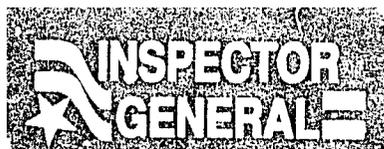


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**Regional Inspector General for Audit
Singapore**

**AUDIT OF
WORLD EDUCATION INC.
INDONESIA**

**Audit Report No. 5-497-92-10-N
February 24, 1992**



U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

**AUDIT OF
WORLD EDUCATION INC.
INDONESIA**

AUDIT REPORT NO. 5-497-92-10-N

FEBRUARY 24, 1992

The auditors found that World Education Inc.'s Fund Accountability Statement presented fairly the receipts and payments made under its grant with USAID/Indonesia. No material internal control weaknesses were noted and World Education Inc. complied, in all material respects, with applicable laws, regulations, and agreement terms. The auditors also concluded that World Education Inc. had adequate management capability, financial resources, and travel and personnel policies to administer the new grant received from USAID/Indonesia.

**CONTRACTOR INFORMATION CONTAINED IN THIS
REPORT MAY BE PRIVILEGED. THE
RESTRICTIONS OF 18 USC 1905 SHOULD BE
CONSIDERED BEFORE ANY INFORMATION IS
RELEASED TO THE PUBLIC.**

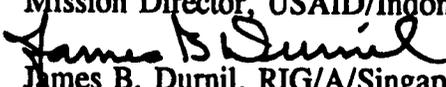
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
OFFICE OF THE REGIONAL INSPECTOR GENERAL FOR AUDIT
— Singapore —

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February 24, 1992

MEMORANDUM FOR: Lewis P. Reade
Mission Director, USAID/Indonesia

FROM: 
James B. Durnil, RIG/A/Singapore

SUBJECT: Audit of World Education Inc. - Indonesia
Audit Report No. 5-497-92-10-N

The audit firm of Hans Tuanakotta & Mustofa, the Deloitte Ross Tohmatsu International affiliate in Indonesia, performed a financial audit of USAID/Indonesia's grant with World Education Inc. (WEI) in Indonesia. Five copies of the audit report are enclosed for your action.

Under the Private Voluntary Organization Co-Financing II Project, USAID/Indonesia provided a grant to WEI for a project to promote the careful use of pesticides. WEI's activities under the grant included: (1) participating in a series of training exchanges to identify the major issues on the use of pesticides; (2) carrying out community based research on these issues; (3) developing action plans, learning materials, and public awareness strategies based on the results of the research; and (4) carrying out these action plans and evaluating their impact. The period covered by the audit was June 27, 1990 to June 30, 1991, during which WEI received \$86,355 and expended \$75,996 under the grant for its Indonesian operations. WEI also received a new grant from USAID/Indonesia entitled "Action Learning to Promote Improved Environmental Management and Advocacy Through Popular Participation with Indonesian Non-governmental Organizations," Grant No. 497-0364-G-SS-1063-00 (the new grant). The costs incurred under the new grant were not audited but WEI's management and financial capabilities, and the adequacy of their personnel and travel policies as they relate to this new grant, were evaluated.

The audit objectives were to: (1) determine whether the Fund Accountability Statement of WEI presents fairly the receipts and expenditures under the grant and whether the expenditures were allocable, allowable, and reasonable; (2) report on WEI's system of internal controls; (3) report on WEI's compliance with applicable laws, regulations, and agreement terms; (4) determine whether WEI has sufficient management capability and span of control to administer the new grant received from USAID/Indonesia; (5) determine whether WEI is financially capable of performing the proposed work under the new grant; and (6) determine whether WEI has

adequate personnel and travel policies to ensure that resulting costs incurred under the new grant will be both reasonable and in accordance with the applicable cost principles.

The auditors reported that the Fund Accountability Statement presents fairly WEI's receipts and expenditures under the grant with USAID/Indonesia; that no material weaknesses in the internal control structure were noted; and that for the items tested, WEI complied, in all material respects, with the applicable laws, regulations, and agreement terms. However, two minor internal control weaknesses and four minor instances of noncompliance with local laws and agreement terms were noted. The auditors also concluded that WEI has the management capability, financial capability, and adequate personnel and travel policies to administer the new grant received from USAID/Indonesia.

The management of WEI generally agreed with the auditors' findings and recommendations. WEI's response is included in its entirety as Appendix 1 to the report.

We are making the following recommendations to be included in the Inspector General's recommendation follow-up system.

Recommendation No. 1: We recommend that USAID/Indonesia verify that World Education Inc. has established and implemented adequate procedures to: (i) correct the deficiencies relating to its cash management and general accounting procedures that were identified in the auditors' report; (ii) segregate the accounting of USAID grant funds and use grant funds only for approved purposes; and (iii) comply with A.I.D. regulations on property management standards and the requirements to label A.I.D. funded non-expendable properties.

