

Regional Inspector General for Audit
Nairobi, Kenya

Audit of
the Nairobi Regional Financial Management Center's
System of Internal Controls
as They Relate to MACS

Report No. 3-698-92-06
February 14, 1992



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The Regional Financial Management Center in Nairobi has designed procedures which follow A.I.D. Handbook 19, the Controller's Guidebook, and the "specific" Standards For Internal Controls In The Federal Government for: (1) processing budget allowances, obligations, earmarks, and commitments; (2) processing disbursements; (3) performing reconciliations; (4) processing and liquidating advances; and (5) reviewing unliquidated obligations, except for procedures in the area discussed below:

- In some instances, the Regional Financial Management Center did not reconcile amounts claimed on vendors' invoices against service contract rates.
-

February 14, 1992

MEMORANDUM

TO: Fred C. Fischer, Director, REDSO/ESA

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

SUBJECT: Audit of the Nairobi Regional Financial Management Center's System of Internal Controls as They Relate to MACS

Enclosed are five copies of our audit report on the Nairobi Regional Financial Management Center's System of Internal Controls as They Relate to MACS, Report No. 3-698-92-06.

We have reviewed your comments to the draft report and included them as an appendix to this report. Based on your comments and cited actions, the recommendation is closed upon report issuance.

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

EXECUTIVE SUMMARY

We audited the Nairobi Regional Financial Management Center's (RFMC) system of internal controls as they relate to the Mission Accounting and Control System (MACS). RFMC, which performs similar, but higher volume functions as an A.I.D. Controller's Office, carries out the financial management aspects for 13 countries. Financial management embraces those elements of management which deal with budgeting, accounting, financial analyses, cash management, internal control, and financial reporting. One of the RFMC's functions is to operate the Mission Accounting and Control System (MACS), a computer-based accounting and financial management system. MACS is the center of an internal control environment in which the controllers, accountants, financial analysts, budget officers and data entry personnel work (see page 1).

We conducted the audit in accordance with generally accepted government auditing standards. The audit covered accounting entries processed between October 1, 1989 and September 30, 1990, and data collected as part of an ongoing investigation by the Regional Office of Investigations in Nairobi. The audit also included a review of procedures in place at the time of our field work, January through September 1991 (see page 2 and Appendix I).

Our answers to the audit objectives are summarized below:

The Regional Financial Management Center in Nairobi has designed procedures which follow A.I.D. Handbook 19, the Controller's Guidebook, and the "specific" Standards For Internal Controls In The Federal Government for: (1) processing budget allowances, obligations, earmarks, and commitments; (2) processing disbursements; (3) performing reconciliations; (4) processing and liquidating advances; and (5) reviewing unliquidated obligations, except for procedures in the area discussed below:

- In some instances, the Regional Financial Management Center did not reconcile amounts claimed on vendors' invoices against service contract rates (see page 9).

The report contains one recommendation requiring the performance of the reconciliation and the reporting of the deficiency to the Assistant Administrator in the next annual Federal Managers' Financial Integrity Act reporting cycle if this weakness is not corrected. It also presents an assessment of internal controls (see page 19).

The Regional Economic Development Services Office for East and Southern Africa agreed with the report findings, except for the finding in connection with RIG/I/N's investigation concerning voucher fraud. They believed this work was outside the scope of the audit objective. However, we believe the work performed is pertinent to the objective (see page 12 and Appendix II).

Office of the Inspector General

Office of the Inspector General
February 14, 1992

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INTRODUCTION

Background

Good internal controls are essential in achieving the proper conduct of government business with full accountability for resources. They also facilitate the achievement of management objectives by serving as checks and balances against undesired actions. In preventing negative consequences from occurring, internal controls help achieve the positive aims of program managers.

The General Accounting Office (GAO) has established twelve standards that constitute the minimum level of internal control to be used by government agencies. The first five "general" standards and the Audit Resolution Standard apply to all aspects of internal control. The remaining six "specific" standards are the techniques essential to providing the greatest assurance that the internal control objectives will be achieved. These "specific" standards were part of the criteria used during the audit.

The Regional Financial Management Center in Nairobi provides financial management services for the Regional Economic Development Services Office for East and Southern Africa (REDSO/ESA) and A.I.D. organizations and activities in 13 countries. However, as discussed in the Scope and Methodology Section of this report, the audit only covered activities for six countries where RFMC performed the controller's function in Fiscal Year 1990. RFMC also provides financial management services to the Regional Housing and Urban Development Office for East and Southern Africa and the Regional Inspector General Offices in Nairobi, Kenya. Financial management embraces those elements of management which deal with budgeting, accounting, financial analyses, cash management, internal control, and financial reporting.

RFMC, which is part of REDSO/ESA, is headed by a Director, and is organized into the Accounting, Financial Services and Financial Analysis Divisions.

One of RFMC's main functions is to operate the Mission Accounting and Control System (MACS). MACS is a computer-based accounting and financial management system. The system consists of data files, programs, processing control edits, and procedures governing

the interface between accounting personnel and the computer system itself. MACS records and summarizes accounting entries, the results, of which, are reported to A.I.D./Washington for inclusion in the A.I.D.'s General Ledger.

MACS is located at the center of an environment made up of guidelines, procedures, and conventions for recording, analyzing, and reporting accounting data to A.I.D.'s regional offices and USAID missions. It is in this internal control environment that the accountants, data entry personnel, controllers, financial analysts and budget officers of RFMC work.

Excluding local trust funds which are non-appropriated and denominated in local currency amounts, the Regional Financial Management Center in Nairobi obligated \$45.2 million, committed \$29.2 million, and disbursed \$38.5 million during Fiscal Year 1990. A strong system of internal controls is needed to ensure that resource use is consistent with A.I.D. policies; that resources are safeguarded against waste, loss, and misuse; and that reliable data are obtained, maintained, and fairly disclosed in reports.

Audit Objectives

The Office of the Regional Inspector General for Audit/Nairobi conducted an audit of the Regional Financial Management Center's system of internal controls to answer the following audit objectives:

1. Did the Regional Financial Management Center in Nairobi have and follow procedures for processing budget allowances, obligations, earmarks, and commitments in accordance with A.I.D. Handbook 19, the Controller's Guidebook, and the "specific" Standards For Internal Controls In The Federal Government?
2. Did the Regional Financial Management Center in Nairobi have and follow procedures for processing disbursements in accordance with A.I.D. Handbook 19, the Controller's Guidebook, and the "specific" Standards For Internal Controls In The Federal Government?
3. Did the Regional Financial Management Center in Nairobi have and follow procedures for performing reconciliations with U.S. Disbursing Offices in accordance with A.I.D. Handbook 19, the Controller's Guidebook, and the "specific" Standards For Internal Controls In The Federal Government?
4. Did the Regional Financial Management Center in Nairobi have and follow procedures for processing and liquidating advances in accordance with A.I.D. Handbooks 19 & 22, the Controller's Guidebook, and the "specific" Standards For

Internal Controls In The Federal Government?

5. Did the Regional Financial Management Center in Nairobi have and follow procedures for reviewing unliquidated obligations in accordance with A.I.D. Handbook 19, the Controller's Guidebook, and the "specific" Standards For Internal Controls In The Federal Government?

Our review was made in accordance with generally accepted government auditing standards for performance audits and accordingly included such tests of the accounting records and other auditing procedures as we considered necessary in the circumstances. Our tests were sufficient to provide reasonable--but not absolute--assurance that our answers to the audit objectives are valid.

However, when we found problem areas, we performed additional work to:

- identify the cause and effect of the problems and
- make recommendations to correct the condition and cause of the problems.

Appendix I contains a complete discussion of the scope and methodology of this audit.

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REPORT OF AUDIT FINDINGS

1. **Did the Regional Financial Management Center in Nairobi have and follow procedures for processing budget allowances, obligations, earmarks, and commitments in accordance with A.I.D. Handbook 19, the Controller's Guidebook, and the "specific" Standards For Internal Controls In The Federal Government?**

The Regional Financial Management Center (RFMC) has and follows procedures for processing budget allowances, obligations, earmarks, and commitments in accordance with A.I.D. Handbook 19, the Controller's Guidebook, and the "specific" Standards For Internal Controls In The Federal Government.

RFMC has and follows procedures for processing budget allowances. A graphical representation of the procedures and controls in place is presented in the flowcharts in Appendix III of this report. The flowcharts show the use of supervision, documentation and segregation of duties. For example, the Advice of Budget cable is reviewed by the financial management officer and chief accountant prior to recording it in the Mission Accounting and Control System (MACS) by the data input branch. These procedures show that duties and responsibilities for reviewing, processing and recording accounting entries are separated as required by the General Accounting Office's "Standards For Internal Controls In The Federal Government".

We established the audit universe by identifying all of the budget allowances with a transaction date in the fiscal year ending September 30, 1990 from the MACS Budget Allowance Transaction File. The audit universe contained 254 accounting entries, valued at \$63.2 million. From this universe we took a random sample of 81 accounting entries to give us a confidence level of 95 percent with an error rate of plus or minus 4 percent.

A.I.D. Handbook 19 states that transactions should be appropriately authorized and accurately classified, summarized and reported. To test that RFMC was following these guidelines, we reviewed the source documents for each transaction in our samples to verify

that:

- they were signed by the authorizing individual; and
- the data was accurately recorded in MACS.

Of the 81 accounting entries tested, all items were in compliance with the above guidelines.

RFMC has and follows procedures for processing obligations. The procedures and controls in place are represented graphically by the flowcharts in Appendix III of this report. The project-related flowchart, for example, shows (1) how funds are reserved by the accountants based on an unsigned copy of a project agreement; and (2) how funds are obligated--only after the availability of funds has been determined and the original document (project agreement) has been signed by the originating office. These procedures ensure that transactions are properly authorized and executed, consistent with the guidelines outlined in A.I.D. Handbook 19 and GAO's "Standards For Internal Controls In The Federal Government".

We established the audit universe by identifying all of the obligation accounting entries with a transaction date in the fiscal year ending September 30, 1990 from the MACS Reservation/Obligation Transaction File. The audit universe contained 5,120 accounting entries, valued at \$45.2 million. We stratified this audit universe into two strata: obligations for operating expense funds with 4,771 accounting entries and obligations for project funds with 349 accounting entries. From the obligation accounting entries for operating expenses, we randomly selected 112 items which gave us a 95 percent confidence level with a plus or minus error rate of 4 percent that the attributes found in our sample would be true of the universe. From the 349 obligation accounting entries for project funds, we randomly selected 86 items which also gave us a 95 percent confidence level with a plus or minus error rate of 4 percent.

To avoid overobligation of funds, A.I.D. Handbook 19 states that upon determination of funds availability, obligating documents should be annotated to show "Funds Available". Handbook 19 also states that transactions should be appropriately authorized and accurately classified, summarized and reported. To test that RFMC was following these guidelines, we reviewed the source documents for each transaction in our samples to verify that:

- they were annotated to show "Funds Available";
- they were signed by the authorizing individual; and

- the data was accurately recorded in MACS.

Of the 112 obligations for operating expenses and 86 obligations for project funds examined, there were no exceptions to the above guidelines.

RFMC has and follows procedures for processing earmarks and commitments. The flowchart depicting the document flow and procedures for processing earmarks and commitments is found in Appendix III. As noted, these procedures are similar to those described for reservations and obligations in the preceding paragraphs in that earmarks and commitments are only established after the availability of funds has been determined and the original document has been signed by the authorized person.

For earmarks, we established the audit universe by identifying all of the accounting entries with a transaction date in the fiscal year ending September 30, 1990 from the MACS Earmark Transaction File. The audit universe contained 785 accounting entries, valued at \$30.5 million. From this universe of 785 accounting entries we randomly selected 100 items which gave us a 95 percent confidence level with a plus or minus error rate of 4 percent that the attributes found in our sample would be true of the universe.

The Controller's Guidebook states that an earmark takes place when all appropriate approvals have been established as supported by signatures on appropriate documentation, including pre-validation of fund availability by the controller. The controller should ensure that all earmarking documents are previously pre-validated or "reserved". In addition, A.I.D.'s Handbook 19 states that transactions should be appropriately authorized and accurately classified, summarized and reported.

