Recommendation

We recommend that bank reconciliations be prepared monthly, and that the internal auditor reviews and initials the reconciliations to ensure that they were properly prepared and on a timely basis.

Management Comments

Management disagrees with the finding.

Bank reconciliations for "specific projects-banks accounts are prepared on timely basis before presentation of the federal cash report related to VTP and relief projects by the end of each month. The other bank accounts are properly reconciled at year end.

5.2 Grants-Specific Banks Accounts

We noted that the grants' banks accounts were sometimes used for payments and deposits other than the grants purposes (health, education, contributions of YMCA, etc..).

New specific bank accounts were opened during July 1987, and our review did not reveal such kind of transactions after that date.

5.3 Bank-interests

We noted that bank interests are paid to USAID regularly without being recorded in the books of accounts.

Recommendation

We recommend that bank interests be recorded in the books of accounts in order to reflect the correct accounting transactions.

Management Comments

Interest earned from bank are registered in the books of accounts as recommended.

5.4 Copies of Checks Paid

Due to the Lebanese Banking Laws and Regulations, banks are not returning back to their clients the paid cheques.

Recommendation

In order to strengthen control over payment by cheque, we recommend the establishment of printed cheques in two copies; original to be given to beneficiary and the copy to be used as a payment voucher.

Management Comments

The recommended copies of checks paid, is to be adopted once approved by the board of directors. This is extremely costly and approval of AID an allowable charge is to be taken.

6. Expense Reports-Business Purpose of Expenses

During our review of the indirect costs (public relations expenses), we noted that there was no indication of the business association, of people entertained or the business purpose of the expenditures on some vouchers.

Recommendation

We recommend that the business association of people entertained and purpose of the expenses, be indicated in an expense report.

Management Comments

Management agrees with the recommendation. People entertained and purpose of the expenses, are indicated on the vouchers during 1988. Anyway a board resolution to that effect will cover such expenses.

B. Vocational Training Project 268-0318

B.1 Supporting Documentation-Suppliers Invoices

We noted that some invoices paid by YMCA, do not fulfill legal requirements. Irregularities noted are:

- Invoices not dated, not numbered, contain corrections, overwriting, overlining.
- Invoices are made in the name of some employees of YMCA.
- Invoices do not bear the full address of the supplier and the name of the supplier is stamped.
- Fiscal stamps are not affixed on the invoices.

Recommendation

We recommend that YMCA should pay only invoices filling the legal requirements and in compliance with article 15 of the Standards Provisions - appendix 4D.

Management Comments

Refer to findings, we note the following:

Inv. Ref.	dated	numbe- red	correc- tion	over lining	made in name of YMCA.emp.	bear ress of	add- of supplier	suppl. name stamp	stamps affixed
PV604 Ses.108	Yes	Yes	none	none	none	Yes	Yes	Yes	
PV602 Ses.102	*								
PV 1 Ses.1/87	None	Yes	none	none	none	Yes	Yes	Yes	

* The voucher referred to is a numbered delivery order and not an invoice, and irregularities stated are true only for the delivery order and not the invoice.

The only invoices paid are those which meet the legal requirements and in compliance with article 15 of the Standard Provisions Appendix 4D (application of order of preference, the goods on services were not available from US. sources, or). Refer to 4.2.

B.2 Origin of Goods

We noted that the suppliers invoices do not mention the origin of goods.

Recommendation

YMCA should comply with article 15C of the Standard Provisions-appendix 4D - geographic sources.

Management Comments

As recommended the association has always complied with Article 15C of the Standard Provisions - Appendix 4D-Geographic sources. Refer to 4.2.

B.3 Stock Cards of Tools and Materials

We noted that YMCA is not keeping stock cards for group tools and materials used in the sessions, but they keep for each session lists for the remaining group tools only.

Recommendation

In order to have better control over the non distributable group tools, we recommend keeping stock cards records for each session separately and cumulative for all sessions.

Management Comments

During 1988, Charts of tools and materials are being applied to sessions in order to exercise control over the non distributable group tools. The charts indicate the different tools and material available and their transfer among sessions. They also used available tools and materials procured to prevent duplication.

Moreover, a separate statement is filed which includes the group and individual tools transferred from closed sessions, quantities procured, non distributed group tools, all of which are approved and checked by the program officers.