Recommendation No. 2: We recommend that USAID/Indonesia verify that World Education Inc. complies with Indonesian tax laws and with the requirement to obtain a formal operating licence.

We appreciate the courtesies and cooperation the Mission and WEI extended to the auditors and our staff during the course of this audit.

Please advise me within 30 days of any actions planned or taken to close the above recommendations.

FINANCIAL AUDIT OF

USAID/INDONESIA GRANT TO

WORLD EDUCATION INC.

UNDER THE PVO CO-FINANCING II PROJECT

USAID GRANT NO. 497-0336-G-SS-0078-00

WORLD EDUCATION INC.

USAID GRANT NO. 497-0336-G-SS-0078-00

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No. 20.09.91 AID WEI SR1

January 20, 1992

Mr. James B. Durnil
Regional Inspector General
for Audit/Singapore
United States Agency for International
Development (USAID)
111, North Bridge Road
No. 17-03, Peninsula Plaza
Singapore 0617.

Dear Mr. Durnil,

This report presents the results of our audit of USAID Grant No. 497-0336-G-SS-0078-00 extended to World Education Inc. (WEI) under the Private Voluntary Organization (PVO) Co-Financing II Project for the project entitled "Action Learning to Promote the Careful Use of Pesticides (CUP) Through Non-Governmental Organizations in Indonesia". Our audit pertains to WEI Indonesian operations only and does not include WEI's receipt and use of the Grant outside Indonesia. Also, our audit does not cover WEI's management policies, and systems and procedures on its outside Indonesian operations.

The audit of USAID Grant No. 497-0336-G-SS-0078-00 covers the period from June 27, 1990 to June 30, 1991.

BACKGROUND

Use of pesticides has grown rapidly in Indonesia in the past two decades. The sharp increase in the use of toxic substances introduces special risk to human safety, including direct poisoning, residues in food crops and contaminated water supplies. USAID/Indonesia (USAID/I) recognises this problem. To assist in solving this problem, USAID/I financed the CUP Project.

Correspondent of :

DRT International
Deloitte Ross Tohmatsu

USAID's Involvement in the Project

USAID's assistance supports the CUP Project by providing funds to WEI through grant under the PVO Co-Financing II Project. Under this grant, WEI is participating in a series of training exchanges that identify major issues of pesticides' use and/or other environmental problems; carry out community-based research on the identified issues; develop action plans, learning materials, and public awareness strategies based on the results of the research; and carry out the action plans, and evaluate their impact, while USAID is responsible for monitoring the activities of WEI.

Project's Goal and Purpose

The purpose of this grant is to pursue democratic pluralism by training eighteen indigenous NGO's from North and West Sumatra, West, Central and East Java as well as Jakarta to articulate the environmental interest of the Indonesian people and influence the government and public opinion about the careful use of pesticides. Specific objectives include:

1. To strengthen the institutional capacity of NGO to manage training and public education campaigns.
2. To enhance the knowledge and skill of NGO participants in action learning, adult education processes and uses of the media, which facilitate the effective transfer of technical knowledge about careful pesticides' use to government decision-makers and to the public at large.
3. To increase NGO ability to establish a network with each other with government agencies, with university research institutes, with media channels and with international PVOs to advance an agenda of careful pesticide use.
4. To improve the knowledge, attitudes, practices of farmers and their families in the careful use of pesticides.
5. To increase the capacity of eighteen NGO to disseminate messages and advocate for the careful use of pesticides.

AUDIT OBJECTIVES AND SCOPE

We conducted a financial audit of WEI's Fund Accountability Statement under the Grant Agreement No. AID 497-0336-G-SS-0078-00 for the period from June 27, 1990 to June 30, 1991. Our audit covers the amounts of grant received and the amounts disbursed as they relate to WEI's Indonesian operations.

The Fund Accountability Statement comprises the statement of receipts and expenditures, which pertains only to the WEI Indonesia's receipt of funds from WEI Boston and disbursements that were made in Indonesia and the notes for this statement.

The results of our work, which pertains only to WEI's Indonesian operations, are reflected in the following accompanying Independent Auditors' Reports :

1. Fund Accountability Statement
2. Internal Control Structure
3. Compliance with the Terms of the Agreement, Applicable Laws and Regulations
4. Management Capability in Relation to New Grant No. AID 497- 0364-G-SS-1063-00 for the project entitled "Action Learning to Promote Improved Environmental Management and Advocacy Through Popular Participation (IEMA) with Indonesian NGO"
5. Financial Capability in Relation to New Grant No. AID 497- 0364-G-SS-1063-00 under the project entitled "Action Learning to Promote Improved Environmental Management and Advocacy Through Popular Participation (IEMA) with Indonesian NGO"
6. Adequacy of Personnel and Travel Policies

The audit did not include the examination of the transactions made by WEI-Boston in the United States as the supporting documents for these transactions are maintained in the U.S. However, for information purposes only, we have included as part of Note 3 to the Fund Accountability Statement, a statement of total grant receipts and expenditures.