In light of the above, we reviewed the source documents for each transaction in our samples to verify that:

- documents were validated by RFMC for funds availability prior to releasing such documents to the host country for endorsement;
- verify that funds had been reserved by RFMC prior to making the earmarks; and
- the data was accurately recorded in MACS.

Of the 100 items selected for testing, we found one instance where a document had been released to the host country for endorsement prior to being endorsed by RFMC for funds availability. After discussions with RFMC, however, we concluded that this occurrence was

not indicative of a systemic problem within RFMC.

Similarly, for commitments, we established the audit universe by identifying all of the commitment accounting entries with a transaction date in the fiscal year ending September 30, 1990 from the MACS Commitment Transaction File. The audit universe contained 643 accounting entries, valued at \$29.2 million. From this universe of 643 accounting entries we randomly selected 97 items which gave us a 95 percent confidence level with a plus or minus error rate of 4 percent that the attributes found in our sample would be true of the universe.

The Controller's Guidebook states that a commitment transaction is the recognition of the execution of a contractual document, such as a purchase order or contract for services. The controller should ensure that commitments and commitment reservations do not exceed the amount earmarked for a particular category of procurement. In addition, A.I.D.'s Handbook 19 states that transactions should be appropriately authorized and accurately classified, summarized and reported.

To test that RFMC was following the above guidelines, we reviewed the source documents for each transaction in our samples to verify that:

- funds were documented or reserved by RFMC prior to making the commitment;
- they were signed by the authorizing individual;
- amounts committed did not exceed the amounts earmarked for that category; and
- the data was accurately recorded in MACS.

Of the 97 items in our test sample, all were in compliance with the above guidelines.

By following the above procedures for budget allowances, obligations, earmarks, and commitments, RFMC reasonably ensures that: (1) resource use is consistent with A.I.D.'s policies; (2) resources are guarded against waste, loss and misuse; and (3) reliable data are obtained, maintained, and fairly disclosed in reports.

Management Comments and Our Evaluation

RFMC did not comment on this audit objective.

2. Did the Regional Financial Management Center in Nairobi have and follow procedures for processing disbursements in accordance with A.I.D. Handbook 19, the Controller's Guidebook, and the "specific" Standards For Internal Controls In The Federal Government?

The Regional Financial Management Center (RFMC) has and follows procedures for processing disbursements in accordance with A.I.D. Handbook 19, the Controller's Guidebook, and the "specific" Standards For Internal Controls In The Federal Government, except that, in some instances, RFMC did not reconcile amounts claimed on vendors' invoices against service contract rates.

To answer the audit objective, we first established an audit universe by identifying all of the disbursements with a transaction date in the fiscal year ending September 30, 1990 from the MACS Disbursement Transaction File. From this universe of 9,254 accounting entries, we randomly selected 114 disbursements and all related documentation, such as the budget allowance, obligating document and the commitment document, for testing. This sample gave us a 95 percent confidence level with a plus or minus error rate of 4 percent that the attributes found in our sample would be true of the universe.

The Controller's Guidebook states that information furnished on a voucher should be in sufficient detail and supported by appropriate invoices, certifications and other documentation. Further, it is A.I.D. policy to make payment as close as administratively possible to the due date as specified in the invoice, contract or other agreement. If no due date is specified, the due date will be considered to be on the thirtieth day from receipt of the invoice or acceptance of goods or services, whichever is later. The guidebook also states that the voucher or invoice must be signed by a proper administrative officer who is cognizant of and may truthfully certify to the facts stated in the invoice. In addition A.I.D. Handbook 19 states that vouchers should be mathematically correct and transactions should be appropriately authorized and accurately classified, summarized and reported.

Our review of source documents from the test sample verified that the RFMC has and follows the above guidelines for processing disbursements. We found that: (1) vouchers were adequately supported by appropriate documentation; (2) vouchers contained all required vendor certifications; (3) disbursements were made in a timely manner; (4) disbursements were administratively approved prior to payment; (5) vouchers were mathematically accurate; and (6) the data were accurately recorded into MACS.

Of the 114 test items and related documents examined, there were only 2 exceptions noted to the above. These exceptions consisted of:

- one occurrence where an incorrect contract number was entered into MACS; and
- one occurrence where an amount claimed was not in agreement with authorizing documents.

After discussions with RFMC personnel concerning these exceptions, we concluded that none of the occurrences are indicative of systemic problems within the controller's office. It should also be noted that the amounts involved in these occurrences were not material.

A graphical representation of the procedures and controls in place are presented by the flowcharts in Appendices IV and V of this report. The flowcharts show the use of the "specific" standards for internal controls such as documentation and segregation of duties.

Second, to answer this objective, we also utilized documentation compiled by, and field work performed by, the Regional Inspector General for Investigations (RIG/I) in Nairobi. This documentation and field work were part of an investigation involving the General Services Office in Nairobi which showed that, even with segregation of duties, the alteration of supporting documents is possible. RIG/I in Nairobi should be contacted directly if further documentation is required about the investigation.

The problem regarding claims on vendors' invoices identified as part RIG/I's investigation is discussed below.

Reconciliations of vendors's invoices are needed

The Controller's Guidebook outlines specific checks to perform when examining vouchers. Most of these checks were done by the voucher examiners, except in those instances where an ongoing criminal investigation in Nairobi found that alterations to supporting documents were made by an employee in the General Services Office in collusion with the contractors. The alterations to supporting documents went undetected because the voucher examiners did not reconcile amounts claimed on vendors' invoices against service contract rates, nor were they required to check with the General Services Office to see if service contracts existed. As a result, KSH 385,249 (\$13,522) in overcharges claimed by vendors went undetected.

Recommendation No. 1: We recommend that the Director, Regional Economic Development Services Office for East and Southern Africa develop procedures to ensure that:

- 1.1 voucher examiners reconcile vendor invoice amounts against service contract rates including contacting the General Services Office to determine whether service contracts exist; and**
- 1.2 report the internal control weakness, associated with not reconciling amounts claimed on vendors' invoices against service contract rates, to the Assistant Administrator in the next annual Federal Managers' Financial Integrity Act reporting cycle if this weakness is not corrected.**

Voucher examination is a critical function of A.I.D. financial management and accounting control. It represents the detailed audit process required before the bills of the Agency are certified for payment. Specifically, the voucher examiner reconciles amounts claimed for payment with the corresponding obligating document, administrative approvals, and receiving reports in order to ascertain compliance on the part of the claimant with the provisions of such obligating documents. As the basic end product of this process, a voucher and schedule for payments is prepared for certification prior to disbursement by the U.S. Treasurer.

Chapter 5 of the Controller's Guidebook outlines the following tests for the voucher examiner to perform. Specifically, it states that the examiner should verify that: (1) the voucher is in conformance with the terms of the obligating document; (2) funds are available; (3) the correct budget allowance is used; (4) computations are accurate; (5) certifications required by law, regulations and terms of the implementation document are present; (6) amounts and items claimed were in agreement with authorizing documents; (7) materials and services were delivered; (8) the voucher is not a duplicate claim; and (9) the payee is the proper person for receiving payment.

In Nairobi, an ongoing RIG/I investigation found that, although documents for the processing of payments were approved by several layers of staff in the General Services' and Controller's Offices, alterations were allegedly made to supporting documents by an employee in the General Services Office in collusion with the contractors.

The above problem went undetected because the voucher examiners did not reconcile the amounts claimed on vendors' invoices against service contract rates. According to the Controller's Office, the voucher examiners verified that the quantities shipped as reported by the shipping agent were authorized by the travel authorization (authorizing document) in accordance with the Controller's Guidebook. However, they were unaware that additional documentation, such as a service contract, existed between the General Services Office and the shipping agent which specified the rates to be used by the agent. As a result, the examiners relied on the administrative approvals of the General Services Office for rate verification.

As a result, KSH 385,249 (\$13,522) in overcharges claimed by the vendors went undetected.

Therefore, to detect and minimize the possibility of overcharges in the future, the Regional Financial Management Center should implement a procedure to have voucher examiners check with the General Services Office to determine whether service contracts exist, and if so, to reconcile amounts on vendors' invoices against these contracts.

Management Comments and Our Evaluation

REDSO/ESA agreed with the information reported under this objective, except for the finding in connection with RIG/I/N's investigation concerning voucher fraud. REDSO/ESA did not believe it was appropriate to include these results because the work done by the investigators was beyond the scope of the audit. RFMC stated that the fraud was identified and the investigation began, long before the audit. Furthermore, the audit review and testing did not find any falsified voucher.

Nevertheless, RFMC issued instructions to voucher examiners directing them to verify service rates charged on vouchers submitted for payment. Moreover, if there is any doubt about the interpretation or existence of a service agreement, the voucher examiner should contact the appropriate office for clarification.

We do not agree that the work done by RIG/I is beyond the scope of this objective because specific criteria in the Controller's Guidebook states that voucher examiners should verify that amounts and items claimed are in agreement with authorizing documents. Contrary to this requirement, RIG/I found that RFMC did not verify rates on vendors' invoices because they were unaware that documentation such as service agreements existed.

We have, however, revised the language in the report to refer to alterations made to supporting documents instead of fraud. Furthermore, RFMC's action in issuing appropriate instructions to voucher examiners is responsive to the recommendation. As a result, the recommendation is closed on report issuance.

3. Did the Regional Financial Management Center in Nairobi have and follow procedures for performing reconciliations with U.S. Disbursing Offices in accordance with A.I.D. Handbook 19, the Controller's Guidebook, and the "specific" Standards For Internal Controls In The Federal Government?

The Regional Financial Management Center (RFMC) in Nairobi has and follows procedures for performing reconciliations with U.S. Disbursing Offices in accordance with A.I.D. Handbook 19, the Controller's Guidebook, and the "specific" Standards For Internal Controls In The Federal Government.

To answer this audit objective, we interviewed RFMC's staff to obtain a full understanding of the procedures for performing reconciliations of disbursements with the Regional Administrative Management Center in Paris (RAMC/Paris). We also obtained and reviewed mission orders and other written mission guidance that pertained to these reconciliations.

The Controller's Guidebook states that, "regulatory requirements of the General Accounting Office and the U.S. Treasury prescribe the reconciliation of balances shown in the Disbursing Officer's account current as reported monthly to the USAID's". This is also a requirement of A.I.D. Handbook 19.

We reviewed the reconciliation performed by the Regional Financial Management Center for the period ending September 30, 1990 and traced reconciling items through July, August and September 1990 and determined that all items were resolved.

In addition, we discussed follow-up procedures for outstanding reconciling items with RFMC's managers. According to the managers, RFMC has a tracking system for monitoring all unreconciled items, and the tracking system was periodically updated. Our tests showed that there was a tracking system in place, and that reconciliations were valid and that RFMC reconciled disbursements made by RAMC/Paris and other Financial Management Centers. We did not, however, test the tracking system, other than verifying that reconciling items were being tracked, because there was no need to expand our tests to such a level of detail.

A graphical representation of the procedures and controls in place are presented in Appendix VI of this report. The flowcharts show the use of the "specific" standards for internal controls such as documentation, and the recording and execution of transactions and events. Another "specific" standard is supervision, which is depicted by the flowcharts.

Management Comments and Our Evaluation

Our draft report contained a finding, with a related recommendation, that supervisors were not documenting their reviews of reconciliations. Management issued a notice requiring both the preparer and reviewer to initial the monthly reconciliations.

Based on a suggestion by our Office of Policy, Planning and Oversight this area has been deleted from the report and will be described in a memorandum to management.

4. Did the Regional Financial Management Center in Nairobi have and follow procedures for processing and liquidating advances in accordance with A.I.D. Handbooks 19 & 22, the Controller's Guidebook, and the "specific" Standards For Internal Controls In The Federal Government?

The Regional Financial Management Center (RFMC) in Nairobi has and follows procedures for processing and liquidating advances in accordance with A.I.D. Handbooks 19 & 22, the Controller's Guidebook, and the "specific" Standards For Internal Controls In The Federal Government.