C. Lebanon Relief Assistance - Project 268-0342

C.1 Payments to Private Voluntary Organizations (PVO)

Our review of the supporting documentation related to PVO's disbursements revealed the following:

- a- Original of invoices not always available in files, those were replaced by photostat copies, copies of invoices or purchases orders.
- b- Invoices submitted by PVO's are sometimes dated prior to the date of US. AID approval.
- c- Date of invoices altered.
- d- Suppliers invoices not having the legal requirements.
- e- Origin of goods not stated on the invoice.
- f. Invoices are not always cancelled "PAID"
- g. PVO's are paying their suppliers invoices in cash for big amounts.

Recommendation

We recommend that YMCA requires from PVOs to support their disbursements with proper documentation. Requests them also to open bank accounts to be used specifically for their US. AID financing procurements.

Management Comments

Cla. Original of Invoice not always available in files

Of all the procurements, it so happened that one invoice relating to the Charity Association for women is missing under PVO No. 24 for procurement of medicines. This PVO did send the original invoice in the normal procedure, somehow it got lost on the way to our offices. The supplier agreed only to issue a copy which was stamped and duly signed to supplement the original.

Clb. Invoices submitted by PVOs are sometimes dated prior to the date of US. AID Approval

This is represented by one invoice only related to the Red Cross. In this particular case this grant was meant to help support the ongoing general Red Cross operation and it was checked and orally approved by US. AID Director, especially when remembering that the assistance to PVOs was after a participation in whatever relief efforts they were carrying on, which may fall between the date of the request and the date of the approval. Such procedures are sometimes conducted under certain circumstances.

Clc. Date of invoices altered

The dates altered are for two PVOs because of the difficulty in obtaining new invoices. Alternative procedure were conducted over the implementation by receiving a list of beneficiaries, and related reports.

Cld. Suppliers invoices not having the legal requirements

This concerns one PVO and the invoice is stamped and signed by suppliers (enclosed copy of the invoice).

Clg. PVOs are paying their suppliers invoices in cash for big amounts

The check number, relating to invoice under PVO 109 was not mentioned. A receipt from supplier was required to ascertain the collection by check, (herein a copy is attached).

C.2 YMCA Direct Procurement of Relief Items and Shelter Repair

Our review of the supporting documents related to YMCA direct procurement revealed the following:

- a- YMCA has bought ineligible goods (Tatra milk)
- b- Invoices paid are not always cancelled and do not bear the DP reference No.
- c- Food distributed prior to the supplier's invoice.

Recommendation

We recommend that YMCA should follow a disbursement cycle system in conformity with internal control reliability e.g. invoice in conformity with legal requirements and with standard provisions, checking the invoices as to correctness of calculations, issuing a payment order checked by the Program Director, issuing a cheque in the name of the beneficiary after cancelling the invoice with the proper stamp and initials, issuing the payment voucher, signing the cheque, then recording it in the accounting books.

Management Comments

- b) Invoices paid are not always cancelled and do not bear the DP Ref.No.

Monthly reports for relief submitted to AID, includes Direct Procurement reference with all related invoices which are cancelled actually with the proper stamp.

c) Food distribution prior to the supplier's invoice

Foods procured under Direct Procurement and distributed by the Association, could be received prior to the supplier's invoice which is compared with the storekeeper records.

COMMENTS ON FINDINGS
AND RECOMMENDATIONS
OF THE DRAFT REPORT
REFERENCE
THE NON-FEDERAL AUDIT
OF THE YMCA - LEEANON

COMMENTS ON FINDINGS AND RECOMMENDATIONS OF THE DRAFT REPORT
REFERENCING THE NON-FEDERAL AUDIT OF THE YMCA - LEBANON

The YMCA started its first grant agreement with US.AID in September 1978. At that time and as will be noted below, the YMCA staff and management capacity was very small.

As a result of the growing needs in the Lebanon and based on U.S. AID continued support and assistance and continued requests that YMCA should increase its management capacity, the YMCA started to do so and the development and the growth is exhibited not only in terms of the number of staff but also in their experiences and skills.

We believe that a lot of our growth is a result of the US. AID - YMCA collaboration. The following chart reflects the number of staff employed:

Year 1978	3
Year 1979	3
Year 1980	4
Year 1981	4
Year 1982	4
Year 1983	4
Year 1984	6
Year 1985	10
Year 1986	15
Year 1987	23
Year 1988	40

We also believe that there is always a room for improvement and this is what we keep trying to do in a positive and constructive spirit. Accordingly, we will try to respond to the Draft Report of the Non-Federal Audit of the YMCA/Lebanon in the following pages.