The objectives of our work were to determine whether for WEI's Indonesian operations:

- a. The Fund Accountability Statement for CUP Project presents fairly the receipts and expenditures for the period from June 27, 1990 to June 30, 1991 in accordance with the terms of the Grant Agreement (Agreement) with USAID and to identify costs, which were not fully supported with adequate records or which were not allocable, reasonable or allowable under the terms of the Agreement.
- b. WEI's internal control structure is adequate to provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with the Agreement and authorizations and are properly recorded to permit the preparation of vouchers or invoices in accordance with the Agreement.
- c. WEI has complied with the applicable laws, regulations and terms of the Agreement.

- d. WEI has sufficient management capability and span of control to administer the project under the new grant, entitled "Action Learning to Promote Improved Environmental Management and Advocacy Through Popular Participation (IEMA) with Indonesian NGO", Grant No. AID 497-0364-G-SS-1063-00 (new grant) which has been recently received.
- e. WEI is financially capable of performing the proposed work under the new grant.
- f. WEI has the personnel and travel policies that are adequate to ensure that resulting cost from the activities under the new grant will be both reasonable and in accordance with the applicable cost principles.

The audit was conducted in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States (Yellow Book) and accordingly, included such tests to determine whether funds were being properly accounted for and used as directed by the Agreement and other applicable program documents and the laws of Indonesia.

The scope of our work primarily included the following general procedures:

- a. Holding meetings with USAID/I, WEI and RIG/A/S officials.
- b. Reviewing Agreements, Office of Management and Budget (OMB) circulars, AID Handbook 13 (including Mandatory Standard Provisions for grantees), grant proposals, USAID/I grant files, specific grantees work programs and budget, grant's files and annual and quarterly reports submitted to USAID/I and to WEI's head office.
- c. Reviewing WEI Indonesia's internal control structure, accounting records, and control procedures.
- d. Assessing WEI Indonesia's compliance with terms of the Agreement, applicable laws and regulations.
- e. Evaluating WEI Indonesia's management capabilities and span of control to administer the project under the new grant received from USAID/Indonesia. We considered WEI's current and forecast workload, its staffing level and past performance in administering similar project.
- f. Evaluating WEI's Indonesia financial capabilities, including reviewing its assets, liabilities, revenues and expenses as set out in their audited financial statements, management accounts and budgets. We considered WEI's capacity to generate funds for the programs, its working capital facilities and cash flow forecasts.

- g. Determining the adequacy of WEI Indonesia's personnel and travel policies. We reviewed their procedures for developing and approving such policies, their past experiences in implementing and enforcing these policies to USAID-funded and other activities.
- h. In performing some of the above procedures, compliance and substantive testing procedures were devised and performed. These include confirming balances with depository bank, WEI's head office and USAID/I offices.
- i. Designing appropriate audit steps and procedures to provide reasonable assurance of detecting errors, irregularities, and illegal acts that could have a direct and material effect on the results of our audit. We were also aware of the possibility of illegal acts that could have an indirect and material effect on the results of our audit.

SUMMARY OF THE RESULTS OF AUDIT

Opinion on Fund Accountability Statement

As discussed above, our audit covers WEI Indonesia's operations only. In our opinion, the project's Statement of Receipts and Expenditures presents fairly the receipts and expenditures of WEI for the period from June 27, 1990 to June 30, 1991, as they relate to its Indonesian operations.

Internal Control Structure

Our study and evaluation of the internal control structure of WEI in Indonesia, made as part of the audit of the Indonesian operations or transactions, disclosed certain reportable conditions that we consider necessary to be brought to the attention of WEI management and USAID/I. These conditions are summarized below:

1. Inadequacies in cash management.
2. Deficiencies in general accounting and other procedures.

The above conditions were considered in determining the nature, timing and extent of the audit tests applied by us in the examination of the related Fund Accountability Statement.

Since our study and evaluation of the system of internal control were made for limited purposes, it would not necessarily disclose all weaknesses in the system, and therefore, we do not express an opinion on the system of WEI Indonesia internal control taken as a whole.

