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AUDIT OF
USAID/SOUTH AFRICA'S CONTROLS
OVER PROJECT FUNDS

AUDIT REPORT NO. 3-674-91-05
MARCH 15, 1991

The Mission's procedures and controls were generally adequate to ensure that project funds were used in accordance with A.I.D. policies and terms of the grant agreements. However,

- cash advances were often outstanding for over 90 days and, in many cases, were not liquidated by the grant expiration dates;
- the Mission was not requiring grantees to deposit cash advances into interest-bearing accounts;
- certain duties within the voucher payment process were not adequately segregated; and
- questioned costs were reimbursed to a grantee.

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REGIONAL INSPECTOR GENERAL/AUDIT

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March 15, 1991

MEMORANDUM

TO : Dennis P. Barrett, Director, USAID/South Africa

FROM : Toby L. Jarman, RIG/A/Nairobi Toby L Jarman

SUBJECT: Audit of USAID/South Africa's Controls Over Project Funds

Enclosed are five copies of our audit report on USAID/South Africa's Controls Over Project Funds, Report No. 3-674-91-05.

We reviewed your comments on the draft report and summarized them after each finding and also included them as an appendix to this report. Based on the actions taken by the Mission, Recommendation Nos. 3.1, 3.2, and 3.3 are closed. All remaining recommendations except Recommendation No. 1.3 are resolved and will be closed when appropriate actions are completed. Recommendation No. 1.3 will be resolved when we obtain your agreement on the exact amounts to be recovered through (1) issuance of bills of collection and (2) other means of liquidation, and closed when appropriate actions are completed. Please advise me within 30 days of any actions taken or planned to implement the recommendations.

I appreciate the cooperation and courtesy extended to my staff during the audit.

EXECUTIVE SUMMARY

The A.I.D. development assistance program in the Republic of South Africa was designed to promote an end to apartheid and the emergence of a non-racist democracy. Specifically, the A.I.D. program seeks to:

- support the development of future South African leaders through education, training and scholarship programs;
- expand black participation in the South African economy;
- strengthen the development of democratic institutions and processes; and
- assist victims of apartheid laws and promote an awareness of human rights.

To achieve these objectives, A.I.D. supports projects in the areas of education, human rights, labor union training, private enterprise development, community leadership, and self-help. As of July 31, 1990, the USAID Mission in South Africa managed a portfolio of 8 active projects, funded directly by the Mission, which had cumulative obligations and disbursements totalling approximately $69.4 million and $25.4 million, respectively. Under these 8 active projects, the Mission financed a total of 940 grants and contracts.

Between August 20 and October 12, 1990, we audited the program in accordance with generally accepted government auditing standards (see page 1 and Appendix I). For the items tested, USAID/South Africa followed A.I.D. procedures and terms of the grant agreement in managing and accounting for cash advances and processing vouchers for payment, except as follows:

- USAID/South Africa was not effectively managing $999,050 in cash advances which were outstanding more than 90 days, resulting in additional borrowing costs to the federal government and potential unsupported or uncollectible advances (see page 4).
- The U.S. Government lost an undetermined amount of interest income because USAID/South Africa was not ensuring that its grantees maintained project funds in interest-bearing accounts and remitted the earnings to A.I.D. (see page 7).

- An estimated $12 million in payments for fiscal year 1991 may be at risk as a result of inadequate separation of duties within the voucher payment process (see page 11).

- $117,092 in questioned costs were reimbursed by the Mission to a grantee (see page 14).

The report includes recommendations to establish systems that will improve the Mission's management of cash advances and interest income and strengthen controls within the voucher payment process. It also (1) presents our assessment of internal controls (see page 16) and (2) reports on USAID/South Africa's compliance with applicable laws and regulations (see page 19).

Office of the Inspector General

Office of the Inspector General
March 15, 1991

TABLE OF CONTENTS

	Page
EXECUTIVE SUMMARY	i
INTRODUCTION	
Background	1
Audit Objectives	1
REPORT OF AUDIT FINDINGS	4
Did USAID/South Africa follow A.I.D. procedures and terms of the grant agreements in managing and accounting for advances to grant recipients?	4
USAID/South Africa needs to improve its management of cash advances	4
USAID/South Africa was not adequately ensuring that interest was being earned and remitted by all grantees	7
Are USAID/South Africa's voucher processing procedures adequate to provide reasonable assurance that payments are made in accordance with A.I.D. policies and terms of the grant agreements?	11
Inadequate separation of duties in voucher payment process	11
Questionable payments were made to a grantee	14
REPORT ON INTERNAL CONTROLS	16
Audit Objective One	16
Audit Objective Two	17
REPORT ON COMPLIANCE	19
	APPENDIX
SCOPE AND METHODOLOGY	I
MANAGEMENT COMMENTS	II

APPENDIX

USAID/SOUTH AFRICA PORTFOLIO OF ACTIVE PROJECTS, OBLIGATIONS AND EXPENDITURES III

REPORT DISTRIBUTION IV

INTRODUCTION

Background

The goal of the A.I.D. development assistance program in the Republic of South Africa is to promote an end to apartheid and the emergence of a non-racist democracy. To achieve this goal, the A.I.D. program seeks to: (1) build bridges between the United States and the legally disadvantaged, (2) promote communication and cooperation within black communities and between blacks and whites in South Africa, (3) support the development of future South African leaders through education, training, and institutional development, (4) enhance and expand black participation in the South African economy, (5) support black organizations and institutions in undertaking sound and effective programs and projects they have identified as priorities, and (6) promote non-violent political and social change in South Africa. The USAID/South Africa program is implemented through non-governmental organizations committed to creating a non-racist, democratic South Africa through peaceful means.

A major element of the program has been its education projects which provide scholarships for academic study in the United States and South Africa. In addition, the program includes projects for private enterprise development, community leadership, self-help, human rights, and labor union training.

As of July 31, 1990, USAID/South Africa managed and funded 8 active projects with obligations of $69.4 million and disbursements of $25.4 million. Under these 8 projects, the Mission had responsibility for monitoring and administering a total of 940 grants and contracts involving numerous discreet activities. A schedule providing a breakdown of these amounts by activity appears in Appendix III.