.../2

Page/Para.

1.1 - Financial Rules and Administrative regulations

Management is assessing the possibility of establishing an administrative manual covering regulations and procedures in the light of the expected permanent activities of the society. The requirements by AID in respect of financial management are especially spelled out in AID letter to YMCA dated July 15, 1987. We implemented these requirements in full.

- Cost Accounting System

We refer to AID letter of July 15, 1987 which requires a "separate direct/indirect cost data in order to enable AID to determine the actual overhead rate".

1.2 Disallowable Costs

Refer to 4.2

1.3 Flat Fees and Recommended Rates

The recommended amounts to be refunded are subject to confirmation from US AID legal consultant. Ultimately management fees are considered flat and not provisional and our legal consultant is preparing an answer to this subject.

We should like to impress the fact that the basis for negotiating a fair rate should take into consideration the growth and present size of YMCA which was mainly brought about by the AID programs.

4.1 Test

The test of certain evidential matters related to the program disbursements through physical examination, observation and inspection is still valid due to the continuity of programs in all their aspects. Sight visits were conducted by the auditors and other external audit procedures were carried out as well. We are surprised with this scope limitation qualification.

4.2 Geographic Source of Goods:

- Attachment 1 "Schedule" paragraph 4 "Authorized Geographic Code" states the following:

" The authorized geographic code for procurement of goods and services under this grant is AID Geographic Code 935 (Free World) and cooperating country (Lebanon)".

- AID Handbook 13- 4C-15 defines Code 935 as: "Any area or country in the Free World, including the cooperating country itself". It also allowed for the procurement of goods and services from other than U.S. sources provided adequate justification is presented by the grantee. In the case of YMCA such justification (if one is to assume that procurement from Lebanon is disallowed on the grounds that the source of goods is not specified)

.../3

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is explicitly spelled out in the terms of the grant agreement under paragraph "C.3" which provided for an amount of US\$. 450,000 (15%) as a cash advance "due to the emergency nature of the program ...". Emergency procurements are allowed under handbook procedures. Consequently stressing on the production source of the goods procured and disclaiming "an opinion on the costs of the two projects taken as a whole..." is, in our opinion totally unjustified. We remind the auditor furthermore, that all procurements are being inspected by AID Representative in Beirut, they have all been admitted. This is evidenced by the fact that amounts to the extent of LL. 370,880 (Direct Procurement) only have been disallowed.

- 4.3 Absence of a Cost Accounting System
Refer to 1.1 Cost Accounting System: Hence qualification is not justified.
- 5.1 Disallowable Costs
Once the principle of allowable costs is admitted on the basis explained under 4.2, then Czechoslovak - origin goods, procured in Lebanon for Emergency Relief are allowable.
- 8.1 Accounting and Records
Standard Provisions 6, 7 and 8 (requiring that grantee sets up accounting system providing for the allocation of indirect costs) has been superseded by AID letter of July 15, 1987 which states that direct/indirect cost data only is to be provided in order to enable AID to determine actual overhead rate.
- 8.2 Procurement of Goods
Procurement of goods is allowed from other sources as is amplified earlier. Whenever possible certain goods procured in 1988 are from "Special Free World".
- 8.3 Lebanese Regulations
Part of the personnel are working with the association on a part time basis. Their remunerations are subject to taxation at 8%, and not subject to NSSC regulations. This part-time pay is to be declared to the tax authorities in 1988. Fiscal stamps have not always been available in the market due to the known circumstances in Lebanon.
- 11.1 Administrative Rules and Regulations
If grants are to continue indefinitely, then manuals are justified if temporary in nature then directives and circulars are adequate, also refer to 1.1

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11.2 Cost Accounting System

Timesheets are difficult to apply. Overheads allocation should be based on reasonableness, also refer to 1.1.

11.3 Supporting Documentation

11.3.1 Stamped Paid Invoices

The 100% examination of YMCA's books in 1987 has not revealed any duplication of payments. In 1988 recommendations are taken into consideration.

12.3.2 Correctness of Invoices

Invoices are usually checked and errors are corrected by returning original invoices to the suppliers, in order to make adjustments by issuing new invoices. The arithmetical errors under one invoice, indicate that the amount settled, is less than the indicated.