Compliance with Agreement Terms, Applicable Laws and Regulations

Our tests for compliance with the terms of the Agreement, applicable laws and regulations of WEI's Indonesian operations and selected transactions and records indicate that, for the items tested, WEI Indonesia complied in all material respects with those provisions of the Agreement, applicable laws and regulations, except for the following summarized items:

1. Absence of a formal operating license in Indonesia
2. Nonmaintenance of a tax account number (NPWP) and nonwithholding of taxes on its employees' salaries and other withholding taxes
3. Comingling of funds received from USAID and non USAID sources
4. Incomplete control over non-expendable properties.

With respect to transactions and records not tested by us, nothing came to our attention to indicate that WEI Indonesia has not complied with the Agreement terms, applicable laws and regulations in connection with the CUP Project.

Management Capability in Relation to New Grant No. AID 497-0364-G-SS-1063-00 under the Project Entitled " Action Learning to Promote Improved Environmental Management and Advocacy Through Popular Participation (IEMA) with Indonesian NGO"

Based on the results of our review, we believe that WEI has the management capability and span of control to administer the project under the new grant, which was recently received.

Financial Capability in Relation to New Grant No. AID 497-0364-G-SS-1063-00 under the Project Entitled " Action Learning to Promote Improved Environmental Management and Advocacy Through Popular Participation (IEMA) with Indonesian NGO"

Based on the results of our review, we believe that WEI has the financial capability for the project under the new grant, which was recently received.

Adequacy of Personnel and Travel Policies

Based on the results of our review, we noted that WEI has the personnel and travel policies that are adequate to ensure that resulting cost from the activities under the new grant will be both reasonable and in accordance with the applicable cost principle.

SUMMARY OF MANAGEMENT COMMENTS

WEI Indonesia generally agreed with our findings and recommendations on the adequacy of internal control and compliance issues, except on the issue pertaining to the comingling of funds received from USAID and non-USAID sources. The management' comments on the related findings and recommendations issues are summarized under the respective findings in this report. The full text of the comment is attached as Appendix 1 to this report.

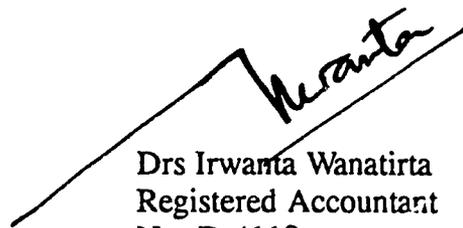
FOLLOW-UP ON PRIOR AUDITS

There were no prior findings and recommendations that could have an effect in the current year audit objectives, since this is an initial audit conducted by RIG/A/S for the grant funded to WEI by USAID/Indonesia.

ACKNOWLEDGEMENT

We would like to take this opportunity to express our gratitude for the assistance extended to us by RIG/A/S office, USAID/I and WEI during the course of the audit.

HANS TUANAKOTTA & MUSTOFA



Drs Irwanta Wanatirta
Registered Accountant
No. D-4118

otta & Mustofa

1a

INDEPENDENT AUDITORS' REPORT

ON

FUND ACCOUNTABILITY STATEMENT

HEAD OFFICE :
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Facsimile : 325855

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No. 20.09.91 AID WEI SR2

Mr. James B. Durnil
Regional Inspector General
for Audit/Singapore
United States Agency for International
Development (USAID)
111, North Bridge Road
No. 17-03, Peninsula Plaza
Singapore 0617.

Dear Mr. Durnil,

**FINANCIAL AUDIT OF USAID'S PVO
CO-FINANCING II PROJECT GRANT TO**

WORLD EDUCATION INC. (WEI)

**USAID GRANT NO. 497-0336-G-SS-0078-00
FOR THE PERIOD FROM JUNE 27, 1990 TO JUNE 30, 1991**

**INDEPENDENT AUDITORS' REPORT
ON THE FUND ACCOUNTABILITY STATEMENT**

We have audited the accompanying Fund Accountability Statement of WEI-Indonesia's receipts and expenditures of fund pertaining to the CUP Project under USAID Grant No. 497-0336-G-SS-0078-00 for the project entitled "Action Learning to Promote the Careful Use of Pesticides Through Non-governmental Organizations in Indonesia (CUP)" for the period from June 27, 1990 to June 30, 1991.

Correspondent of :

DRT International
Deloitte Ross Tohmatsu

This statement and the notes thereon, set out on pages 11 to 12 are the responsibility of WEI management. Our responsibility is to express an opinion on the Statement based on our audit.

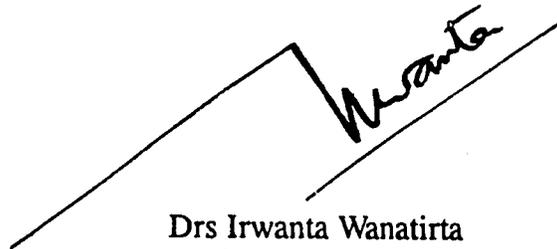
We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free of material misstatements. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the Statement. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall presentation of the Statement. We believe that our audit provides a reasonable basis for our opinion.