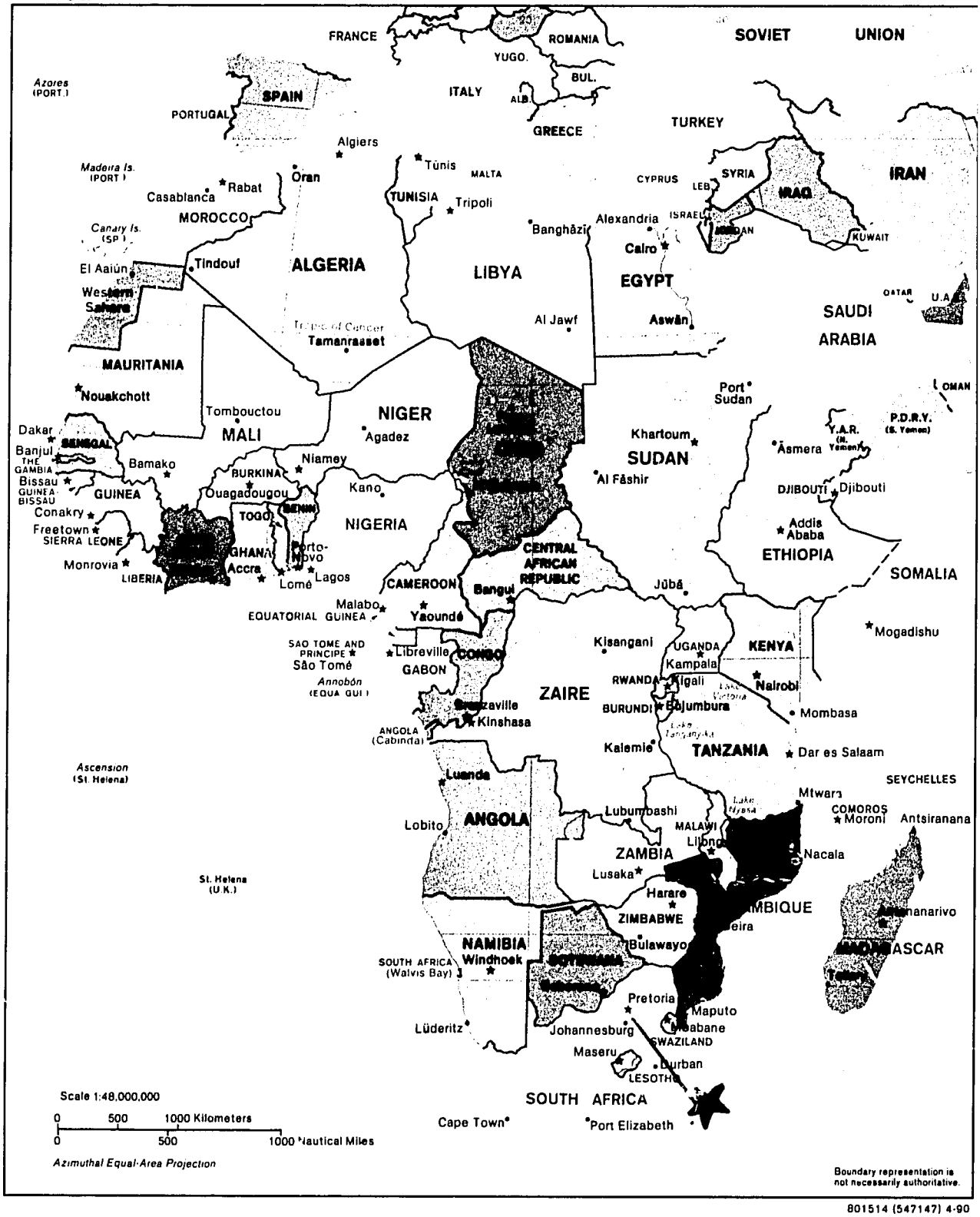
Audit Objectives

The Office of the Regional Inspector General for Audit/Nairobi audited USAID/South Africa's controls over project funds to answer the following audit objectives:

1. Did USAID/South Africa follow A.I.D. procedures and terms of the grant agreements in managing and accounting for advances to grant recipients?

2. Are USAID/South Africa's voucher processing procedures adequate to provide reasonable assurance that payments are made in accordance with A.I.D. policies and terms of the grant agreements?

Africa



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REPORT OF
AUDIT FINDINGS

Did USAID/South Africa follow A.I.D. procedures and terms of the grant agreements in managing and accounting for advances to grant recipients?

For the items tested, USAID/South Africa followed A.I.D. procedures and terms of the grant agreement in managing and accounting for advances, except the Mission did not (1) adequately monitor outstanding advances and (2) ensure that grantees deposited advances into interest-bearing accounts and remitted the interest earnings to A.I.D.

Regarding the management and accounting of cash advances, we tested $510,661 (11% of the total), all of which were supported by adequate documentation. In addition, cash advance balances and transactions for the tested items were also found to be accurately recorded in the Mission's ledger of advances outstanding by project.

However, for the items tested, the Mission did not adequately monitor outstanding cash advances and did not require grantees to both deposit cash advances in interest-bearing accounts and remit interest earnings to A.I.D.

USAID/South Africa Needs to Improve
Its Management of Cash Advances

A.I.D. guidance requires the Mission to ensure that excess cash is not maintained by grantees. The audit found that the Mission did not ensure that grantees held cash only to meet their immediate needs and returned any excess to A.I.D. This occurred because many grant agreements allowed grantees to retain advances until the grant's expiration date, and the Mission did not have a monitoring system to ensure that cash advances were reviewed regularly. As a result, the Federal government has incurred additional borrowing costs to finance long outstanding advances, many of which were never accounted for as project expenditures.

Recommendation No. 1: We recommend that the Director, USAID/South Africa:

1.1 establish a monitoring system which incorporates procedures to ensure that (1) all cash advances are

reviewed on a semi-annual basis, (2) excess cash not required for the following period is returned to A.I.D., and (3) new grant agreements incorporate the provisions necessary to ensure that cash advances are liquidated on a semi-annual basis;

1.2 amend, as necessary, existing grant agreements to require that outstanding cash advances be liquidated on a semi-annual basis rather than at the expiration date of the grant;

1.3 issue bills of collection totalling $345,932 to grantees with advances outstanding past the expiration dates of the grants, or clear these amounts from the books as appropriate; and

1.4 report any outstanding internal control weaknesses to the Assistant Administrator in the next annual Federal Managers' Financial Integrity Act's reporting cycle.

A.I.D. Handbook 19 states that A.I.D. is responsible for monitoring the cash management practices of recipient organizations to ensure that federal cash maintained by them does not exceed their immediate needs, and that excess cash balances are promptly returned to the U.S. Treasury. In addition, A.I.D. Handbook 19 states that each advance should generally be for no more than the recipient's requirements for a 30-day period. However, the advance period may be extended to 90 days with the prior written approval of the Mission Director[1].

... $602,233 was outstanding from 63 grantees for more than one year -- some for as long as four years.

Contrary to A.I.D. Handbook 19 guidance, the Mission was not effectively monitoring the cash advances made to grantees. As of August 17, 1990 the Mission had $4,645,509 in outstanding advances due from 161 grantees. Of this amount, the total outstanding more than 90 days past the accountability date assigned by the Mission was $999,050 due from 101 grantees. Of the amount outstanding more than 90 days, $602,233 was outstanding from 63 grantees for more than one year -- some for as long as four years. Of the amount outstanding more than one year, $345,932 was due from 49 organizations whose grants had expired. Furthermore, the Mission did not report these cash advance weaknesses to the Assistant

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[1] Since many grant agreements we examined authorized advances for 90 days, the report discusses advances outstanding more than 90 days rather than 30.

Administrator or Controller in its latest Certification Letter and Internal Control Assessment submitted in November 1989.

However, during the audit we noted that the Mission had begun to address the problems of managing and controlling cash advances. For example, the Mission Controller stated that grant agreements signed after October 1, 1989 no longer allow an initial advance to automatically be kept by the grantee until the grant termination date. Rather, grantee expenditures are applied against outstanding advances, and any net excess or deficit is then applied against future anticipated cash needs.

The ineffective management of cash advances occurred because grant agreements contained provisions which allowed grantees to retain advances until the grant expiration dates. According to the Controller, this practice originated prior to October 1, 1989 in order to reduce the Mission's administrative workload during a period when it was operating with a limited staff in the Controller's office. Further, the Mission's monitoring system was inadequate because it did not include procedures to ensure that (1) reviews were made by the Mission immediately prior to the grant expiration dates so that all advances were liquidated upon termination and, (2) cash advances to all grantees were reviewed semi-annually, and excess cash returned to the U. S. Treasury.

As a result of its need to finance these advances, the Federal Government has incurred an undetermined amount of additional borrowing costs. However, due to the scope limitation of not reviewing grantee accounting records, we could not determine the exact cost of borrowing to fund these excess advances. Finding No. 2 demonstrates that excess advances have been made.

Thus, we concluded that the Mission needed to establish procedures to improve its management of cash advances, amend existing agreements to require advances to be liquidated semi-annually and collect or clear advances outstanding past the expiration dates of various grants. Further, the Mission should report these weaknesses in its next internal control assessment if the problems are not corrected.

Management Comments and Our Evaluation

In responding to the draft report, USAID/South Africa concurred with the finding and recommendation. The Mission agreed to review cash advances, but stated that it would prefer to do this on a semi-annual basis (rather than quarterly as recommended in the draft report) so that the reviews could be performed in conjunction with the project implementation reviews. The Mission also stated that all new grant agreements now contain provisions requiring outstanding cash advances to be accounted for and liquidated upon the submission of each request for reimbursement or additional advances. Further, the Mission stated that it would also amend all

active grant agreements that extend into FY 1992 to include the above provisions, while monitoring the grants expiring in FY 1991 to ensure that the advances under these grants are properly accounted for prior to the expiration date.