The discounted difference was not mentioned on the invoice. The supplier has furnished us with a receipt of all amounts due for clarification.

12.3.3 Approval of Payment Vouchers

The program director has initialled documents before payments. Approval on payments is covered by the co-signature of either two executive committee members or one committee member jointly with the general executive.

The payment vouchers of programs are in 3 different forms (for VTF, Relief and YMCA) and are to be charged directly to their related projects as mentioned on the top of the form.

12.4.1 Additional Salaries (Bonuses)

The association is paying its staff an additional salary (bonus) by year end, over and above their monthly salaries and those benefits are for regular registered employees and part-timers, and charged to "Management Services and Consultancy".

The YMCA General Executive is being paid on monthly basis which is charged under salaries whereas the extra compensation in Dollars is charged under "Management Services and Consultancy".

The management is of the opinion that these extra compensations have been allocated under existing circumstances and due to the devaluation of the Lebanese currency against foreign currencies

The extra compensations are not declared to the local tax authority and social security because of their temporary nature and because of their material effect on the financial situation and the liability to the association against the indemnities and taxation

(The General Executive salary was LL. 6,000.- in 1979 which was equivalent to US\$. 1,765 . His salary today, after nine years including all benefits is: US\$. 1,830.-

We fully agree to your recommendations especially that the board has been studying this matter for sometime and the executive committee decision of 17.10.1988 adopted your recommendations to be effected immediately.

Executing this decision will reflect the following :

The average monthly salary: US\$. 1,500.-
Period of service: 26 years
Minimum allowable period in relation
to the exception of the grant: 10 years (since 1978)
The amount of indemnity due by the association:
 $1,500 \$ \times 26 = 39,000 \$$
Minimum allowable indemnity charged over projects is
therefore: $1,500 \$ \times 10 = 15,000 \$$.
to be effected immediately.

13.4.2 Attendance Record

The association has established attendance records and time sheets in 1988.

13.4.3 Employment Contracts for Part-timers

The association is in the process of signing contracts with the part-timers employees in light of clarification by the legal advisor of the YKCA.

13.4.4 Employees. Personnel Files

Personnel department started to up-date personnel files for all employees.

13.4.5 Income Tax on Salaries

Taxes are withheld from all regular registered employees except for the General Executive salary whose taxes are paid directly by the association as per board decision.

13.4.6 Fiscal Stamps

Payroll receipts signed and approved will be affixed by fiscal stamps, once available.

14.5.1 Bank Reconciliations

Bank reconciliations for "specific projects - banks accounts" are prepared on timely basis before presentation of the federal cash report related to VTP and Relief projects by the end of each month. The other bank accounts are properly reconciled at year end.

14.5.2 Grants - Specific Bank Accounts

The only transactions which took place were related to the following: participants in the VTP were being charged a very nominal fee to have them appreciate these courses. This nominal fee was deposited in the VTP Bank Account until the US.AID Accountant notified us that this amount should not be added to the bank account or to the project budget and thus we settled it accordingly. The said account was also used for the transaction of Health Education which was another US. AID funded project.

14.5.3 Bank Interest

Interest earned from bank are registered in the books of accounts as recommended.

14.5.4 Copies of Checks Paid

The recommended copies of checks paid, is to be adopted once approved by the board of directors. This is extremely costly and approval of AIF an allowable charge is to be taken.

14.5.5 Expense Reports

People entertained and purpose of the expenses, are indicated on the vouchers during 1982. Anyway a board resolution to that effect will cover such expenses.

16.3 Vocational Training Project:

16.B.1 Irregularities on Supporting Documentation

Refer to findings we note the following:

.../7

Inv. Ref.	dated	numbered	corrected	over lining	made in name of YKCA emp.	bear res of supplier	add- name of stamp.	suppl. name affixed	stamps
PV604									
Ses. 108	Yes	Yes	none	none	none	Yes	Yes	Yes	
PV602									
Ses. 102	*								
PV 1									
Ses. 1/87	None	Yes	none	none	none	Yes	Yes	Yes	

* The voucher referred to is a numbered delivery order and not an invoice, and irregularities stated are true only for the delivery order and not the invoice.

The only invoices paid are those which meet the legal requirements and in compliance with article 15 of the Standard Provisions Appendix 4D (application of order of preference, the goods or services were not available from US. sources, or). Refer to 4.2.