RFMC processes operating expense and project advances. We identified the control techniques for processing these advances (see Appendix VII for flowchart) and concluded that RFMC's procedures for processing operating and project advances comply with the "specific" Standards For Internal Controls In The Federal Government. For example, the internal control techniques used by RFMC ensure that: (1) transactions are documented; (2) key duties are separated; (3) staff are continuously reviewed and supervised; (4) transactions are accurately recorded; and (5) access to resources is limited.

From the MACS Advance Reservation Transaction File, we randomly selected 105 accounting entries for review, of which 53 were operating expense advance accounting entries involving \$35,703, and 52 were project advances involving \$347,952.

A.I.D. Handbooks 19 and 22 state that transactions should be appropriately authorized. In addition, A.I.D. Handbook 22 states that the recovery of advances should be done in a timely manner.

Our review of source documents for each transaction in our sample against the above guidelines verified that the advances for operating expenses were properly authorized and supported by adequate documentation. Requests for advance forms were signed by recipients, advances were returned or liquidated, and if outstanding, advances were being closely monitored. For example, two problem advances that had been outstanding for some period of time were being closely monitored and tracked by RFMC.

Of the 53 items in our sample, there were no exceptions noted.

RFMC's "specific" controls for processing and liquidating advances for projects reasonably ensure that: (1) resource use is consistent with A.I.D. policies; (2) resources are safeguarded against waste, loss, and misuse; and (3) reliable data are obtained, maintained, and fairly disclosed in reports.

Generally, the procedures for administrative approval of payment vouchers and certification for payment of advances rests with the project officers and authorized certifying officers. Further, the Controller's Guidebook states that information furnished on a voucher should be in sufficient detail and supported by appropriate documentation. In addition, A.I.D.'s Handbook 19 requires that cash advances to project recipients not exceed the amount the recipient would spend during a 30-day period. Handbook 19 also allows for cash advances to cover a longer period (not to exceed 90 days) if project implementation would be seriously interrupted or impeded by the 30-day rule. Handbook 19 also states that only A.I.D./Washington is delegated authority to approve advances to profit-making organizations.

Our test of the 52 source documents for each of the project accounting entries against the above criteria verified that: (1) the advance was properly authorized; (2) detailed vouchers were submitted explaining the use of the advance; (3) advances did not exceed ninety day cash requirements of the recipients; and (4) advances were not made to profit making organizations.

Management Comments and Our Evaluation

RFMC did not comment on this audit objective.

5. Did the Regional Financial Management Center in Nairobi have and follow procedures for reviewing unliquidated obligations in accordance with A.I.D. Handbook 19, the Controller's Guidebook, and the "specific" Standards For Internal Controls In The Federal Government?

The Regional Financial Management Center (RFMC) in Nairobi has and follows procedures for reviewing unliquidated obligations in accordance with A.I.D. Handbook 19, the Controller's Guidebook, and the "specific" Standards For Internal Controls In The Federal Government.

Handbook 19 and the Controller's Guidebook states that unliquidated obligations should come under continuous review by program and other officers to assure continued validity for the purpose and amount for which obligated. Further, an intensive review should be conducted at each mid-fiscal year of all unliquidated obligations.

RFMC's review of unliquidated obligations was performed in accordance with the above requirements and no exceptions were noted. To reach this conclusion, the audit team examined supporting documentation, the MACS Obligation Liquidation Record Report as of March 31, 1990 and associated journal vouchers. We also reviewed \$111,975 in obligations that were deobligated and \$101,051 that were reclassified. Also, according to the controller and our review of the MACS U101 Report, "Summary of Budget Allowance Ledger Transactions and Reconciliation with Disbursing Officer's Accounts", no questionable obligations were reported to A.I.D./Washington as of September 30, 1990.

A graphical representation of the procedures and controls in place are presented by the flowchart in Appendix VIII. The flowchart shows the use of the General Accounting Office's "Standards For Internal Controls In The Federal Government". For example, as shown on the flowchart, the supervisory accountant reviewing the accountant's work is a "supervision" control.

The audit team also reviewed documentation related to subsequent reviews of unliquidated obligations and the system used by RFMC to track unliquidated obligations. We concluded that RFMC has a system in place for continuously reviewing, tracking and certifying unliquidated obligations.

In our opinion, the RFMC's "specific" controls for reviewing unliquidated obligations reasonably ensure that: (1) resource use is consistent with A.I.D. policies; (2) resources are safeguarded against waste, loss, and misuse; and (3) reliable data are obtained, maintained, and fairly disclosed in reports.

Management Comments and Our Evaluation

RFMC did not comment on this audit objective.



REPORT ON INTERNAL CONTROLS

This section provides a summary of our assessment of internal controls for the audit objectives.

We have audited the Nairobi Regional Financial Management Center's (RFMC) system of internal controls for the period October 1, 1989 through September 30, 1990, and have issued our report thereon dated February 14, 1992.

Scope of Our Internal Control Assessment

We performed our work according to generally accepted government auditing standards for performance audits which require that we (1) assess the applicable internal controls when necessary to satisfy the audit objectives and (2) report on the controls assessed, the scope of our work, and any significant weaknesses found during the audit.

We limited our assessment of internal controls to those controls applicable to the audit's objectives and not to provide assurance on the auditee's overall internal control structure.

We classified significant internal control policies and procedures applicable to each audit objective by categories. For each category, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation--and we assessed control risk. We have reported these categories as well as any significant weaknesses under the applicable section heading for each audit objective. The categories we used are the "specific" standards for internal control as defined by the General Accounting Office (GAO).

General Background on Internal Controls

Under the Federal Managers' Financial Integrity Act and the Office of Management and Budget's implementing policies, A.I.D.'s management is responsible for establishing and maintaining adequate internal controls. GAO has issued "Standards for Internal Controls in the Federal Government" to be used by agencies in establishing and maintaining internal

controls.

The objectives of internal controls and procedures for Federal foreign assistance are to provide management with reasonable--but not absolute--assurance that resource use is consistent with A.I.D. policies; resources are safeguarded against waste, loss, and misuse; and reliable data is obtained, maintained, and fairly disclosed in reports.

Because of inherent limitations in any internal control structure, errors or irregularities may occur and not be detected.

Predicting whether a system will work in the future is risky because (1) changes in conditions may require additional procedures or (2) the effectiveness of the design and operation of policies and procedures may deteriorate.

Explanation of Categories Evaluated

The categories we used are the "specific" standards for internal control defined by GAO in "Standards For Internal Controls In The Federal Government". The internal control standards define the minimum level of quality acceptable for internal control systems in operation and constitute the criteria against which systems are to be evaluated.

A number of techniques are essential to providing the greatest assurance that the internal control objectives will be achieved. These critical techniques are the "specific" standards discussed below.

1. **Documentation.** Internal control systems and all transactions and other significant events are to be clearly documented, and the documentation is to be readily available for examination.
2. **Recording of Transactions and Events.** Transactions and other significant events are to be promptly recorded and properly classified.
3. **Execution of Transactions and Events.** Transactions and other significant events are to be authorized and executed only by persons acting within the scope of their authority.
4. **Separation of Duties.** Key duties and responsibilities in authorizing, processing, recording and reviewing transactions should be separated among individuals.

5. **Supervision.** Qualified and continuous supervision is to be provided to ensure that internal control objectives are achieved.
6. **Access to and Accountability for Resources.** Access to resources and records is to be limited to authorized individuals, and accountability for the custody and use of resources is to be assigned and maintained. Periodic comparison shall be made of the resources with the recorded accountability to determine whether the two agree. The frequency of the comparison shall be a function of the vulnerability of the asset.

Conclusions for Audit Objective 1

Did the Regional Financial Management Center in Nairobi have and follow procedures for processing budget allowances, obligations, earmarks, and commitments in accordance with A.I.D. Handbook 19, the Controller's Guidebook, and the "specific" Standards For Internal Controls In The Federal Government?

To answer this objective we assessed the design and operation of the controls in place to address the "specific" standards for internal control. Our conclusions are summarized below.

We reviewed the Regional Financial Management Center's "specific" controls for documentation, recording of transactions and events, execution of transactions and events, separation of duties, supervision, and access to and accountability for resources related to processing budget allowances, obligations, earmarks, and commitments. Our tests showed that the internal controls were logically and consistently applied.

Conclusions for Audit Objective 2

Did the Regional Financial Management Center in Nairobi have and follow procedures for processing disbursements in accordance with A.I.D. Handbook 19, the Controller's Guidebook, and the "specific" Standards For Internal Controls In The Federal Government?

To answer this objective we assessed the design and operation of the controls in place to address the "specific" standards for internal control. Our conclusions are summarized below.

We reviewed RFMC's "specific" controls for documentation, recording of transactions and events, execution of transactions and events, separation of duties, supervision, and access to and accountability for resources related to processing disbursements. Our tests and review of documentation showed that the internal controls were logically and consistently applied except that, in some instances, RFMC did not reconcile amounts claimed on vendors'

invoices against service contract rates. Therefore, in addition to our tests, we utilized documentation compiled by, and field work performed by, the Regional Inspector General for Investigations (RIG/I) in Nairobi. Their documentation and field work were part of a fraud investigation involving the General Services Office in Nairobi.

This internal control weakness was not included in the Regional Economic Development Services Office for East and Southern Africa's reporting under its general assessment for 1990, nor under the Regional Financial Management Center's reporting under the Federal Managers' Financial Integrity Act for Fiscal Year 1989.

Conclusions for Audit Objective 3

Did the Regional Financial Management Center in Nairobi have and follow procedures for performing reconciliations with U.S. Disbursing Offices in accordance with A.I.D. Handbook 19, the Controller's Guidebook, and the "specific" Standards For Internal Controls In The Federal Government?

To answer this audit objective, we assessed the design and operation of the controls in place to address the "specific" standards for internal control. Our conclusions are summarized below.

We reviewed the Regional Financial Management Center's "specific" controls for documentation, recording of transactions and events, execution of transactions and events, separation of duties, supervision, and access to and accountability for resources related to performing reconciliations with U.S. Disbursing Offices. Our tests showed that the internal controls were logically and consistently applied except for the lack of documenting supervisory review and approval of the monthly reconciliations. However, since we found the above weakness in the reconciliations for July, August and September 1990, we concluded that the weakness was not material and that the evidence was sufficient and no further testing was necessary.

Conclusions for Audit Objective 4

Did the Regional Financial Management Center (RFMC) in Nairobi have and follow procedures for processing and liquidating advances in accordance with A.I.D. Handbooks 19 & 22, the Controller's Guidebook, and the "specific" Standards For Internal Controls In

The Federal Government?

To answer this objective, we assessed the design and operation of the controls in place to address the "specific" standards for internal control. Our conclusions are summarized below.

We reviewed RFMC's "specific" controls for documentation, recording of transactions and events, execution of transactions and events, separation of duties, supervision, and access to and accountability for resources related to processing and liquidating advances. Our tests showed that the internal controls were logically and consistently applied.

Conclusions for Audit Objective 5

Did the Regional Financial Management Center (RFMC) in Nairobi have and follow procedures for reviewing unliquidated obligations in accordance with A.I.D. Handbook 19, the Controller's Guidebook, and the "specific" Standards For Internal Controls In The Federal Government?

To answer this objective we assessed the design and operation of the controls in place to address the "specific" standards for internal control. Our conclusions are summarized below.

We reviewed RFMC's "specific" controls for documentation, recording of transactions and events, execution of transactions and events, separation of duties, supervision, and access to and accountability for resources related to reviewing unliquidated obligations. Our tests showed that the internal controls were logically and consistently applied.

<p style="text-align: center;">SCOPE AND METHODOLOGY</p>

Scope

We conducted the audit in accordance with generally accepted government auditing standards for performance audits. We audited the Nairobi Regional Financial Management Center's (RFMC) system of internal controls as they relate to the Mission Accounting and Control System (MACS).