Based on the above, RIG/A/N considers Recommendation Nos. 1.1 and 1.2 resolved. Recommendation No. 1.1 will be closed when we receive documentary evidence that the above changes have been formally incorporated into Mission's operating procedures. Recommendation No. 1.2 will be closed when we receive documentation from the Mission Director certifying that all grant agreements that extend into FY 1992 have been amended.

In its comments regarding the advances outstanding on expired grants, the Mission stated that it had taken action to reduce the total amount of these advances and provided documentation supporting that $164,212 of the $345,932 in advances outstanding as of August 17, 1990 were liquidated. In addition, the Mission provided RIG/A/N with a copy of a Bill of Collection issued to one grantee for $103,686 and indicated that it was in the process of liquidating remaining advances totalling $78,034.

Based on the above, Recommendation No. 1.3 is unresolved. It will be resolved when the Mission informs us of the exact amounts it agrees to (a) recover through the issuance of bills of collection and (b) liquidate by other means. It will be closed when the Mission provides our office with documentary evidence that the remaining $78,034 of outstanding advances have been collected or otherwise cleared from the books.

In response to the recommendation regarding the reporting of internal control weaknesses to the Assistant Administrator, the Mission stated that the corrective actions currently being taken will obviate the need for this recommendation. Based on the corrective actions undertaken by the Mission, Recommendation No. 1.4 is considered resolved. It will be closed when RIG/A/N receives documentary evidence that the internal control weaknesses described under this finding have been corrected.

USAID/South Africa was not Adequately Ensuring that Interest was Being Earned and Remitted by All Grantees

A.I.D. regulations require grantees to maintain cash advances in interest-bearing accounts and to remit interest earned to A.I.D. However, we found that the Mission was unaware of whether grantees were complying with these guidelines. This occurred because the Mission had not established procedures to ensure that all grantees placed advances in interest-bearing accounts and remitted the earnings to A.I.D. As a result, the U.S. Government lost an undetermined amount of interest income from grantees who did not follow these requirements.

Recommendation No. 2: **We recommend that the Director, USAID/South Africa:**

2.1 establish procedures to ensure that all grantees maintain cash advances from A.I.D. in interest-bearing accounts and remit the interest earnings at least quarterly;

2.2 amend existing grant agreements, where necessary, to require grantees to maintain cash advances in interest bearing accounts and remit the earnings to A.I.D.;

2.3 issue the following bills of collection for interest earned but not remitted to A.I.D. as of August 28, 1990, including any subsequent earnings not remitted:

(a) R50,259 ($20,104) to the South African Institute of Race Relations, and

(b) R2,712 ($1,061) to the Grassroots Educare Trust;

2.4 report any outstanding internal control weaknesses to the Assistant Administrator in the next annual Federal Managers' Financial Integrity Act's reporting cycle.

A.I.D. Handbook 13 and OMB A-110 require grantees to deposit cash advances in interest-bearing accounts and to remit interest earned on advances to A.I.D. at least quarterly. Further, Handbook 19 states that the Mission is responsible for monitoring the cash management practices of grantees to ensure that interest earned on Federal funds is promptly paid to the U.S. Treasury. Additionally, the 26 grant agreements we examined during the audit generally included a standard provision requiring grantees to remit to A.I.D. any interest earned on program funds. However, grantees were permitted under Handbook 13 to retain up to $100 per year in interest earnings to cover related administrative expenses.

The Mission did not have adequate controls in place to ensure that grantees who received cash advances were placing those advances in interest-bearing accounts and remitting the interest earned to A.I.D. Although the grant agreements generally contained a provision requiring grantees to remit interest earned on A.I.D. funds, the Mission had no assurance that grantees were complying with this provision. Our audit revealed that while 39 of the sampled grantees had received cash advances, only 2 remitted interest earned on those funds. Further, some of the remaining 37 grantees had reported earning interest, but were not remitting the earnings to A.I.D. This problem was not disclosed by the Mission in its latest Certification Letter and Internal Control Assessment submitted to the Assistant Administrator and Controller in November 1989.

As a result of this control weakness, the U.S. Government lost an undetermined amount of interest income from grantees...

The lack of reporting of interest earnings occurred because the Mission had not established adequate monitoring procedures which would enable it to verify whether grantees were placing cash advances in interest-bearing accounts and remitting the interest earnings to A.I.D. as required.

Additionally, several Mission project officers were unaware that grantees were required to deposit cash advances in interest-bearing accounts. However, they were aware that any interest earned had to be submitted to A.I.D. As such, they stated that they advised grantees to place cash advances in non-interest-bearing accounts to avoid having to administer the remittance of the interest earnings, a task the project officers considered to be an administrative burden on themselves and the grantees.

As a result of this control weakness, the U.S. Government has lost an undetermined amount of interest income from grantees that either had not placed cash advances in interest bearing accounts, or did so and failed to remit the interest earnings to A.I.D. The audit found that this may have been occurring on a number of grants since (1) two project officers stated that they had advised grantees to place funds in non-interest bearing accounts, (2) two grantees reported interest earnings (in excess of $100) totalling R52,971 ($21,165) which had not been remitted to A.I.D. and (3) our review identified $999,050 in cash advances that were outstanding over 90 days, some of which may have been idle cash that could have earned interest.

Thus, we concluded that the Mission needed to amend existing grant agreements to include a provision that requires grantees to deposit cash advances in interest-bearing accounts and establish reporting procedures which would enable the Mission to monitor interest and ensure that grantees remit the earnings to A.I.D. These amendments should be included in all future grant agreements and should also require grantees to submit copies of their bank statements so that the Mission can monitor compliance. Additionally, the Mission needs to issue bills of collection totalling R52,971 ($21,165) to two grantees for interest earned but not remitted to A.I.D. Further, the Mission should report these weaknesses in its next Internal Control Assessment if these problems are not corrected.

Management Comments and Our Evaluation

In its response to the draft report, USAID/South Africa concurred with the audit finding and recommendation. The Mission agreed that

procedures needed to be established to ensure that grantees maintain cash advances in interest-bearing accounts and remit the interest earnings to A.I.D., but stated that the cost of tracking and collecting interest from many of the smaller grantees would exceed the revenue received. While we recognize the efforts involved in tracking and collecting interest from numerous grantees, A.I.D. Handbook 13 requires grantees to submit interest earnings in excess of $100. As such, we believe that the Mission's procedures should ensure compliance with this requirement. The Mission also agreed to amend all existing grant agreements to require grantees to maintain cash advances in interest-bearing accounts and remit the earnings to A.I.D.

Based on the above, RIG/A/N considers Recommendation Nos. 2.1 and 2.2 resolved. Recommendation No. 2.1 will be closed when this office receives documentary evidence describing acceptable procedures for ensuring that grantees maintain advances in interest-bearing accounts and remit the earnings in excess of $100 to A.I.D. Recommendation No. 2.2 will be closed when we receive documentation from the Mission Director certifying that all existing grant agreements have been appropriately amended.

In its comments regarding the accumulated interest earnings that were not remitted by the South African Institute of Race Relations (SAIRR) and the Grassroots Educare Trust (Recommendation No. 2.3), the Mission stated that it agreed with the amount of interest to be remitted by the two grantees and had taken action to collect these interest earnings. The Mission informed us that it had received an interest payment totalling R55,688 ($21,924) -- a higher amount than recommended in this report -- from SAIRR on November 5, 1990 and provided our office with a copy of the general receipt issued by the Mission as evidence of this payment. Regarding the R2,712 ($1,061) in accumulated interest earned by Grassroots, the Mission stated that a refund check from the grantee for these earnings was forthcoming and that it would forward a copy of the receipt when payment was received.