As stated in note 2 on page 11 of this report, the Fund Accountability Statement presents only the transactions of WEI-Indonesia as they pertain to the grant received from USAID/I and are not intended to present fairly the receipts and expenditures of WEI as a whole.

In our opinion, the Fund Accountability Statement presents fairly the receipts and expenditures of WEI Indonesia for the period from June 27, 1990 to June 30, 1991 in conformity with generally accepted accounting principles.

This report is intended solely for the use of USAID/I and should not be used for any other purposes. This restriction is not intended to limit the distribution of this report which, upon acceptance by AID Regional Inspector General for Audit/Singapore, is a matter of public record.

HANS TUANAKOTTA & MUSTOFA

A handwritten signature in black ink, appearing to read 'Irwanta', is written over a diagonal line that extends from the bottom left towards the top right.

Drs Irwanta Wanatirta
Registered Accountant
No. D-4118

September 20, 1991

WORLD EDUCATION INC.
USAID GRANT NO. 497-0336-G-SS-0078-00
FUND ACCOUNTABILITY STATEMENT
FOR THE PERIOD FROM JUNE 27, 1990 TO JUNE 30, 1991
(Amounts in United States Dollars)

RECEIPTS

Amounts received by WEI Indonesia from WEI Boston	US\$ 86,355 -----
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EXPENDITURES

World Education labor	1,223
Domestic travel	2,752
Other direct cost	25,287
Local currency project cost	46,734
Total	----- 75,996 -----

EXCESS (SHORTFALL) OF RECEIPTS OVER EXPENDITURES	US\$ 10,359 =====
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The accompanying notes form an integral
part of the Fund Accountability Statement.

WORLD EDUCATION INC.

USAID GRANT NO. AID 497-0336-G-SS-0078-00

**NOTES TO THE FUND ACCOUNTABILITY STATEMENT
FOR THE PERIOD FROM JUNE 27, 1990 TO JUNE 30, 1991**

1. SIGNIFICANT ACCOUNTING POLICIES

The Fund Accountability Statement is the statement of receipts and expenditures, which is prepared in accordance with the historical cost concept. The records are maintained in United States Dollars.

Project furniture and equipment purchases are included as part of expenditures.

2. COMPONENT UNIT OF THE ORGANIZATION

The statement of receipts and expenditures for the grant in total presents only the transactions and balances of the fund under the Grant Agreement No. 497-0336-G-SS-0078-00 as funded by USAID and is not intended to represent the receipts and expenditures of WEI as a whole.

3. UNAUDITED STATEMENT OF RECEIPTS AND EXPENDITURES FOR THE GRANT IN TOTAL

USAID Grant No. 497-0336-G-SS-0078-00 for the project entitled "Action Learning to Promote the Careful Use of Pesticides (CUP) through NGO in Indonesia" were partly expended in the United States and in Indonesia. Those expended in the United States were not included in the scope of work because the related supporting documents are maintained over there.

WEI Boston receives the grant from USAID, while WEI Indonesia receives its funds from WEI Boston.

The following presentation pertains to the Statement of Receipts and Disbursements for the grant in total for the period from June 27, 1990 to June 30, 1991 (Amounts in United States Dollars):

	<u>WEI</u> <u>Total</u> (Unaudited)	<u>WEI</u> <u>Boston</u> (Unaudited)	<u>Indonesia</u>
RECEIPTS			
Amount of grant to be received by WEI Boston	216,816	216,816	-
Amount of grant not yet received	(31,816)	(31,816)	-
Amount received by WEI Indonesia from WEI Boston	-	(86,355)	86,355
Total Receipts	<u>185,000</u>	<u>98,645</u>	<u>86,355</u>
EXPENDITURES			
World Education labor	47,494	46,271	1,223
International travel/per diem	13,541	13,541	-
Domestic travel	5,225	2,473	2,752
Other direct cost	27,015	1,728	25,287
World Education overhead	35,445	35,445	-
Local currency project cost	48,411	1,677	46,734
Total	<u>177,131</u>	<u>101,135</u>	<u>75,996</u>
EXCESS (SHORTFALL) OF RECEIPTS OVER EXPENDITURES	<u>7,869</u>	<u>(2,490)</u>	<u>10,359</u>

Column headings of the above Statement of Receipts and Disbursements for the grant in total are explained as follows:

Total, pertains to the Organization's total receipt of grant from USAID Indonesia, and total disbursements out of the grant.

WEI - Boston, pertains to WEI Boston receipt of grant and disbursements that were made in the United States.