Although RFMC provides financial support services to missions in 13 countries, the audit was limited to only those countries where RFMC performed the controller's function. These countries were: Comoros, Djibouti, Ethiopia, Mauritius, Seychelles and Uganda. In addition, RFMC provides financial management services for the Regional Economic Development Services Office for East and Southern Africa, the Regional Housing and Urban Development Office for East and Southern Africa and the Regional Inspector General Offices in Nairobi, Kenya.

The audit covered accounting entries processed between October 1, 1989 and September 30, 1990, and reviewed procedures in-place at the time of our field work. The audit field work was conducted from January through September 1991 in Nairobi, Kenya.

The source of data for the audit was the MACS transactions files for fiscal year 1990. From each of these transaction files, we randomly selected our test sample using statistical sampling software. Once our samples were selected, RFMC was requested to produce all related documentation so that we could perform our tests.

The audit did not cover the following areas because they were outside the audit scope:

- management controls outside the Regional Financial Management Center;

- a systems review of all the general and application controls of the Mission Accounting and Control System;
- the system security controls associated with the Mission Accounting and Control System; and
- accounting entries made in A.I.D./Washington or other USAID missions for the Regional Financial Management Center.

The audit was limited to identifying and testing internal control procedures, and therefore answering our audit objectives did not require testing for compliance with laws and regulations.

In addition, to answer the second audit objective, we utilized documentation and field work compiled from a fraud investigation by the Regional Office of the Inspector General for Investigation in Nairobi. Also, for the fourth audit objective, we reviewed a prior audit report on Project Cash Advances by Missions Serviced by the Regional Financial Management Center, Nairobi, Kenya--Audit Report No. 3-698-89-07 dated January 20, 1989. In addition, we reviewed Audit Report No. 2-492-90-02 dated November 15, 1989 issued by the Regional Inspector General for Audit in Manila on the Audit of USAID/Philippines' Mission Accounting and Control System.

Methodology

The methodology for each audit objective follows.

Audit Objective One

The first audit objective consisted of gathering and verifying information to evaluate whether the Regional Financial Management Center has procedures for processing budget allowances, obligations, earmarks, and commitments in accordance with A.I.D. Handbook 19, the USAID Controller's Guidebook, and the "specific" Standards For Internal Controls In The Federal Government.

To accomplish the first audit objective we interviewed RFMC's staff to obtain a full understanding of the controls for processing budget allowances, obligations, earmarks and commitments. We prepared flowcharts describing the flow of documents within the RFMC, and analyzed the control techniques in place against the standards specified in the General Accounting Office's (GAO) "Standards For Internal Controls In The Federal Government" to determine whether they would achieve the control objectives. We also reviewed mission

orders and other written guidance that pertained to each of these areas.

Detailed audit steps related to the budget categories were conducted in the following audit areas:

Budget Allowances

We established the audit universe by identifying all of the budget allowances with a transaction date in the fiscal year ending September 30, 1990 from the MACS Budget Allowance Transaction File. The audit universe contained 254 accounting entries, valued at \$63.2 million. From this universe we took a random sample of 81 accounting entries to give us a confidence level of 95 percent with an error rate of plus or minus 4 percent and provide us with reasonable assurance that our test sample was representative of the audit universe.

We tested the source documents for each transaction in our samples to verify that:

- they were signed by the authorizing individual; and
- the data was accurately recorded in MACS.

Obligations

We established the audit universe by identifying all of the obligation accounting entries with a transaction date in the fiscal year ending September 30, 1990 from the MACS Reservation/Obligation Transaction File. The audit universe contained 5,120 accounting entries, valued at \$45.2 million. We stratified this audit universe into two strata: obligations for operating expense funds with 4,771 accounting entries and obligations for project funds with 349 accounting entries. From the obligation accounting entries for operating expenses, we randomly selected 112 items which gave us a 95 percent confidence level with a plus or minus error rate of 4 percent that the attributes found in our sample would be true of the universe. From the 349 obligation accounting entries for project funds, we randomly selected 86 items which gave us a 95 percent confidence level with a plus or minus error rate of 4 percent and provided us with reasonable assurance that our test sample was representative of the audit universe.

We examined the source documents for each transaction in our samples to verify that:

- they were annotated to show "Funds Available";

- they were signed by the authorizing individual; and
- the data was accurately recorded in MACS.

Earmarks

We established the audit universe by identifying all of the earmark accounting entries with a transaction date in the fiscal year ending September 30, 1990 from the MACS Earmark Transaction File. The audit universe contained 785 accounting entries, valued at \$30.5 million. From this universe of 785 accounting entries we randomly selected 100 items which gave us a 95 percent confidence level with a plus or minus error rate of 4 percent and provided us with reasonable assurance that our test sample was representative of the audit universe.

We examined the source documents for each transaction in our samples to verify that:

- documents were validated by RFMC for funds availability prior to releasing such documents to the host country for endorsement;
- verify that funds had been reserved by RFMC prior to making the earmarks; and
- the data was accurately recorded in MACS.

Commitments

We established the audit universe by identifying all of the commitment accounting entries with a transaction date in the fiscal year ending September 30, 1990 from the MACS Commitment Transaction File. The audit universe contained 643 accounting entries, valued at \$29.2 million. From this universe of 643 accounting entries we randomly selected 97 items which gave us a 95 percent confidence level with a plus or minus error rate of 4 percent and provided us with reasonable assurance that our test sample was representative of the audit universe.

We examined the source documents for each transaction in our samples to verify that:

- funds were documented or reserved by RFMC prior to making the commitment;
- they were signed by the authorizing individual;

- amounts committed did not exceed the amounts earmarked for that category; and
- the data was accurately recorded in MACS.

Audit Objective Two

The second audit objective consisted of gathering and verifying information to evaluate whether the Regional Financial Management Center has procedures for processing disbursements in accordance with A.I.D. Handbook 19, the Controller's Guidebook, and the "specific" Standards For Internal Controls In The Federal Government.

To accomplish the second audit objective, we established an audit universe by identifying all of the disbursement transactions with a transaction date in the fiscal year ending September 30, 1990 from the MACS Disbursement Transaction File. From this universe of 9,254 accounting entries, we randomly selected 114 items which gave us a 95 percent confidence level with a plus or minus error rate of 4 percent and provided us with reasonable assurance that our test sample was representative of the audit universe.

We examined the source documents for each transaction in our samples to verify that:

- disbursements were made in a timely manner;
- disbursements were administratively approved prior to payment;
- vouchers were adequately supported by appropriate documentation;
- vouchers were mathematically accurate;
- vouchers contained all required vendor certifications; and
- the data was accurately recorded in MACS.

We also interviewed the staff at the Regional Financial Management Center to obtain a full understanding of the procedures for processing disbursements. We prepared flowcharts describing the flow of documents, operating procedures, and the internal control techniques. We analyzed the control techniques to determine whether they would achieve the General Accounting Office's (GAO) "Standards For Internal Controls In The Federal Government". We also reviewed mission orders and other written guidance that pertained to processing disbursements.

In addition, we utilized documentation and field work compiled from a fraud investigation by the Regional Office of the Inspector General for Investigation in Nairobi.

Audit Objective Three

The third audit objective consisted of gathering and verifying information to evaluate whether the Regional Financial Management Center has procedures for performing reconciliations with U.S. Disbursing Offices in accordance with A.I.D. Handbook 19, the Controller's Guidebook, and the "specific" Standards For Internal Controls in the Federal Government?

To accomplish the third audit objective, we interviewed RFMC's staff to obtain a full understanding of the procedures for performing reconciliations of disbursements with the Regional Administrative Management Center in Paris. We also obtained and reviewed mission orders and other written mission guidance that pertained to these reconciliations.

We reviewed the reconciliation performed by the Regional Financial Management Center for the period ending September 30, 1990 and traced reconciling items through July, August and September 1990 to determine if they were resolved. All items that were not resolved were identified and discussed with RFMC's staff to determine their current status.

We discussed the follow-up procedures for outstanding reconciling items with RFMC's managers.

Audit Objective Four

The fourth audit objective consisted of gathering and verifying information to evaluate whether the Regional Financial Management Center has procedures for processing and liquidating advances in accordance with A.I.D. Handbooks 19 & 22, the Controller's Guidebook, and the "specific" Standards For Internal Controls In The Federal Government.

To accomplish the fourth audit objective, we interviewed RFMC's staff to obtain a full understanding of the procedures for processing and liquidating advances. We prepared a flowchart describing the flow of documents, operational procedures, and the internal control techniques. We analyzed the control techniques in place against the standards specified in the GAO's "Standards for Internal Controls In The Federal Government" to determine whether they would achieve the control objectives.

We established the audit universe by identifying all of the advance accounting entries with

a transaction date in the fiscal year ending September 30, 1990 from the MACS Advance Reservation Transaction File. The audit universe contained 1,293 accounting entries involving \$8.9 million. From the total audit universe of 1,293 advance accounting entries, we randomly selected 105 items which gave us a 95 percent confidence level with a plus or minus error rate of 4 percent and provided us with reasonable assurance that our test sample was representative of the audit universe.

The following methodology, which related to procedures for processing operating expense and project advances, was completed in response to the audit objective.

Operating Expense Advances

Of the 105 items randomly selected for testing, 53 were operating expense advances involving \$35,703. For each of these 53 accounting entries, we examined the source documents to verify that:

- advances were supported by a properly authorized travel authorization;
- advances were supported by a properly authorized request for advance form; and
- advances were promptly liquidated or returned.

Project Advances

We identified the remaining 52 accounting entries of the 105 items selected for testing, as project advances involving \$347,952. For each of these advances, we examined the source documents to verify that:

- the advance was properly authorized;
- detailed vouchers were submitted explaining the use of the advance;
- advances did not exceed ninety day cash requirements of recipients; and
- no advance was made to profit making companies without A.I.D./Washington approval.

Audit Objective Five

The fifth audit objective consisted of gathering and verifying information to evaluate whether the Regional Financial Management Center has control procedures for reviewing unliquidated obligations in accordance with A.I.D. Handbook 19, the USAID Controller's Guidebook, and the "specific" Standards For Internal Controls In The Federal Government

In accomplishing this objective, we interviewed RFMC's staff to obtain a full understanding of the procedures for reviewing unliquidated obligations. We prepared flowcharts describing the flow of documents, operational procedures, and the internal control techniques. We analyzed the control techniques in place against the standards specified in the General Accounting Office's (GAO) "Standards For Internal Controls In The Federal Government" to determine whether they would achieve the control objectives. We also reviewed mission orders and other written mission guidance that pertained to reviewing unliquidated obligations.

We verified that RFMC's staff conducted intensive reviews of all unliquidated obligations at each mid-fiscal year and that a certification was made on the fiscal year-end report. In those cases where the reviews disclosed that all or a portion of the unliquidated balance was invalid and should be deobligated, we verified that a journal voucher or other accounting document was prepared, approved, and processed.

UNITED STATES GOVERNMENT

memorandum

DATE: January 6, 1992

REPLY TO
ATTN OF: Fred C. Fischer, Director, REDSO/ESA

SUBJECT: Audit of the Regional Financial Management Center's
System of Internal Controls as they Relate to MACS

TO: Robb Parish, Acting RIG/A/Nairobi

Ref: Draft audit report dated December 23, 1991

We have completed a review of the subject draft audit report and agree with the report findings.

To close recommendation number one, the Chief of the Financial Services Division has issued instructions to the Voucher Examiners. Attachment (A) is a copy of those instructions. A copy of the detailed instructions attached to the memorandum of instructions has already been provided to Mr. Green. Based on this documentation, we request this recommendation be closed.

With further regard to recommendation number one, we do not believe it appropriate to include in this audit report the investigator's work and findings in connection with the voucher fraud. The fraud was identified, and the investigation began, long before the audit; and the audit review and testing did not find any falsified vouchers. The work done by the RIG investigators was not part of the audit objectives, and is beyond the scope of the audit. No system of internal controls can guarantee against all possible attempts to defraud. In this case, there was collusion among a contractor, employees/owners, and in-house AID staff.

To close recommendation number two the RFMC Director has issued RFMC notice 92-01. Attachment (B) is a copy of the notice. Based on this documentation, we request that this recommendation also be closed.