Based on the above, Recommendation No. 2.3 (a) is considered closed and Recommendation No. 2.3 (b) is resolved. Recommendation No. 2.3 (b) will be closed when this office receives documentary evidence that the Mission has issued a bill of collection to Grassroots Educare Trust in the amount of R2,712 ($1,061) for its accumulated interest earnings.

In responding to the recommendation regarding the reporting of internal control weaknesses to the Assistant Administrator, the Mission stated that the corrective actions currently being taken will obviate the need for this recommendation. Based on the corrective actions undertaken by the Mission, Recommendation No. 2.4 is resolved. It will be closed when RIG/A/N receives documentary evidence that the internal control weaknesses described under this finding have been corrected.

Are USAID/South Africa's voucher processing procedures adequate to provide reasonable assurance that payments are made in accordance with A.I.D. policies and terms of the grant agreements?

For the items tested, USAID/South Africa's procedures were determined to be adequate to provide reasonable assurance that payments were made in accordance with A.I.D. policies and terms of the grant agreements. However, the Mission did not adequately segregate duties in several areas within the voucher payment process and made questionable payments to one grantee.

Of the $6,333,745 tested, 25 percent of total active project expenditures, payment vouchers were found to be properly approved by the Mission's Project Officers and properly certified by the Mission's Controller. In addition, the payment vouchers accurately reflected the payees and amounts.

However, our audit identified several critical areas within the voucher payment process where assigned duties were not adequately separated. In addition, costs were reimbursed by the Mission to one project grantee that were contrary to the provisions of the grant agreement.

Inadequate Separation of Duties in Voucher Payment Process

A.I.D. policy states that responsibilities for assigned duties should be appropriately segregated to minimize opportunities for unauthorized acts. The audit found that certain duties in the Mission's voucher payment process were not adequately segregated. This occurred because the Mission had not established procedures to appropriately assign duties within the voucher processing and payment processes. As a result, an estimated $12 million in anticipated project and operating expense payments for fiscal year 1991 could be at risk and subject to unauthorized or fraudulent acts.

Recommendation No. 3: We recommend that the Director, USAID/South Africa establish procedures to:

3.1 segregate voucher processing duties between the recording, reviewing, and disbursing functions;

3.2 ensure that payment checks are issued directly to the project grantees by the Mission's Controller Office; and

3.3 report any outstanding internal control weaknesses to the Assistant Administrator in the next annual Federal Managers' Financial Integrity Act's reporting cycle.

A.I.D. Handbook 19 states that the Mission's organizational structure should be planned and established "... so that responsibility for assigned duties and functions are appropriately segregated as between authorization, performance, keeping of records, custody of resources and review, so as to provide internal checks on performance and to minimize opportunities for unauthorized, fraudulent, or otherwise irregular acts." Specifically, the Mission should ensure that key duties and responsibilities in authorizing, processing, recording, and reviewing transactions are assigned to separate individuals so that no one individual controls all phases of a transaction, creating a situation that permits errors or irregularities to go undetected.

In analyzing the Mission's system for processing payment vouchers, we identified two areas within this system where assigned duties were not adequately segregated. First, we found that the Mission's cashier had responsibility for both requesting and receiving payment checks. The cashier acquired this dual responsibility in June 1990, when the Mission began requesting its own payment checks from the Regional Administrative Management Center (RAMC) in Paris, a function formerly carried out by the Regional Financial Management Center in Swaziland. At that time, the cashier was assigned responsibility for preparing the check request forms used to request payment checks, in addition to her normal cashier duties of receiving and distributing checks.

Specifically, the cashier was assigned responsibility for (1) preparing the check request forms (2) submitting these forms, following certification by the Controller, to the U.S. Embassy in Pretoria for transmission to RAMC, (3) receiving the payment checks from RAMC, and (4) distributing the checks to the respective vendor or project office. The process required that all check request forms be reviewed by a voucher examiner and certified by the Mission Controller prior to being sent to the U.S. Embassy for transmission to RAMC. However, we found that the cashier had access to the request forms both after they were reviewed by the voucher examiner as well as after they were certified by the Controller, enabling the cashier to request additional checks without proper authorization.

Second, we found that the duties assigned to the Mission's seven project officers in processing payment vouchers were also not adequately separated. Like the cashier, the project officers also had assigned duties which enabled them to both request and receive payment checks. For example, among their assigned duties, the project officers were responsible for (1) preparing payment vouchers based on expense documentation submitted by grantees, (2) administratively approving the vouchers before submitting them to the Controller's Office, (3) receiving payment checks from the cashier, and (4) distributing the checks to the grantees.

The reason duties were not adequately segregated in the voucher payment process was because the Mission had not established procedures to do so. According to the Controller, the cashier was assigned responsibility, in June 1990, for preparing the check request forms, in addition to her normal duties of receiving and issuing checks, since she was the only individual within the Controller's Office who was available at the time to perform this additional task. He did not feel the other accountants in his office could assume any additional responsibilities due to their workload requirements. Further, the cashier was considered to be better suited for preparing the request forms since she had prior experience in performing this task.

Regarding the distribution of project payment checks, the Mission preferred to have the payment checks distributed to grantees by the project office, rather than the Controller's Office. This was done because grantees were accustomed to dealing with the project officers, and not the Controller's office.

If these system weaknesses are not addressed, an estimated $12 million in anticipated project and operating expense payments for fiscal year 1991 may be at risk.

As a result of these two control weaknesses, there is an increased risk that fraudulent or irregular acts -- unauthorized payments -- could occur. Since the cashier has multiple responsibilities in the processing of checks and, more importantly, has access to both the check request forms after they are reviewed and certified as well as the incoming checks, it gives this individual an opportunity to manipulate the system in order to generate unauthorized checks. The risk involved becomes even more significant when one considers the large amount of payments that are handled by this individual. During the four-month period from June 1, 1990 through September 30, 1990, the cashier requested and received checks from Paris totalling $5.6 million. If these system weaknesses are not addressed, an estimated $12 million in anticipated project and operating expense payments for fiscal year 1991 may be at risk. Further, the process also allows the project officers (who are responsible for administratively reviewing and approving grantee expense claims and distributing the checks) an opportunity to submit fictitious claims in order to obtain payment checks fraudulently.

Based on the foregoing, we concluded that the Mission needs to establish procedures to segregate duties in the voucher payment process. At a minimum, (1) the cashier should no longer be allowed to have access to the prepared check request forms after they are reviewed by the voucher examiner and certified by the Controller, and (2) all payment checks should be distributed by the

Controller's office rather than by project officers. Further, if left uncorrected, the Mission should report these weaknesses in its next internal control assessment.

Management Comments and Our Evaluation

In responding to the draft audit report, USAID/South Africa agreed with this finding and recommendation. They stated that steps had been taken to segregate duties in the areas identified in the report and provided RIG/A/N with a copy of a revised Mission Order dated October 23, 1990, which formalized these changes. Based on the reassignment of duties discussed in the revised Mission Order provided to RIG/A/N, Recommendation Nos. 3.1, 3.2 and 3.3 are considered closed.

Questionable Payments Were Made to a Grantee

The Cooperative Agreement with the Wilgespruit Fellowship Center specified the amount and type of costs that could not be claimed and reimbursed as valid project expenditures. The audit found that the Mission reimbursed certain costs which were either contrary to the provisions of the Agreement or could not be supported. These reimbursements were made because the Mission did not obtain adequate support and did not verify whether the costs claimed were in accordance with the provisions of the Cooperative Agreement. As a result, questionable and unsupported payments of R252,587 (US $117,092) were made to the Wilgespruit Fellowship Center.

Recommendation No. 4: We recommend that the Director, USAID/South Africa:

4.1 determine the allowability and recover from Wilgespruit, as appropriate, questioned costs totaling R63,107 (US $28,427).