WEI - Indonesia, pertains to WEI Indonesia receipt of funds from WEI Boston and disbursements that were made in Indonesia.

12A

Hans Tuanakotta & Mustofa

INDEPENDENT AUDITORS' REPORT

ON

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Facsimile : 325855

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No. 20.09.91 AID WEI SR3

Mr. James B. Durnil
Regional Inspector General
for Audit/Singapore
United States Agency for International
Development (USAID)
111, North Bridge Road
No. 17-03, Peninsula Plaza
Singapore 0617.

Dear Mr. Durnil,

**FINANCIAL AUDIT OF USAID'S PVO
CO-FINANCING II PROJECT GRANT TO**

WORLD EDUCATION INC. (WEI)

**USAID GRANT NO. 497-0336-G-SS-0078-00
FOR THE PERIOD FROM JUNE 27,1990 TO JUNE 30, 1991**

INDEPENDENT AUDITORS' REPORT
ON THE INTERNAL CONTROLS

We have audited the Fund Accountability Statement of WEI pertaining to its Indonesian transactions in relation to USAID's PVO Co-Financing II Project grant funded by USAID/I under the grant No. AID 497-0336-G-SS-0078-00 for the project entitled "Action Learning to Promote the Careful Use of Pesticides (CUP) through Non-Governmental Organizations in Indonesia" for the period from June 27, 1990 to June 30, 1991.

We have issued our report for the audit of the Fund Accountability Statement for the above project as they relate to WEI's Indonesian operations dated September 20, 1991.

Correspondent of :

DRT International
Deloitte Ross Tohmatsu

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Fund Accountability Statement is free of material misstatements.

In planning and performing our audit, we considered WEI's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the Fund Accountability Statement and not to provide assurance on WEI's internal control structure.

The management of WEI is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related cost of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that the assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of Fund Accountability Statement in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories:

- Accounting system and record keeping
- Payroll
- Cash disbursements
- Cash receipts
- Cost allocation and allowability
- Financial reporting
- Monitoring

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

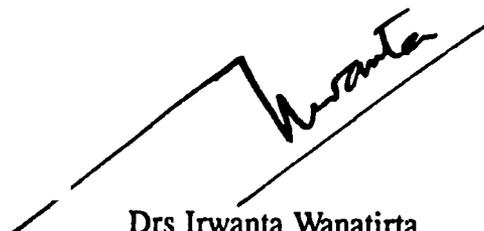
We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control structure that, in our judgement, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the Fund Accountability Statement. The reportable conditions are described as finding Nos. 1 to 2 on pages 16 to 18.

A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described above are material weaknesses.

This report is intended solely for the use of WEI and USAID/I. This restriction is not intended to limit the distribution of this report which, upon acceptance by AID Regional Inspector General for Audit/Singapore, is a matter of public record.

HANS TUANAKOTTA & MUSTOFA

A handwritten signature in black ink, appearing to read 'Irwanta', is written over a diagonal line that extends from the bottom left towards the top right.

Drs Irwanta Wanatirta
Registered Accountant
No. D-4118

September 20, 1991

**FINANCIAL AUDIT OF USIAD'S PVO
CO-FINANCING II PROJECT GRANT TO
WORLD EDUCATION INC. (WEI)
USAID GRANT NO. 497-0336-G-SS-0078-00
INTERNAL CONTROL MATTERS
AUDIT FINDINGS AND RECOMMENDATIONS**

1. INADEQUACIES IN CASH MANAGEMENT

Condition

The following regarding controls over cash were noted in the examination:

- a. The Office Manager performed the functions of an accounting officer and a cashier.
- b. Cash was not managed using the imprest fund system. No limit was placed on the maximum of cash allowed in the cash box. For example, on June 3, 1991, there were more than Rp 9 million in the box.

Criteria

Sound controls over cash require that duties of an accounting officer and a cashier be segregated. Cash on hand should be limited to the amount required for several days of petty disbursements.

Effect

Non-segregation of the duties of an accounting officer and a cashier could arise into irregularities (like fraud) that could take place without being immediately detected. Loss of fund, through theft, could also happen due to the maintenance of material amount of cash on hand.

Cause

Since WEI is still new in Indonesia, its set up, including cash management, has not been fully established yet. In addition, WEI staff is very limited. For the maintenance of material amount of cash on hand, this was due to the preference of WEI's suppliers to receive cash rather than check.

Recommendation

We recommend WEI to establish and implement a cash management system to:

- a. segregate the duties of the accountant and the cashier;
- b. use a petty cash imprest fund system controlled through a maximum cash amount based on WEI's review of its cash requirements; and
- c. identify transactions whereby funds (bank) transfer should be used instead of cash payment.