I wish to thank you and your staff for their cooperative approach during the audit. We especially appreciated the chance to discuss the findings in detail with the audit team during and after the audit work. The flow charting of the RFMC operation is a very useful management tool and will help us in reviewing and strengthening the Center's performance.

cc: J. Cummiskey
L. Brady

Date: November 20, 1991
From: Larry H. Brady, RFMC/FSD
Subject: Voucher Examination Processing
To: All Voucher Examiners

The A.I.D. Controller Guidebook outlines specific steps that are to be followed during the voucher examination process. These steps were reviewed in detail at the Voucher Examination Training course presented August 26 - 30, 1991. The attached summary was passed out at that time and is intended to be used as a "desk-top" guide while auditing vouchers for payment. Each voucher examiner is expected to study the attached guide and become thoroughly familiar with the required steps.

In addition to the steps explained in the attachment, all voucher examiners are expected to verify service rates charged on vouchers which are invoicing for services, i.e. transportation, storage, clearing, etc., to determine whether or not they are in accordance with any underlying service contracts entered into by A.I.D. and the vendor. If there is doubt about the interpretation or the existence of a service agreement, the voucher examiner should contact the appropriate office for clarification. This may be the Office of General Services, Contracts or Commodities. It should be noted that this step is in addition to the required review of the underlying Authorizing Document (T.A., Contact, P.O., etc.).

Any questions concerning the applicability of these procedures should be directed to the Supervisory Voucher Examiner or the Chief of the Financial Services Division.

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AGENCY FOR INTERNATIONAL DEVELOPMENT
REGIONAL FINANCIAL MANAGEMENT CENTER

RFMC NOTICE NO: 92-01

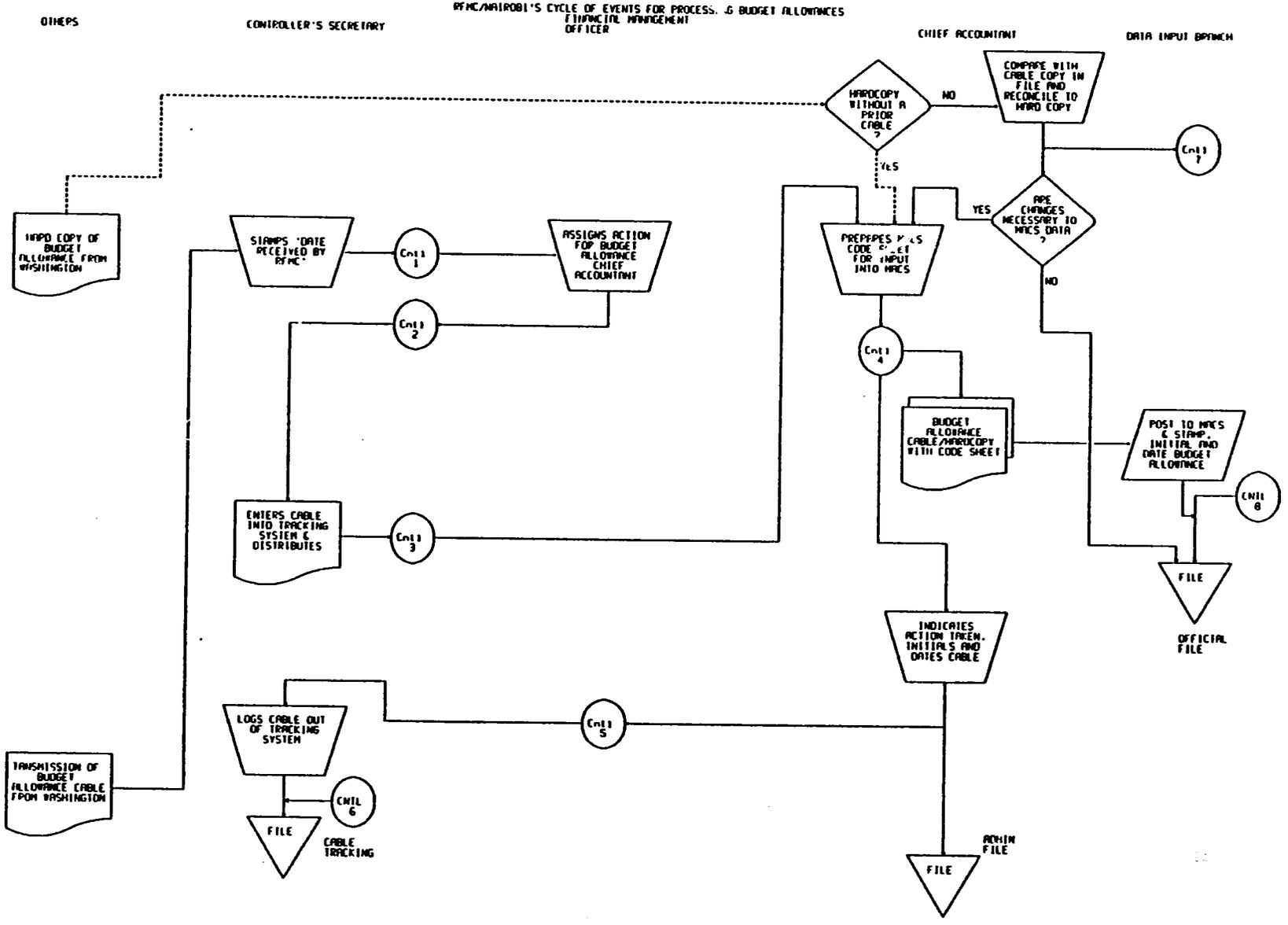
DATE: ~~DECEMBER 10~~ 10, 1991 EFFECTIVE DATE: IMMEDIATELY
FROM: TONY L. CULLY, RFMC DIRECTOR
SUBJECT: Preparation and Review of Monthly 1221 Reconciliation
Workpapers
TO: ALL RFMC STAFF
REFS: AID HB 19, CH 9 SECT. 9B

PURPOSE: To formalize the process of preparation and review of
monthly 1221 reconciliation workpapers starting with
the issuance of the November 1991 U-101 report.

The workpapers prepared to reconcile the 1221 disbursement reports from RAMC/Paris and FMCS with the monthly MACS report of disbursements will be initialed and dated by both the person preparing the report and the person reviewing it for correctness. The summary workpapers prepared for each appropriation will be submitted to AID/W with the monthly U-101 report in support of lines G and H of the U-101. Line G is the prior month disbursements recorded by RFMC and reported in the prior month U-101 report. Line H is the prior month disbursements as reported by RAMC/Paris and the other FMCS.

Also beginning with the November 1991 U-101 computer-generated summary workpapers will replace the hand-written workpapers formally used.

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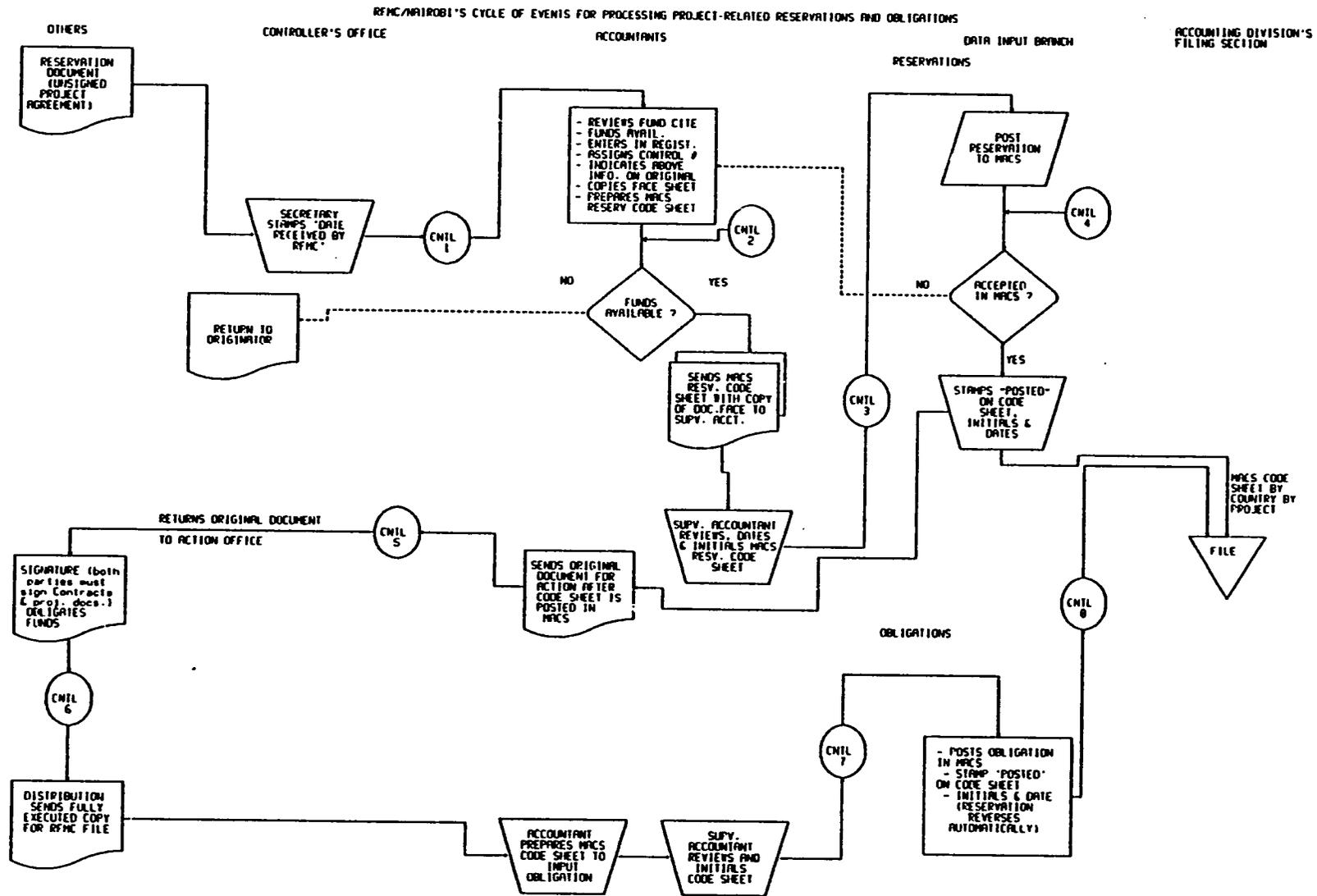
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RFMC/Nairobi's Cycle of Events
for Processing Budget Allowances

<u>Control Number</u>	<u>Control Technique</u>
1	The controller's secretary stamping date received by RFMC is both a "documentation" and a "recording of transactions and events" control.
2	The financial management officer reviewing and assigning action to the Chief Accountant for the Budget Allowance are "supervision" controls.
3	The controller's secretary entering the cable into the tracking system is both a "documentation" and "recording of transactions and events" control.
4	The chief accountant preparing MACS code sheets is a "recording of transactions and events" control.
5	The chief accountant indicating action taken and initialing and dating cable are "recording of transaction and events" controls.
6	The controller's secretary logging cable out of the tracking system is a "documentation" control.
7	The chief accountant reconciling the hard copy against a prior cable is a "recording of transactions and events" control.
8	The data input branch posting the accounting entries to MACS is both a "recording of transactions and events" and "separation of duties" control.

RFMC/Nairobi's Cycle of Events for Processing
Operating Expenses Reservations and Obligations

<u>Control Number</u>	<u>Control Technique</u>
1	The accountants reviewing fund cites, assigning reservation and trip request numbers, and stamping funds available on the original documents are "documentation" and "recording of transactions and events" controls.
2	The supervisory accountant reviewing and initialing the MACS reservation code sheet are "supervision" controls.
3	The data input branch posting the reservation to MACS is both a "recording of transactions and events" and "separation of duties" control.
4	The controller reviewing and signing the original documents for trip requests, recurring expenses and travel authorizations before these are sent to the action offices are "supervision" controls.
5	The action office signing the original document and thereby creating an obligation is both an "execution of transactions and events" and a "separation of duties" control.
6	The supervisory accountant reviewing and initialing the MACS code sheet are "supervision" controls.
7	The data input branch posting the obligation to MACS is both a "recording of transactions and events" and "separation of duties" control.