4.2. determine the allowability and recover from Wilgespruit, as appropriate, unsupported costs totaling R189,480 (US $88,665).

The Mission entered into a Cooperative Agreement with the Wilgespruit Fellowship Center under the Community Outreach and Leadership Development Project. This agreement specified the types of administrative costs that were allowable, defined bad debts as an unallowable cost, and restricted the purchase of motor vehicles without the prior written approval of A.I.D.'s grant officer.

Our audit disclosed questionable and unsupported payments totaling R252,587 (US $117,092) made to Wilgespruit. Questionable payments of R63,107 (US $28,427) were reimbursed to Wilgespruit by the Mission for bad debts and motor vehicle costs incurred in 1988. The Mission also reimbursed administrative costs for 1987 totaling

R189,480 (US $88,665). Reimbursement for bad debts was prohibited by the agreement and the purchase of motor vehicles did not have the prior written approval required by the agreement. Also, there was no clear support for the administrative costs reimbursed to Wilgespruit. Further, the claim for administrative costs was not calculated accurately and, in addition, management could not explain the calculation used in arriving at the claimed administrative costs. During our fieldwork, we brought this problem to management's attention. The Mission then contracted with an outside accounting firm in September, 1990 for a financial review of Wilgespruit's administrative costs to determine the proper amount of the reimbursement.

... we found questionable and unsupported payments of $117,092 ...

These questionable and unsupported payments made to Wilgespruit occurred because the Mission did not obtain adequate support and did not verify that the costs claimed were in accordance with the provisions of the Cooperative Agreement. However, since we found questionable and unsupported payments of $117,092 made to only one grantee out of reimbursement claims tested from 114 grantees totaling $6,333,745, we concluded that this was not a systemic problem. The Controller and Project Officer working with this grantee also did not believe the problem was systemic.

In view of the foregoing, we concluded that the Mission needs to determine the allowability of questioned and unsupported costs totaling R252,587 (US $117,092).

Management Comments and Our Evaluation

USAID/South Africa agreed with the finding and recommendation. Earlier, the Mission stated that it had issued a work order under an indefinite quantity contract to have a financial review performed on the Wilgespruit Fellowship Center to determine the allowability of the R63,107 (US $28,427) in questioned costs and R189,480 (US $88,665) in unsupported costs identified by the audit. In responding to the draft report, the Mission informed us that based on the results of this review, performed by a local public accounting firm, it had determined that questioned costs totalling R69,298 (US $26,298) should be disallowed and unsupported costs totalling R46,158 (US $17,484) should be disallowed. The Mission stated that it was in the process of recovering the amounts disallowed.

Based on the above, Recommendation Nos. 4.1 and 4.2 are resolved. The recommendations will be closed when RIG/A/N receives a bill of collecton or other appropriate documentation from the Mission.

REPORT ON INTERNAL CONTROLS

We audited USAID/South Africa's controls over project funds and issued our report on this subject dated March 15, 1991.

We conducted our audit in accordance with generally accepted government auditing standards, which require that we plan and perform the audit to fairly, objectively, and reliably answer the objectives of the audit.

In planning and performing our audit, we considered A.I.D.'s internal control structure in determining our auditing procedures in order to answer each of the two audit objectives, rather than provide assurance on the internal control structure.

A.I.D. management, including USAID/South Africa, is responsible for establishing and maintaining adequate internal controls. As such, Congress enacted the Federal Managers' Financial Integrity Act in September 1982, which makes heads of executive agencies and other managers legally responsible for establishing and maintaining adequate internal controls.

Internal controls are to provide management with reasonable assurance that resources are (1) used in accordance with laws, regulations, and policies; and (2) are safeguarded against waste, loss, and misuse. Internal controls also ensure fair and accurate reporting.

This report presents the significant internal controls applicable to each audit objective. For each objective, we obtained an understanding of the design of applicable controls and determined whether they were being followed. In doing so, we found significant weaknesses in the internal controls. These weaknesses are significant because of potential adverse effects on USAID/South Africa's management of cash advances and its voucher processing procedures.

Audit Objective One

This objective relates to the Mission's management and accounting of cash advances to grant recipients. In planning and performing our audit of cash advances, we considered the applicable internal control policies and procedures cited in A.I.D. Handbooks 1, 13, and 19. For the purposes of this report, we have classified the

relevant policies and procedures into the following categories: The cash advance liquidation process the cash advance accounting process, and the cash advance and interest monitoring process. We noted two reportable conditions:

- the Mission did not establish an adequate monitoring system to ensure that (1) outstanding cash advances were liquidated upon the termination of a grant or contract, and (2) advance levels were reviewed quarterly to determine whether these levels were appropriate or excessive; and

- the Mission did not enforce the requirement for grantees to deposit cash advances in interest-bearing accounts and remit the interest earned on those funds to A.I.D.

These deficiencies in the internal controls resulted in inadequate accounting and management of cash advances and interest earnings.

Audit Objective Two

This objective relates to the adequacy of the Mission's voucher processing procedures. In planning and performing our audit of the Mission's voucher processing procedures, we considered the applicable internal control policies and procedures cited in A.I.D. Handbook 19 and the provisions contained in the grant agreements. For the purposes of this report, we have classified the relevant policies and procedures into the following categories: the voucher review process, voucher approval process, check request process, and the check receipt/distribution process. We noted two reportable conditions:

- The Mission did not appropriately segregate duties assigned to the cashier and project officers for requesting, receiving, and issuing payment checks; and

- The Mission, in the case of one grantee, did not adequately verify that reimbursement claims included costs that were in accordance with the provisions of the agreement and were adequately supported.

The deficiency relating to the segregation of duties resulted in an increased risk of issuing unauthorized checks and erroneous payments to grantees.

. . .

Our consideration of internal controls would not necessarily disclose all weaknesses that might be reportable and, accordingly, would not necessarily disclose all weaknesses that could have a material effect on the records of A.I.D. project expenditures. However, we believe the internal control weaknesses described under

audit objectives numbered one and two have such a material effect. We also noted that the Mission did not report any of these problems in its latest internal control assessment, an assessment required by the Federal Managers' Financial Integrity Act.

REPORT ON COMPLIANCE

We audited USAID/South Africa's control over project funds as of October 12, 1990.[2] We conducted the audit in accordance with generally accepted government auditing standards.

Compliance with laws, regulations, contracts, and grants applicable to the Mission's portfolio of projects is the overall responsibility of USAID/South Africa's management. As part of our audit, we performed tests of USAID/South Africa's compliance with appropriate provisions of OMB Circular A-110, Treasury Circulars 1075 and 1083, and grant agreements. Except as described below, the results of our tests of compliance indicated that, with respect to the items tested, USAID/South Africa significantly complied with regulations and agreements applicable to the program. With respect to items not tested, nothing came to our attention that caused us to believe that USAID/South Africa had not significantly complied with those provisions.

Our audit disclosed the following instances of noncompliance:

- **Audit Objective No. 1**: USAID/South Africa was not adequately ensuring that interest was being earned and remitted to the U.S. Government by all grantees. A.I.D. Handbook 13, which is based on OMB Circular A-110, Treasury Circulars 1075 and 1083, states that recipients shall maintain cash advances in interest bearing accounts and shall remit to A.I.D., at least quarterly, the interest earned on such advances (except for the first $100 of interest income per year, which may be retained by the recipient to cover administrative expense).

  Audit Objective No. 2: Payments made to the Wilgespruit Fellowship Center were not in compliance with the terms of its Cooperative Agreement. The Agreement with Wilgespruit allowed reimbursement only for actual administrative costs incurred, prohibited reimbursement for bad debts, and prohibited the purchase of motor vehicles without prior written approval from the grant officer. Wilgespruit was

[2]the period covered by our audit is explained in the Scope and Methodology section of this report.

reimbursed $88,665 for unsupported administrative costs, $7,648 for bad debts and $20,779 for unapproved motor vehicle purchases.