In relation to our recommendation on the segregation of duties, WEI's Office Manager could act as the Accounting Officer and her current assistant be the cashier. We also suggest that the review that is being done by the Project Director be continued and be made thoroughly.

Management Comment

Instead of segregating the duties of the accountant and the cashier, which WEI feels to be too expensive, they will impose the following alternative procedures to compensate this non- segregation of duties:

- Office manager will manage a petty cash imprest fund system controlled through a maximum cash amount based on a review of cash management.
- Office manager will not be a check signatory.
- There will be a limit on the size of cash disbursements.
- All payees will sign for cash.
- Office manager will not receive cash and sign checks.
- An unannounced monthly review will be performed on the fund by the Project Director.

In addition, transactions will be identified where funds can be disbursed by bank transfer to limit the number of cash transactions.

2. DEFICIENCIES IN GENERAL ACCOUNTING AND OTHER PROCEDURES

Condition

The following were also noted during the examination:

- a. Subsidiary records to control subgrants' expenditures were not maintained.
- b. Accounting transactions were recorded using pencil.
- c. Not all payment vouchers' supporting documents were stamped "PAID".

Criteria

A good accounting control requires that subsidiary records be maintained; recording of accounting transactions be made in ink; and payment vouchers' supporting documents be stamped "PAID".

Effect

Without subsidiary records for subgrants' expenditures might result into certain monitoring difficulties (e.g. WEI will not readily know what are the outstanding advances it has with its subgrantees). Using pencil in recording accounting transactions could arise into intentional erasures to cover up irregularities. By not stamping payment supporting documents as "PAID" could arise into reusing same documents for another payment, which might be an illegitimate one.

Cause

WEI is not aware of the above accounting practices.

Recommendation

WEI Indonesia should establish and implement procedures to:

- a. use and periodically update subsidiary records to monitor each subgrant. The records should include date of sub-grant extension, amount, specific purpose (if necessary), reporting requirements and other comments; and
- b. use pen to record all transactions incurred.
- c. stamp "PAID" on all documents presented to WEI for payment.

Management Comment

WEI will maintain subgrant advance subledger. In addition, written agreements with subgrantees will be expanded to more explicitly describe the reporting requirements and information subgrantees must supply to WEI at the end of each grant; i.e. all receipts stamped "PAID" and amount and description of each expense.

INDEPENDENT AUDITORS' REPORT

ON

**COMPLIANCE WITH THE TERMS OF THE AGREEMENT,
APPLICABLE LAWS AND REGULATIONS**

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No. 20.09.91 AID WEI SR4

Mr. James B. Durnil
Regional Inspector General
for Audit/Singapore
United States Agency for International
Development
111, North Bridge Road
No. 17-03, Peninsula Plaza
Singapore 0617.

Dear Mr. Durnil,

**FINANCIAL AUDIT OF USAID'S PVO
CO-FINANCING II PROJECT GRANT TO**

WORLD EDUCATION INC. (WEI)

**USAID GRANT NO. 497-0336-G-SS-0078-00
FOR THE PERIOD FROM JUNE 27, 1990 TO JUNE 30, 1991**

INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE WITH THE TERMS OF THE AGREEMENT,
APPLICABLE LAWS AND REGULATIONS

We have audited the Fund Accountability Statement of WEI pertaining to its Indonesian transactions in relation to USAID's PVO Co-financing II Project grant funded by USAID/I under Grant No. 497-0336-G-SS-0078-00 for the project entitled "Action Learning to Promote the Careful Use of Pesticides Through Non-Governmental Organizations in Indonesia (CUP) for the period from June 27, 1990 to June 30, 1991.

Correspondent of :

DRT International
Deloitte Ross Tohmatsu

We have issued our report for the audit of the Fund Accountability Statement for the above Project as they relate to WEI's Indonesian operations dated September 20, 1991.

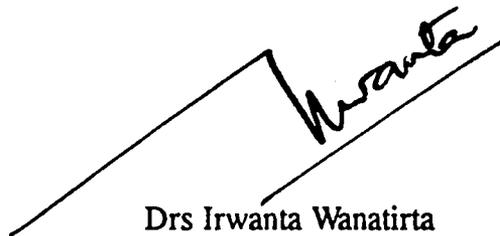
We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Fund Accountability Statement is free of material misstatements.

Compliance with laws, regulations, grants, and binding policies and procedures applicable to WEI-Indonesia is the responsibility of WEI's management. As part of our audit, we performed tests of WEI-Indonesia compliance with certain provisions of laws, regulations, grants and binding policies and procedures. However, it should be noted that we performed those tests of compliance as part of obtaining reasonable assurance about whether the Fund Accountability Statement is free of material misstatement; our objective was not to provide an opinion on compliance with such provisions.