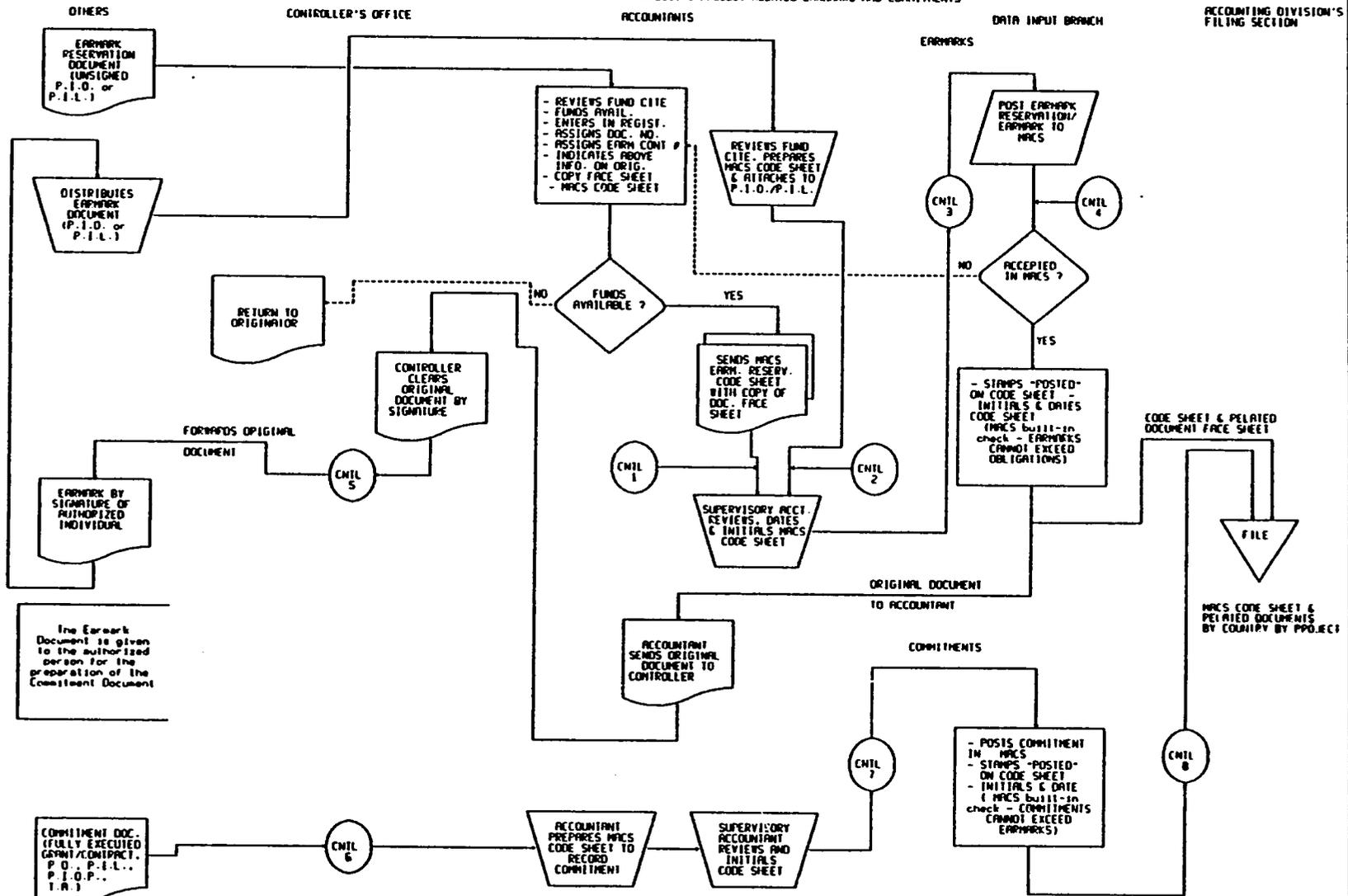


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RFMC/Nairobi's Cycle of Events for Processing
Project-Related Reservations and Obligations

<u>Control Number</u>	<u>Control Technique</u>
1	The controller's secretary stamping date received by RFMC is both a "documentation" and a "recording of transaction" control.
2	The accountants reviewing fund cites, assigning reservation and trip request numbers, and stamping funds available on the original documents are "documentation" controls.
3	The supervisory accountant reviewing and initialing the MACS reservation code sheet are "supervision" controls.
4	The data input branch posting the reservation to MACS is both a "recording of transactions and events" and "separation of duties" control.
5	The accountants sending the original document to originating office for signature after the reservation has been posted in MACS is a "separation of duties" control.
6	The originating office signing the original document, thereby creating an obligation is both an "execution of transactions and events" and "separation of duties" control.
7	The accountant preparing the MACS code sheet to input the obligation is a "documentation" control, and the supervisory accountant reviewing and initialing the code sheet is a "supervision" control.
8	The data input branch posting the obligation to MACS is both a "recording of transactions and events" and "separation of duties" control.

RFC/MIROBI'S CYCLE OF EVENTS FOR PROCESSING PROJECT-RELATED EARMARKS AND COMMITMENTS



11/1

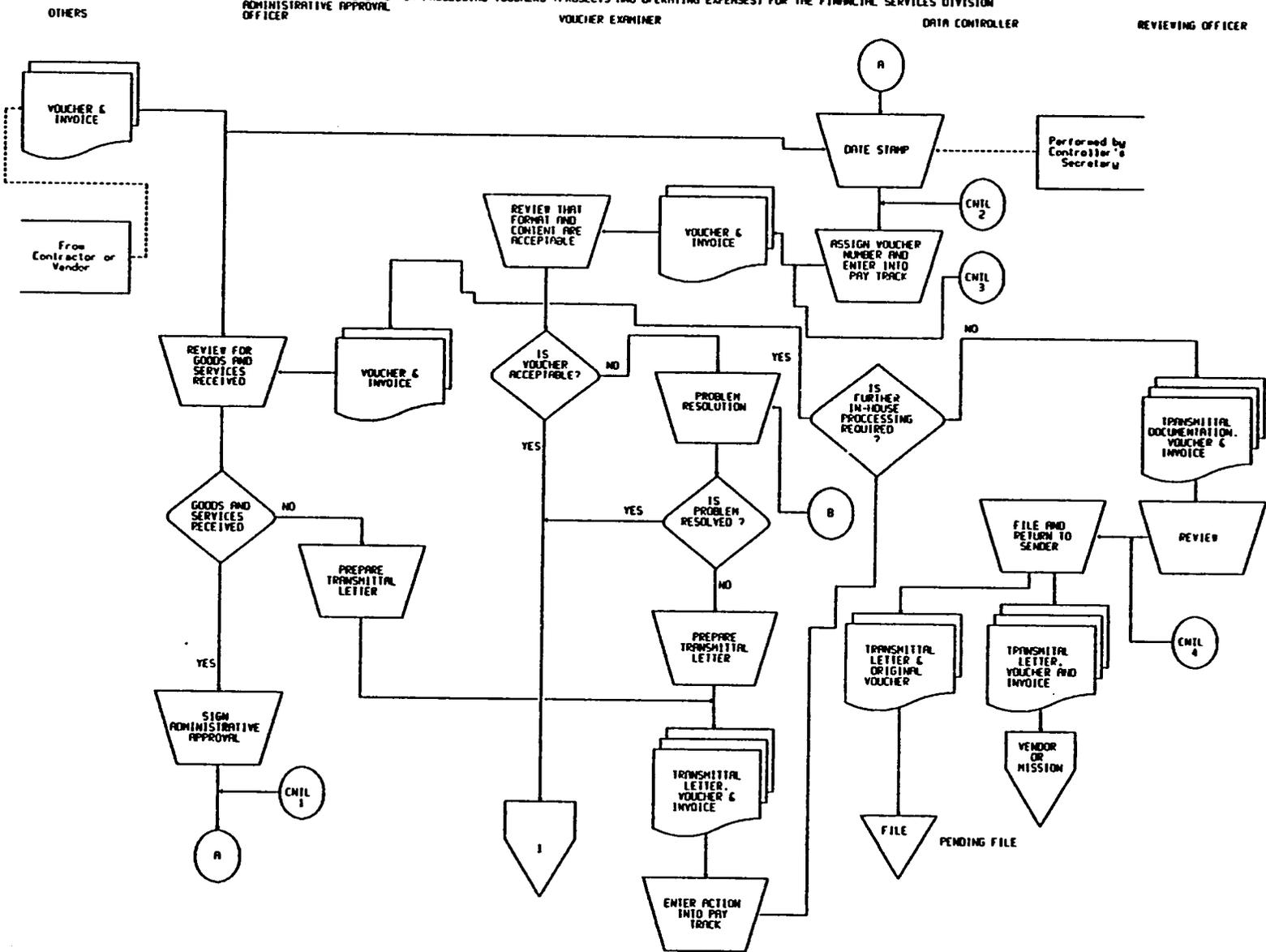
RFMC/Nairobi's Cycle of Events for Processing
Project-Related Earmarks and Commitments

Control
Number

Control Technique

- 1 The accountants reviewing fund cites, assigning reservation and trip request numbers, and stamping funds available for earmark reservations or earmarks are "documentation" and "recording of transactions and events" controls.
- 2 The accountants reviewing fund cites and preparing the MACS code sheet for the earmark document are "recording of transactions and events" controls.
- 3 The supervisory accountant reviewing and initialing the MACS earmark reservations or earmark code sheets are "supervision" controls.
- 4 The data input branch posting the earmark reservations or earmarks to MACS are "recording of transactions and events" and "separation of duties" controls.
- 5 The controller's clearing of original document by signing it is a "supervision" control.
- 6 The originating or contracting offices executing a commitment document by signing it are "execution of transactions and events" and "separation of duties" controls.
- 7 The supervisory accountant reviewing and initialing the MACS code sheet are "supervision" controls.
- 8 The data input branch posting the commitment to MACS is both a "recording of transactions and events" and "separation of duties" control.

CYCLE OF EVENTS FOR PROCESSING VOUCHERS (PROJECTS AND OPERATING EXPENSES) FOR THE FINANCIAL SERVICES DIVISION



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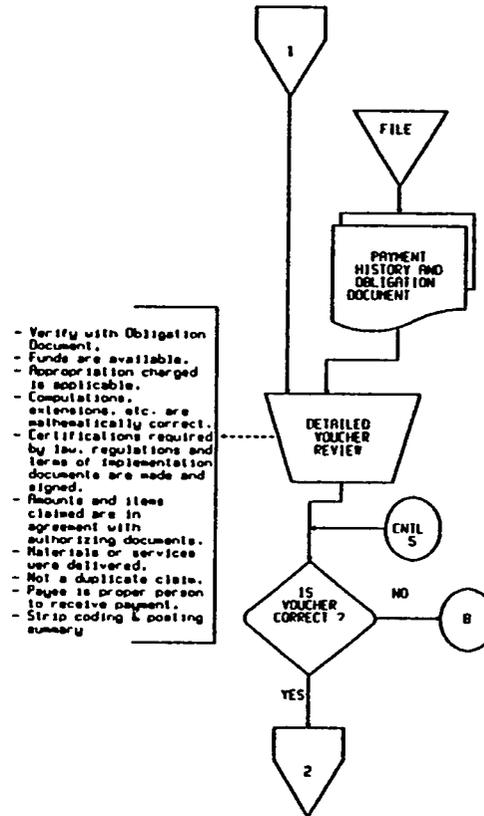
OTHERS

CYCLE OF EVENTS FOR PROCESSING VOUCHERS (PROJECTS AND OPERATING EXPENSES) FOR THE FINANCIAL SERVICES DIVISION
ADMINISTRATIVE APPROVAL OFFICER