SCOPE AND METHODOLOGY

Scope

We audited USAID/South Africa's controls over cash advances and project payments in accordance with generally accepted government auditing standards. We conducted the audit from August 20 through October 12, 1990, and covered those projects that were currently active as of July 31, 1990.

Our audit included tests to determine whether USAID/South Africa (1) followed applicable internal control procedures and (2) complied with certain provisions of laws, regulations, grants and contracts. Our tests were sufficient to provide reasonable--but not absolute-assurance of detecting abuse or illegal acts that could significantly affect the audit objectives. However, because of limited time and resources we did not continue testing when we found that, for the items tested, USAID/South Africa followed A.I.D. procedures and complied with legal requirements. Therefore, we limited our conclusions concerning these positive findings to the items actually tested. But when we found problem areas, we performed additional work: (1) to conclusively determine that USAID/South Africa was not following a procedure or not complying with legal requirement, (2) to identify the cause and effect of the problems and (3) to make recommendations to correct the condition and cause of the problems.

For Audit Objective One, cash advances totalling $510,661 -- 11 percent of total cash advances of $4,645,509 - were tested. For Audit Objective Two, we examined reimbursement requests from grantees totalling $6,333,745, which represented 25 percent of the $25,415,988 total project expenditures. We conducted our field work solely in the office of USAID/South Africa located in Pretoria, South Africa.

The audit was limited to a review of the Mission's procedures and internal controls over project funds. Thus, the scope of the audit did not cover the following areas:

- The audit did not review the progress of USAID/South Africa's projects or the performance of its grantees.

- We did not perform field work at any grantee or project sites. Therefore, we did not review the financial records and correspondence maintained by grantees. At the request of Mission management, however, we did interview one representative of one grantee.

- No prior audit findings had been issued thus we did not consider prior audit findings in developing our scope and methodology. We did, however, review and consider prior audit reports issued by independent CPA firms.

Methodology

The methodology for each audit objective follows:

Audit Objective One

The first audit objective consisted of gathering, verifying and analyzing information to determine if cash advances were being adequately managed and controlled in accordance with A.I.D. Handbook guidelines and terms of the grant agreements. We tested five randomly selected cash advance transactions totalling $510,661 or 11 percent of the $4,645,509 in total advances to verify the accuracy of the computer generated cash advance listing. Our analysis and examination were based on the Mission's listing of cash advances outstanding as of August 17, 1990. A.I.D. Handbook guidelines allow the Mission Director to issue advances to grantees for up to a 90 day period and many of the grant agreements we reviewed during our audit allowed this. Therefore, we analyzed the cash advance listing to identify all advances that were outstanding over 90 days and used the results of this analysis to assess whether the Mission was effectively monitoring the cash advances made to its grantees. In our tests to verify compliance with the interest requirements, we examined grant agreements for 21 of the 39 sampled grantees receiving cash advances and reviewed 53 expense vouchers, including accompanying documentation, submitted by these 21 grantees. We also examined cash advance requests and grantee correspondence files. We also held discussions with Mission personnel and reviewed applicable sections of the A.I.D. Handbooks.

Audit Objective Two

To accomplish our second audit objective, we determined whether (1) there was adequate and appropriate segregation of duties, (2) grantee expenditure reimbursement and cash advance requests were properly approved, processed and paid, and (3) the Mission had proper procedures in place to ensure that project expenditures were

made in accordance with the grant agreements. We obtained an understanding of the Mission's internal control environment. Specifically, we studied, flow charted, analyzed and tested the Mission's voucher processing procedures and segregation of duties. We also reviewed the Mission's latest internal control assessment. We examined a judgmental sample of 114 grantee expense vouchers totaling $6,333,745 (25 percent of expenditures for currently active projects funded directly by USAID/South Africa) for adequate supporting documentation, appropriate approval, and whether payments were reasonable, allowable and allocable. In testing reimbursement requests, we also reviewed grant agreements and correspondence between the Mission and grantees. Our audit of USAID/South Africa's voucher processing procedures also included discussions with Mission personnel.

MEMORANDUM

DATE : March 8, 1991

TO : Mr. Toby Jarman, RIG/A/Nairobi

FROM : Dennis F. Barrett, Director, USAID/South Africa

SUBJECT : Audit of USAID/South Africa's Controls Over Project Funds

REF. : Burns/Barrett Memo dated February 6, 1991

We have a few general comments on the report:

1. We will send this memo by FAX with the annexes. Copies of memos, vouchers, etc. will be sent with the hard copy by DHL.

2. We believe both the Executive Summary and the body of the report, should give a more detailed description and analysis of the management workload and pipeline problems faced by this Mission as opposed to those of other USAIDs. Without this it appears the auditor's recommendations flow from only a handful of large transactions within a small program. In fact the opposite is true.

3. On page 12, the draft report states that "As a result of this control weakness, the U.S. Government lost an indeterminable amount of interest income from grantees. . ." We believe that given resources and time one could make a fairly accurate determination of the interest earnings that have been lost. We would suggest that "undertermined" be substituted for "indeterminable".

4. Appendix III gives the reader a misleading impression of the Mission's portfolio and the work requirements of the Controller's Office in particular. The table implies that the Mission is responsible for administering only eight projects. This is misleading, since each of these projects finances many discreet activities, involving several hundred grantees. If the appendix were to be revised to show the number of on-going grants, the true significance of the audit findings and the recommendations would be more comprehensible to readers who are not familiar with the program.

5. The dollar amounts cited on pages 5 ($345,932), 10 ($21,165) and 21 ($117,092) were correct at the date of the audit.

Our specific comments on each of the recommendations are:

Recommendation No. 1: We recommend that the Director, USAID/South Africa:

1.1 establish a monitoring system which incorporates procedures to ensure that (1) all cash advances are reviewed on a quarterly basis,, (2) excess cash not required for the following quarter is returned to A.I.D., and (3) new grant agreements incorporate the provisions necessary to ensure that cash advances are liquidated on a quarterly basis,

Action Taken:

We believe that reviews would best be done on a semi-annual basis in conjunction with Project Implementation Reviews. All new grants contain necessary language to require that advances be accounted for upon submission of each request for reimbursement or further advance. The review of all claims will include accounting for the outstanding advance as well as the request for advances for the succeeding period.

1.2 amend, as necessary, existing grant agreements to require that outstanding cash advances be liquidated on a quarterly basis rather than at the expiration date of the grant;

Action Taken:

We are in the process of amending all active grant agreements that extend into FY 1992. The cost and the benefit to be gained by amending grants that will expire this fiscal year is just too great to be justified. The Mission will monitor those grants that will expire this fiscal year to assure that advances are properly accounted for prior to the end of the grant.

1.3 issue bills of collection totalling $345,932 to grantees with advances outstanding past the expiration dates of the grants, or clear these amounts from the books as appropriate;

Action Taken:

We have received documentation to reduce this list of outstanding advances, have written some off and issued bills of collection for others. A comparison list of grantees and copies of appropriate documentation is attached as Annex 1.

1.4 if Recommendation Nos. 1.1, 1.2 and 1.3 are not implemented, report to the Assistant Administrator in the next annual Federal Managers' Financial Integrity Act's reporting cycle, the internal control weaknesses associated with the Mission's cash advances to grantees.

Action Taken:

We believe the actions taken and to be taken will obviate the necessity of this part of the recommendation.

Recommendation No. 2: We recommend that the Director, USAID/South Africa:

2.1 establish procedures to ensure that all grantees maintain cash advances from A.I.D. in interest-bearing accounts and remit the interest earnings at least quarterly;

Action Taken:

We concur in this recommendation, but believe it should be pointed out that the cost of tracking and collecting interest for many of the smaller grantees will be greater than the revenue received.

2.2 amend existing grant agreements, where necessary, to require grantees to maintain cash advances in interest bearing accounts and remit the earnings to A.I.D. , and

Action Taken:

All agreements will be so amended.