16. B. 2 Origin of Goods

As recommended the association has always complied with Article 15C of the Standard Provisions - Appendix 4D - Geographic sources. Refer to 4.2.

16. B. 3 Stock Cards of Tools and Materials

During 1988, Charts of tools and materials are being applied to sessions in order to exercise control over the non distributable group tools. The charts indicate the different tools and materials available and their transfer among sessions. They also used available tools and materials procured to prevent duplication.

Moreover, a separate statement is filed which includes the group and individual tools transferred from closed sessions, quantities procured, non distributed group tools, all of which are approved and checked by the program officers.

.../8

17.C1a Original of invoice not always available in files

Of all the procurements, it so happened that one invoice relating to the Charity Association for women is missing under PVO No. 24 for procurement of medicines. This PVO did send the original invoice in the normal procedure, somehow it got lost on the way to our offices. The supplier agreed only to issue a copy which was stamped and duly signed to supplement the original.

17.C1b Invoices submitted by PVOs are sometimes dated prior to the date of US AID Approval

This is represented by one invoice only related to the Red Cross. In this particular case this grant was meant to help support the ongoing general Red Cross operation and it was checked and orally approved by US AID Director, especially when remembering that the assistance to PVOs was often a participation in whatever relief efforts they were carrying on, which may fall between the date of the request and the date of the approval. Such procedures are sometimes conducted under certain circumstances.

17.C1c Date of invoices altered

The dates altered are for two PVOs because of the difficulty in obtaining new invoices. Alternative procedure were conducted over the implementation by receiving a list of beneficiaries, and related reports.

17.C1d Suppliers invoices not having the legal requirements

This concerns one PVO and the invoice is stamped and signed by suppliers (enclosed copy of the invoice).

17.C1g PVOs are paying their suppliers invoices in cash for big amounts

The check number, relating to invoice under PVO 109 was not mentioned. A receipt from supplier was required to ascertain the collection by check, (herein a copy is attached).

YKCA Direct Procurement

17.C1b Invoices do not bear the Direct Procurement reference number and are not always cancelled

Monthly reports for relief submitted to AID, includes Direct Procurement reference with all related invoices which are cancelled actually with the proper stamp.

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17. Clc Food distribution prior to the supplier's invoice
Food's procured under Direct Procurement and distributed by the association, could be received prior to the supplier's invoice which is compared with the storekeeper records.

Points for discussion under Schedule 4 Extra Provision LL. 3,400,000

The additional provision for staff termination of LL. 3,400,000 was provided to cover indemnities payable to regular registered employees, upon separation and after termination of specific programs. We are always in line with local laws and practice.

Additional provisions may be required to fully cover all contingencies in this respect (list and application of provisions is being approved).

Transport and Representation LL. 300,000 and LL. 1,482,000

These represent allowances paid to cover expenses incurred by the executive committee member, Mr. Nazen El-Khoury.

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memorandum

REPLY TO
ATTN OF:

Douglas Robertson, RLA



SUBJECT:

YMCA/LEBANON Grant No. 268.0318-G-00-1004-06

TO:

Frederick E. Machmer, Jr.
A.I.D. Representative

You have asked whether the provision in the subject Grant, which provides for a management fee to be paid instead of overhead can be disallowed and recomputed as overhead expense.

The Attachment No. 1, Program Description, to the Grant Agreement signed May 18, 1988 at Article F. Budget, provides a line item entitled "Administration". From this line item the parties agreed that the YMCA would be paid a management fee. Article H of said Program Description provides as follows: "No overhead costs are to be charged hereunder." It appears that the parties agreed that the management fee would be paid in lieu of overhead.

In Amendment No. 6 to the subject Grant signed September 15, 1987 Article H of the Program Description was deleted and the following language was inserted therefor: "Overhead costs will be computed at negotiated provisional rate of 7% in lieu of administrative charge." This amendment did away with the management fee subsequent to the amendment date, but there is no indication that the new overhead provision was to have any retroactive effect.

Unless the parties had agreed otherwise in a document that I have not seen for the period May 18, 1981 through September 14, 1987, the payment of a management fee out of the Administration line item was proper, and unless it can be established that said fee was excessive to that agreed upon by the parties it must stand.

cc: Richard THABET
RIG - USAID
Nairobi

Riad A. Mansour
PEAT Marwick
c/o USAID, Lebanon

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