VOUCHER EXAMINER

DATA CONTROLLER

REVIEWING OFFICER



OTHERS

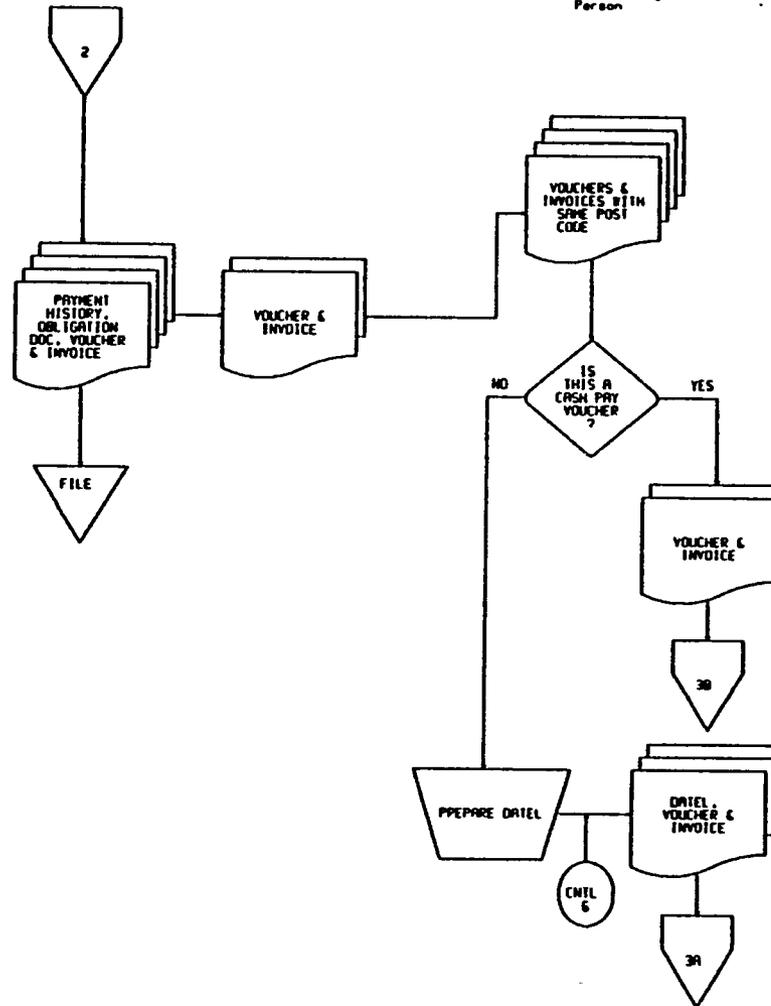
CYCLE OF EVENTS FOR PROCESSING VOUCHERS (PROJECTS AND OPERATING EXPENSES) FOR THE FINANCIAL SERVICES DIVISION
ADMINISTRATIVE APPROVAL OFFICER

VOUCHER EXAMINER

DATA CONTROLLER

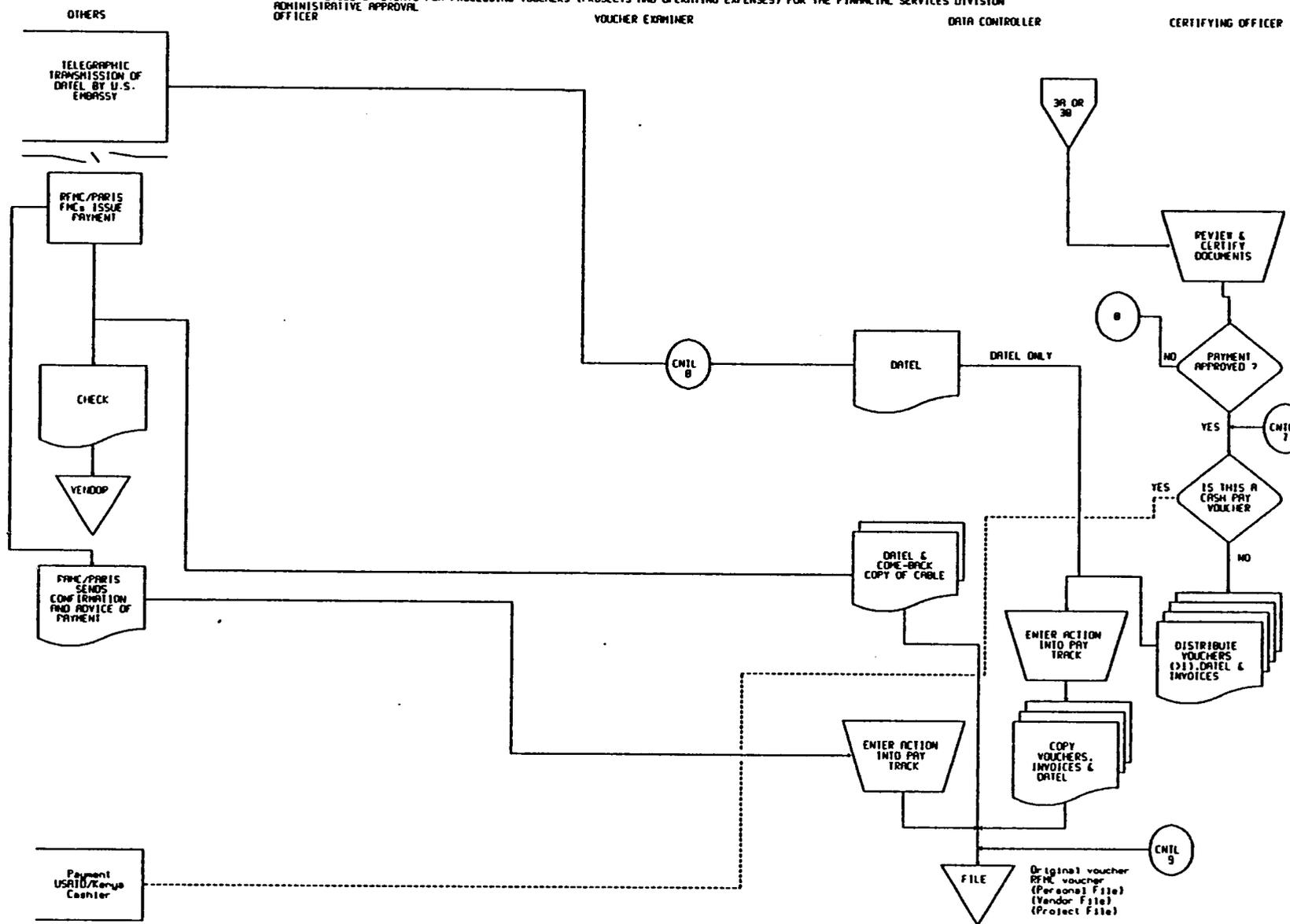
- Secretary
- Data & Pay Track Person

CERTIFYING OFFICER



1/2

CYCLE OF EVENTS FOR PROCESSING VOUCHERS (PROJECTS AND OPERATING EXPENSES) FOR THE FINANCIAL SERVICES DIVISION
 ADMINISTRATIVE APPROVAL OFFICER VOUCHER EXAMINER DATA CONTROLLER CERTIFYING OFFICER



2/19

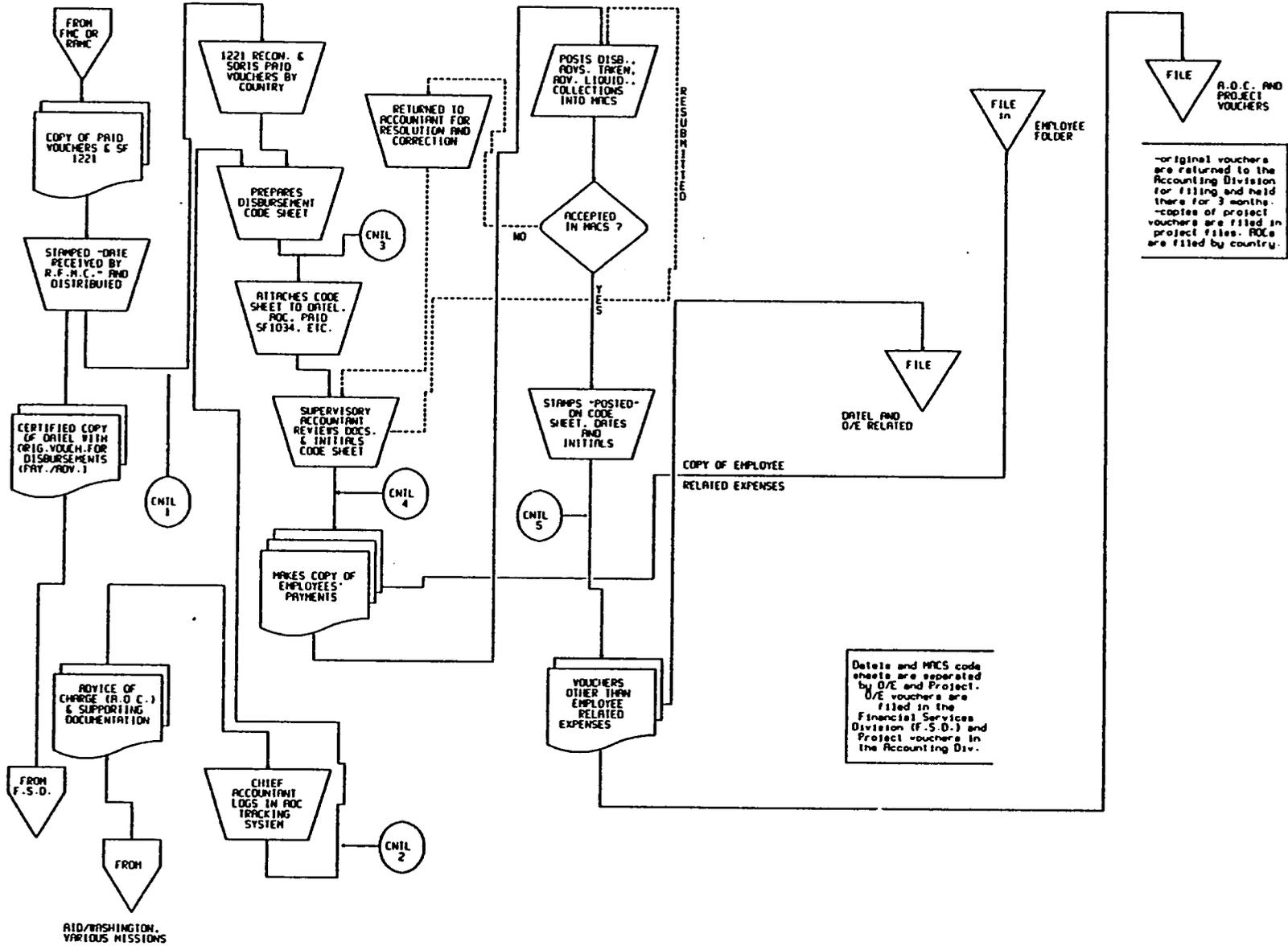
RFMC/Nairobi's Cycle of Events for Processing Vouchers (Projects and Operating Expenses) for the Financial Services Division

<u>Control Number</u>	<u>Control Technique</u>
1	The administrative approval officer reviewing and signing administrative approval that goods and services were received is a "separation of duties" control.
2	The controller's secretary date stamping the voucher and invoice is both a "documentation" and "recording of transactions and events" control.
3	The data controller assigning voucher number and entering into Pay Track are "documentation" and "recording of transactions and events" controls.
4	The reviewing officer reviewing transmittal documents is a "supervision" control.
5	The voucher examiner performing a detailed voucher review is a "separation of duties" control.
6	The data controller preparing the DATEL when the disbursement is not a cash pay voucher is both an "execution of transactions and events" and "separation of duties" control.
7	The certifying officer reviewing, certifying and approving payments are "execution of transactions and events" and "supervision" controls.
8	The DATEL being transmitted to Paris for payment is both an "execution of transactions and events" and "separation of duties" control.
9	The data controller entering information into Pay Track is both a "documentation" and "recording of transactions and events" control.

CONTROLLER'S SECRETARY

RFMC/NAIROBI'S CYCLE OF EVENTS FOR PROCESSING VOUCHERS (PROJECTS AND OPERATING EXPENSES) FOR THE ACCOUNTING DIVISION
DATA INPUT BRANCH

FILE CLERK (ACC. DIV.)