2.3 issue the following bills of collection for interest earned but not remitted to A.I.D. as of August 28, 1990, including any subsequent earnings not remitted:

(a) R50,259 ($20104) to the South African Institute of Race Relations, and

Action Taken

This amount was included in an amount collected on 11/5/90. Copy of General Receipt attached as Annex 2.

(b) R2,712 ($1,061) to the Grassroots Educare Trust;

Action Taken

Grassroots Educare Trust has advised us that the check is ready. Ms. Barrett of our staff will pick it up on March 8, 1991. We will forward a copy of the general receipt when prepared.

2.4 if Recommendations No.s 2.1, 2.2, and 2.3 are not implemented, the Mission Director should report to the Assistant Administrator, during the next annual Federal Manager's Financial Integrity Act's reporting cycle, the internal control weakness whereby the Mission had not established procedures to ensure that all grantees maintained cash advances in interest-bearing accounts and remitted the interest earnings to A.I.D.

Action Taken:

We believe the actions taken and to be taken will obviate the necessity of this part of the recommendation.

Recommendation No. 3: We recommend that the Director, USAID/South Africa establish procedures to :

3.1 segregate voucher processing duties between the recording, reviewing, and disbursing functions;

Action Taken:

These procedures were put in place while the auditors were here and were formalized in a Mission Order Amendment dated October 23, 1990. Copies of the Mission Order were sent to Nairobi on October 23 1990 and February 20. A copy is attached as annex 3.

We request that this recommendation be closed upon issuance of the report.

Drafted: MLV

Clearances
HRO; H.Wilkinson
PDO; C.Mango
PDO; D.Rathbun
SPDO; M.Johnson
ADIR; J.Weber

USAID/SOUTH AFRICA

Cash Advances Outstanding Past the Grant Expiration Dates

Grantee Name	Expiration Date	Balance Audit	Balance 3/6/91
Community Out reach and Leadership Development			
Cheadle, Thompson & Hayson	10/31/89	$ 8,534.14	$ -0-
Zimele Transformation Resource	6/30/90	3,210.53	84.08*
Educational Support and Training			
Rene Yates	8/10/90	9,597.00	-0-
Black Private Enterprise Development			
Foundation for Black Dev.	5/15/90	17,988.35	-0-
Institute for Democratic Dev.	5/31/90	80.34	-0-
Newco Convening Committee	1/31/90	6,224.07	-0-
Newco Convening Committee	1/31/90	3,193.93	-0-
Special Self Help Development			
Asambeni Careers Consultancy	1/30/90	333.71	-0-
Catholic Church Acornhoeck	4/30/90	1,021.92	1,021.92*
Healdtown Comm. Ed. Trust	3/30/90	3,778.67	3,778.67*
Khanyisa Environmental Aware	4/30/90	173.76	-0-
Kwangwane S.H. Ass. for Dis.	9/88	3,094.12	-0-
Natal Regional Crafts Assoc.	4/30/90	3,475.63	-0-
Nkosinathi Community Creche	3/31/90	4,538.99	4,538.99*
Pace Community College	2/15/90	2.74	2.74*
Port Elisabeth Ed.	3/30/90	6,816.92	6,816.92*
Themba School Water Project	2/15/90	7,000.00	7,000.00*
Human Rights			
Advice Centers Association	3/31/90	11,600.00	8,081.55*
Black Allied Workers Union	8/31/88	466.22	-0-
Black Lawyers Ass. Law Lib.	6/30/90	248.80	-0-
Black Lawyers Ass. Law Lib	6/30/90	4,980.84	779.41*
Black Lawyers Ass. Leg	6/30/90	5,522.09	-0-*
Chennells Albertyn	6/15/90	4,961.42	-0-
Human Rights Trust	12/31/89	26,277.37	-0-
Idamasa Port Elizabeth	4/30/90	5,000.00	-0-
Ipeleng Advice Center	5/10/90	6,706.47	6,706.47*
Lawyers for Human Rights	9/24/88	6,944.44	-0-
Legal Assistance Program	9/24/88	17,564.56	-0-
Malabar Residents Assoc.	5/10/90	165.69	-0-
Mamelodi Advice Office	5/10/90	134.22	-0-
Mamelodi Advice Office	5/10/90	961.57	-0-
Marble Hall	5/24/89	303.87	-0-
Marble Hall	5/24/89	765.25	-0-
Meadowlands Advice Office	4/27/89	2,463.05	2,463.05*
Media Defense Fund Trust	2/28/89	7,193.28	7,193.28*
Mphome Diaconate Comm.	11/28/87	5,000.00	-0-
National Environ. Aware	5/31/90	128.20	-0-

*See notes at end of Annex 1.

Grantee Name	Expiration Date	Balance Audit	Balance 3/6/91
National Environ. Aware	5/31/90	1,084.29	-0-
Northern Trans. Bail Fund	11/10/87	5,000.00	5,000.00*
Pentecostal Holiness Church	8/31/89	195.12	195.12*
Savage Jooster & Adams Inc.	9/30/87	5,000.00	5,000.00*
Tswaraganang Advice Office	9/31/87	98.94	-0-
Tswaraganang Advice Office	9/31/87	1,172.69	-0-
Wits Law Students Council	2/06/90	2,500.00	-0-
Economic Support Fund			
Advisory Council on Women	12/89	10,590.19	-0-
Univ. Prep. Program Trust	12/27/87	103,686.11	103,686.11
Human Rights Fund			
Advice Centers Assoc.	3/31/90	570.01	-0-
Black Dom. Workers Ass.	11/31/87	1,984.39	-0-
Democratic Lawyers Congress	9/25/87	14,871.43	14,871.43*
Kara Cultural Center	12/31/86	1,182.27	1,182.27*
L.M. Foundation	12/25/86	1,344.64	1,344.64*
Lawyers Comm. for Hum.Rights	9/08/87	728.16	-0-
Lawyers Comm. for Hum.Rights	9/08/87	1,485.15	-0-
Lebowa Mental Health Soc.	11/21/86	1,146.65	-0-
Legal Resources Center	9/30/85	1,250.00	-0-
The Portable Office (L.M. Foundation)	12/25/86	1,973.57	1,973.57*
The Sash Ad. Off. Trust	12/31/88	3,616.07	-0-
TOTAL		$345,931.84	$181,720.22

Notes:

Community Outreach and Leadership Development

1. The amount of $84.08 is in the process of being written off because it is uncollectible.

Special Self Help Development

1. Catholic Church Relief Project, Acornhoek - We received invoices from this grantee in November 1990. They were all outside the expiration date of the IAA. We are waiting for the project co-ordinator to visit the project to determine that all activities have been completed so that we might clear the advance. However, this project is in a remote part of the country and the travel may not take place in the near future.

2. Healdtown Community Education Trust - We have received an invoice for the liquidation of this advance but we had several questions regarding the invoice. A letter was sent to the project. The project co-ordinator has been verbally promised a new invoice but this has not yet been received. The project manager seems to have moved and the project co-ordinator is having difficulty making contact.

3. Nkosinathi Community Creche - The project manager has been contacted and he states that he mailed the invoices to the SSH co-ordinator. They

have not been received. The project manager will try and get copies of the invoices from their accountant. A photocopy invoice was returned to us but was not acceptable as it was not from the original builder whose quote the advance was given. To add to this the invoice showed an extension to a residence not applicable to the contract. We have requested clarification of this which to date we have not received. The project co-ordinator hopes to make a site visit in the near future.

4. Port Elizabeth Educational Project - This project returned invoices for the items which had been quoted at a substantially lower price, including a credit note for one of the items. The SSH co-ordinator has been trying to resolve the issue. A site visit may be necessary to clarify the situation. (See attached memo). Our accountant made a visit to the grantee in early December to determine status of the advance. The grantee said that Sharp (the supplier) had made an error giving them a discount which had already been applied to the proforma invoices. The amount that they had paid to Sharp was the full amount that we had issued as the advance. However, they did not have a cancelled check as they said they had endorsed the USAID check to the supplier. The project officer has been in contact with Sharp who have promised to issue a new invoice and receipt for the funds. To date they have not been provided.

5. Themba School Water Project - The invoices we received for this liquidation were all outside the expiration date of the IAA. We have a memorandum (see attached) explaining the problem with implementation. However, since this memo, we have received a note from the project co-ordinator saying she has contacted the project which is now near completion. She hopes to make a site visit to ensure all is in order before we finally liquidate the outstanding advance.

Human Rights

1. Advice Centers Association - Mission has sent several letters to the grantee indicating that reimbursement is required. We are pressuring them to repay this amount through the COLD project, which is currently funding the grantee.

2. Black Lawyers Association Law Library - Mission has sent several letters to the grantee indicating that reimbursement is required. We probably will have to write this advance off as uncollectible.

3. Black Lawyers Association Legal - Mission has received a check for the amount of the advance. Coding sheets are being prepared.

4. Ipeleng Advice Center - Mission has sent several letters to the grantee indicating that reimbursement is required. We probably will have to write this advance off as uncollectible.

5. Meadowlands Advice Office - Mission has sent several letters to the grantee indicating that reimbursement is required. We probably will have to write this advance off as uncollectible.

6. Media Defense Fund Trust - We have received receipts in the amount of the advance, but they are dated after the grant expired.

7. Northern Transvall Bail Fund - Mission has sent several letters to the grantee indicating that reimbursement is required. We probably will have to write this advance off as uncollectible.

8. Savage Jooster & Adams Inc. - Mission has sent several letters to the grantee indicating that reimbursement is required. We probably will have to write this advance off as uncollectible.

9. Democratic Lawyers Congress - We have received an independent Chartered Public Accounting report indicating all USAID funds under this grant were properly utilized. We are in the process of accounting for the advance.

10. Kara Cultural Center - Mission has sent several letters to the grantee indicating that reimbursement is required. We probably will have to write this advance off as uncollectible.

11. L.M. Foundation and The Portable Office - Mission has sent several letters to the grantee indicating that reimbursement is required. We probably will have to write this advance off as uncollectible.

ANNEX 2

GENERAL RECEIPT		NO. A 1045326
1. POST USAID, PRETORIA		2. DATE November 5, 1980
3. RECEIVED FROM (Name of individual or firms): SAIRR-US BURSARIES	4. PERMANENT ADDRESS c/o USAID, Pretoria	
5. THE AMOUNT OF (Including type of currency): S.A. RAND 55,688.00		6. RATE OF EXCHANGE: R2.54 TO U.S. $1.00
7. RECEIVED BY (Print or type): Name: Melvin L. van Doren Title: Controller/EXO	8. SIGNATURE	9. U.S. $ EQUIV. $21,924.41
10. ACCOUNTING CLASSIFICATION $21,924.41-R55,688.00 - 72-3220-24	Refund of Interest on Advance	
11. RECEIVED FOR: REFUND OF ACCUMULATED INTEREST ON ADVANCE		

50158-102

COPY 2

OPTIONAL FORM 150 (Rev 1-78) DEPT OF STATE

ANNEX 3

U. S. AID MISSION

SOUTH AFRICA

MISSIONS ORDERS

SUBJECT: PROMPT PAYMENT ACT AND STANTARDS

ORDER NO. 800
AMENDMENT NO. 1
OCTOBER 23, 199

AUTHORITY: Handbook 19, App. 1C

I. PURPOSE

The purpose of this amendment is to revise Controller and Project Officer responsibilities in Section V of the original Mission Order. Therefore the original Section V is deleted and the following substituted.

RESPONSIBILITIES

A. CONTROLLER'S OFFICE

1. Payments

a. All vouchers and/or invoices will be routed to the Controller's Office upon receipt by the Mission.

b. All vouchers will be logged into the Pay Track System (PTS) by the Controller staff.

c. The voucher examiner will review Operating Expense vouchers, prepare the 1034's if necessary, prepare letters of disallowance if required and send the voucher to the Assistant Director for administrative approval.

d. The voucher examiner will review project vouchers, prepare the 1034's if necessary, prepare letters of disallowance if required and send the voucher to the concerned project officer for administrative approval and completion of the check list.

e. After the administrative approval, the voucher examiner will prepare necessary coding sheets for data entry into the accounting system. Completed vouchers together with original supporting documents will be sent to the Controller for certification.

f. The Controller will review vouchers as necessary and certify the individual voucher for payment.

g. After certification the voucher examiner will make necessary copies and distribute them, assemble the coding sheets for forwarding to USAID/Swaziland. Distribution will be as follows:
   Original to Datel Clerk
   Second copy for filing in the financial file.
   Third copy to "Concertina File" to be attached to check for mailing to vendor
   Fourth copy - extra copy (if not needed can be thrown away).

h. The cashier or other Controller personnel will prepare the datels, consolidating several payments on each datel.

i. Each datel and supporting documents will be reviewed by an accountant.

j. The datel and supporting documents will not be returned to the cashier but will be sent immediately to the Controller for certification.

k. After certification the Controller will separate the datel from the voucher. The datel will be sent directly to the Executive Assistant for delivery to the cable room. The voucher and supporting documentation will be returned to the cashier.

l. All vouchers and supporting documentation will be given to the file clerk for filing in the various financial files.

m. The cashier will keep all processed datels in "Pending Box" for return of original cables from cable room. Upon receipt of original cables, datels will be matched and forwarded to the filing clerk to be filed. The original certified copies of the datels will be sent bi-weekly to RAMC Paris on RAMC P/285.

n. When the confirmation cable from RAMC Paris for "Report of Datel Documents Processed" is received, the datel numbers will be deleted from the system and all information regarding check numbers, dates, etc. are punched into the PTS.

B. Checks

a. The cashier will receive all checks for all payments as the checks arrive from Paris.

b. When checks are received, check numbers and dates will be punched into PTS.

c. Checks will be matched with copies of vouchers in the "concertina file" and given to Controller secretarial personnel.

d. All checks will be transmitted to the grantees or vendors by Controller personnel.

e. Vendors/Grantees may personally pick up checks from the cashier by signing a receipt for them. All others will be mailed by registered letter.

f. Copies of transmittals and check stubs will be filed in the various financial files. In addition one copy of the transmittal will be sent to the concerned Project Officer.

B. PROJECT/PROGRAM OFFICE

1. Payments

a. Project Officers will be required to review the completed 1034, supporting documentation, disallowance letters, etc.

b. Based on their knowledge of progress under the grant, the Project Officer will administratively approve the voucher, prepare and complete the checklist, clear any disallowance letter and return the voucher to the Controller's Office for certification.

DIRECTOR

Dennis P. Barrett

Clearances:

M.Johnson, SPDO Draft by DR
D.Keene, RLA FAX
H.Wilkinson, HRO Draft
F.Mangera, PROG
J.Weber, A/DIR

Drafted: MLV

APPENDIX III

USAID/SOUTH AFRICA PORTFOLIO OF ACTIVE PROJECTS[3]

OBLIGATIONS AND EXPENDITURES

AS OF 7/31/90

ACTIVITY	NO. OF PROJECTS	NO. OF GRANTS	OBLIGATED	DISBURSED
Education	3	56	$38,129,947	$9,196,523
Private Enterprise Dev.	1	37	7,107,785	2,258,098
Community Leadership	1	41	13,596,629	6,068,360
Self-Help	1	128	1,486,932	1,063,706
Human Rights	2	678	9,059,820	6,829,301
Totals	8	940	$69,381,113	$25,415,988

[3]Includes only USAID-managed portion of the South Africa Program (excludes projects funded and managed out of AID/W).

APPENDIX IV

REPORT DISTRIBUTION

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