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RFMC/Nairobi's Cycle of Events for Processing Disbursements (Project and Operating Expenses) by the Accounting Division

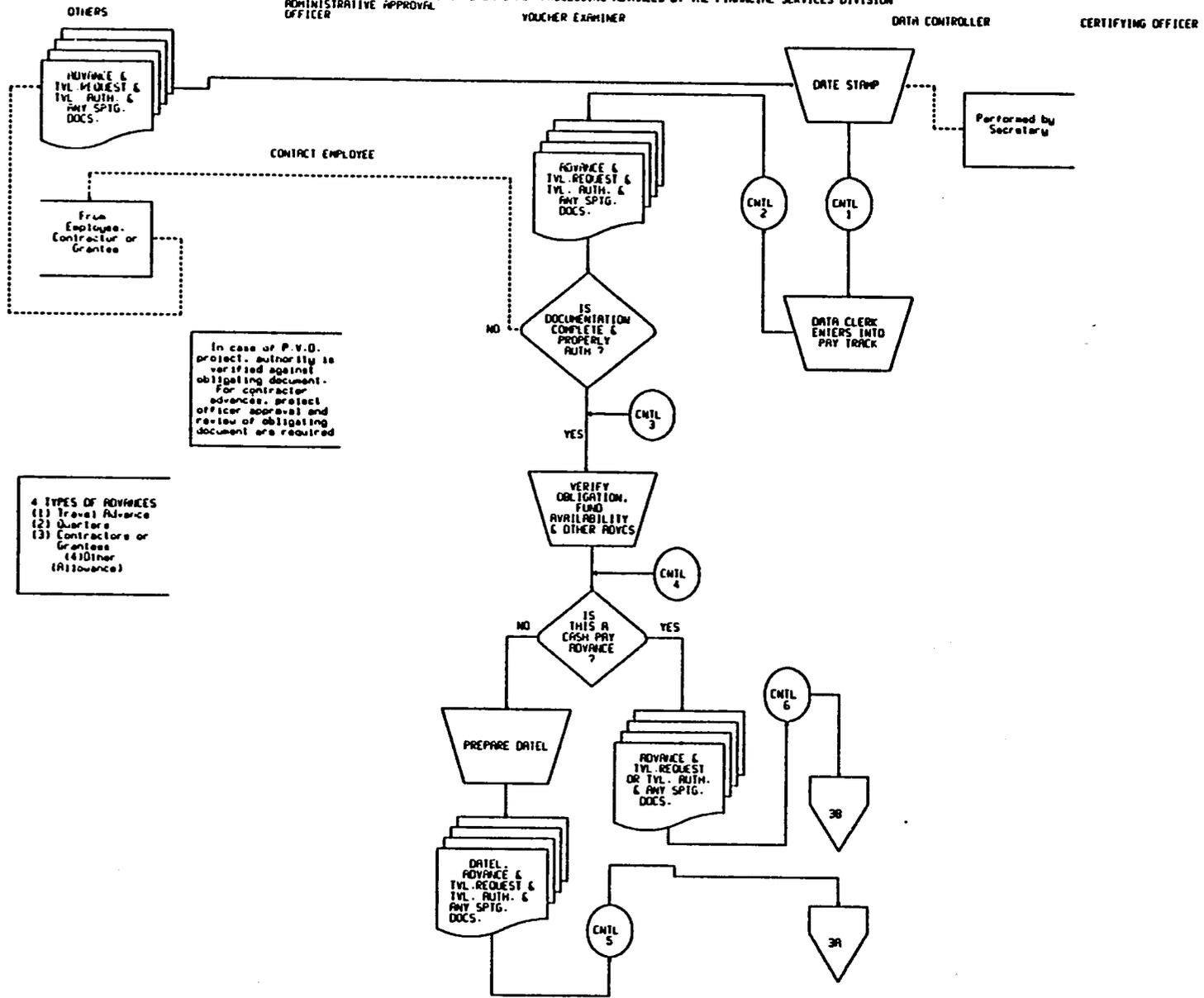
<u>Control Number</u>	<u>Control Technique</u>
1	The controller's secretary date stamping and distributing the documents are both "documentation" and "recording of transactions and events" controls.
2	The chief accountant logging-in the Advice of Charge is both a "documentation" and "recording of transactions and events" control.
3	The accountant preparing the disbursement code sheet is a "recording of transactions and events" control.
4	The supervisory accountant reviewing and initialing the documents is a "supervision" control.
5	The data input branch posting data to MACS is both a "recording of transactions and events" and "separation of duties" control.

RFMC/Nairobi's Cycle of Events for
Reconciliation (SF-1221 & Other) with the U.S. Disbursing Offices

<u>Control Number</u>	<u>Control Technique</u>
1	The data input branch generating the monthly MACS report, the SF-1221P for the accountants is a "documentation" control.
2	The deputy chief accountant preparing the disbursement summary form the MACS SF-1221P report is a "separation of duties" control.
3	The accountant preparing the list of reconciling items for the country accountants is both a "recording of transactions and events" and a "separation of duties" control.
4	The deputy chief accountant reviewing the list of reconciling items prepared by the accountant is a "supervision" control.
5	The country accountant preparing journal vouchers and MACS code sheets are a "recording of transactions and events" control.
6	The controller reviewing and approving the SF-1081 or the journal vouchers is both and "execution of transactions and events" and a "supervision" control.
7	The country accountant sending the SF-1081 to the Financial Services Division to prepare the DATEL is a "separation of duties" control.
8	The data input branch entering information into MACS is both a "recording of transactions and events" and a "separation of duties" control.
9	The deputy chief accountant reviewing and verifying the U101 Report against the monthly reconciliation and sending these reports to the controller for review and signature are "execution of transactions and events" and "supervision" controls.

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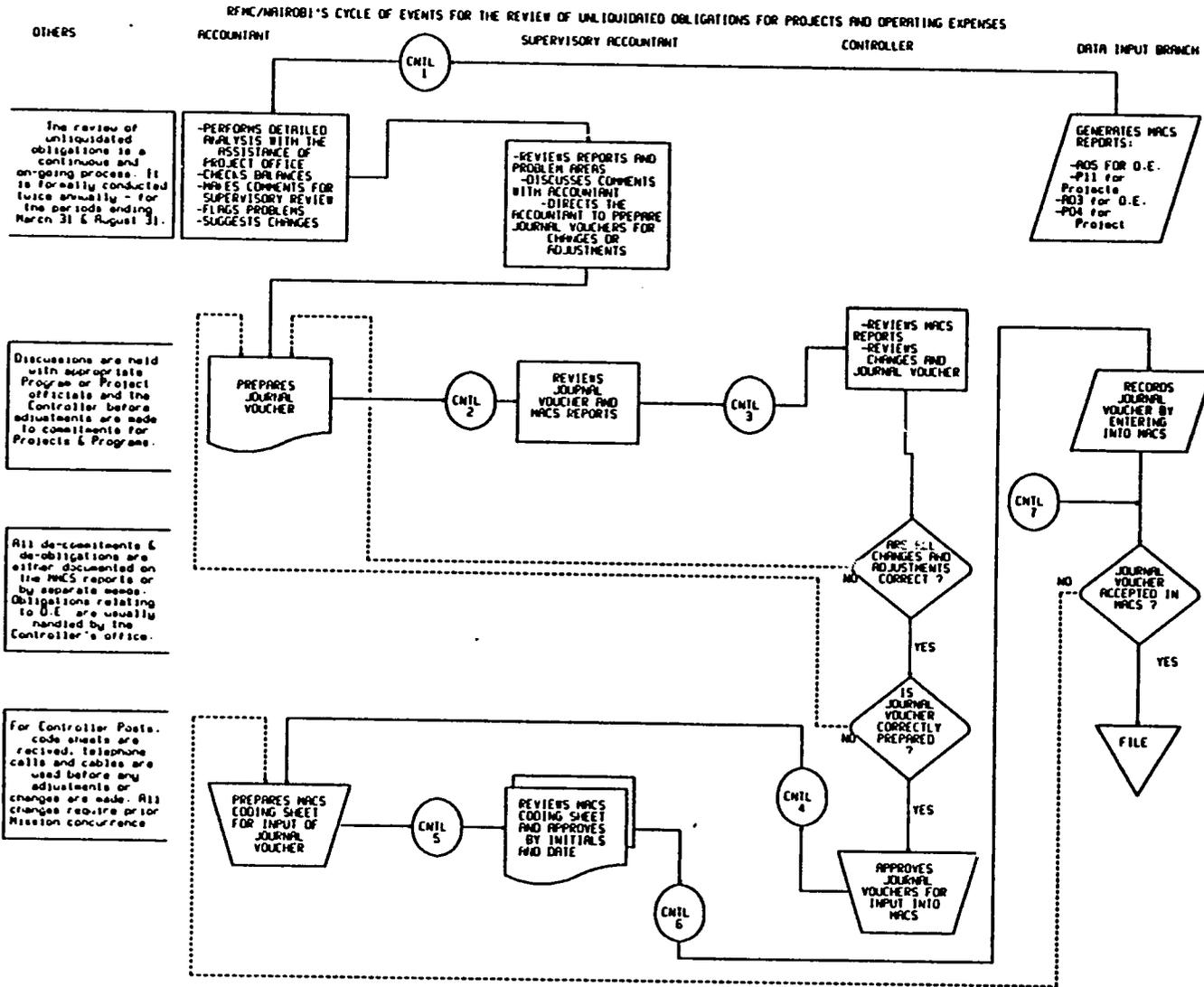
RFMC/MIRROBI'S CYCLE OF EVENTS FOR PROCESSING ADVANCES BY THE FINANCIAL SERVICES DIVISION



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RFMC/Nairobi's Cycle of Events for Processing
Advances by the Financial Services Division

<u>Control Number</u>	<u>Control Technique</u>
1	The secretary stamping the date is both a "documentation" and "recording of transactions and events" control.
2	The data clerk entering the advance into the Pay Track System is "recording of transactions and events" control.
3	The voucher examiner determining whether documentation is complete and properly authorized are "documentation" and "execution of transactions and events" controls.
4	The voucher examiner verifying obligations; funds availability and whether other advances are outstanding are "supervision" controls.
5	The voucher examiner preparing the DATEL when the request is not a cash pay advance is an "execution of transactions and events" control.
6	The voucher examiner forwarding the documents for further processing when the request is a cash pay advance is a "separation of duties" control.



RFMC/Nairobi's Cycle of Events for the Review of
Unliquidated Obligations for Projects and Operating Expenses

<u>Control Number</u>	<u>Control Technique</u>
1	The data input branch generating MACS reports for the accountants is a "documentation" control.
2	The accountant performing detailed analysis, checking balances, flagging problems and preparing journal vouchers are "recording of transactions and events" and "execution of transactions and events" controls.
3	The supervisory accountant reviewing the accountants' work is a "supervision" control.
4	The controller reviewing the MACS reports, journal vouchers and approving the inputs to MACS are "supervision" controls.
5	The accountant preparing the MACS coding sheet is both a "documentation" and "recording of transactions and events" control.
6	The supervisory accountant reviewing, initialing and dating the MACS coding sheets is a "supervision" controls.
7	The data input branch's input of data to MACS is a "recording of transactions and events" control.

APPENDIX IX

Report Distribution

American Ambassador Kenya	1
Director, REDSO/ESA	5
AA/AFR	1
AFR/EA/K	1
AFR/CONT	1
XA/PR	1
LEG	1
GC	1
AA/OPS	1
FA/FM	1
AA/FA	1
AA/R&D	1
POL/CDIE/DI	1
FA/MCS	2
FA/FM/FPS	2
REDSO/RFMC	1
REDSO/Library	1
IG	1
AIG/A	1
D/AIG/A	1
IG/A/PPO	2
IG/LC	1
IG/RM	12
AIG/I	1
RIG/I/N	1
IG/A/PSA	1
IG/A/FA	1
RIG/A/C	1
RIG/A/D	1
RAOM	1
RIG/A/S	1
RIG/A/T	1
RIG/A/EUR/W	1
RIG/A/V	1