Our testing of transactions, and records selected disclosed instances of noncompliance with those laws and regulations. All instances of noncompliance that we found are identified as finding numbers 1 to 4 on pages 21 to 25 of this report.

The results of our tests indicate that with respect to the items tested WEI-Indonesia complied, in all material respects, with the provisions referred to in the third paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that WEI-Indonesia had not complied, in all material respects, with those provisions. This report is intended solely for the use of WEI-Indonesia and USAID/I. This restriction is not intended to limit the distribution of this report which, upon acceptance by AID Regional Inspector General for Audit/Singapore, is a matter of public record.

HANS TUANAKOTTA & MUSTOFA

A handwritten signature in black ink, appearing to read 'Irwanta', is written over a diagonal line that extends from the bottom left towards the top right.

Drs Irwanta Wanatirta
Registered Accountants
No. D-4118

September 20, 1991

**FINANCIAL AUDIT OF USAID'S PVO
CO FINANCING II PROJECT GRANT TO**

WORLD EDUCATION INC. (WEI)

**USAID GRANT NO. 497-0336-G-SS-0078-00
FOR THE PERIOD FROM JUNE 27, 1990 TO JUNE 30, 1991**

AUDIT FINDINGS AND RECOMMENDATIONS

COMPLIANCE ISSUES

1. ABSENCE OF A FORMAL OPERATING LICENSE IN INDONESIA

Condition

WEI Indonesia did not have a formal operating license to carry out the CUP project.

Criteria

Eventhough WEI is a nonprofit organization, it is necessary for WEI to have business' license in Indonesia.

Effect

In case of inspection from concerned government authorities, WEI could be fined or be sanctioned by the government.

Cause

WEI Operating Agreement with Indonesian Department of Education has not yet been signed. The delay is associated to the change of the Director General of the said department.

Recommendation

WEI should expedite the finalization and signing of the contract with the Department of Education in Indonesia.

Management Comment

WEI is continuing its effort to expedite the finalization of an agreement with the Department of Education.

2. NONMAINTENANCE OF A TAX ACCOUNT NUMBER (NPWP) AND NONWITHHOLDING OF TAXES ON ITS EMPLOYEES' SALARIES AND OTHER WITHHOLDING TAXES

Condition

WEI Indonesia did not have its tax account number and accordingly, was not registered as a tax withholding agent. Consequently, WEI did not withhold income tax from the salaries of the employees.

Criteria

Eventhough WEI is a nonprofit organization, it is still required by Indonesian tax laws (Income Tax Law No. 6 Chapter V Article 21, 23 and 26) to have a tax account number, to be a withholding tax agent, to withhold income taxes of employees and other income taxes pertaining to payment of certain services, and to remit such taxes withheld on a monthly basis to the tax authorities.

Effect

In case of an examination from the tax authorities, WEI could be fined for noncompliance with the above Indonesian tax requirements. Furthermore, WEI will be exposed to its employees' tax liabilities if they default on their income taxes, losses which WEI will have to bear on its own as USAID will not fund them.

Cause

The above resulted as this relates to Finding No. 1 above of the pending finalization of WEI Operating Agreement with Indonesian Department of Education.

Recommendation

We recommend that WEI immediately establish and implement procedures to withhold taxes from its employees, obtain a tax account number, register itself as a tax withholding agent and thereafter remit such taxes to the tax authorities, monthly.

Management Comment

WEI will wait for the finalization of the Operating Agreement with the Department of Education. However, if by July 1, 1992, the Operating Agreement has not been finalized, WEI will immediately contact responsible officials to register as a tax withholding agent.

3. COMINGLING OF FUNDS RECEIVED FROM USAID AND NON-USAID SOURCES

Condition

Apart from USAID/I, WEI Indonesia also received fund from another organization to finance the CUP Project.

- a. WEI maintained one cash box for the funds from the USAID and NON-USAID organizations.
- b. There was an instance whereby USAID bank fund was used to finance the other donor's share of project expenditure amounting to US\$ 7,800. This amount was subsequently repaid, however.
- c. Petty cash fund received from another donor was used for USAID share of project cost.

Criteria

USAID Handbook 13 on Standards for Financial Management states that a grantee's accounting records should segregate all fund transactions under a grant agreement.

Effect

The above noted comingling of funds has the following effects:

- a. Non-compliance with the USAID Mandatory Standard Provisions.
- b. Inappropriate use of USAID funds of US\$ 7,800 up to the time this amount was repaid.
- c. WEI faces the risk of over-expenditure of the authorized amount of AID funds as it is unable to readily identify the amount of funds used from other sources for USAID activities.

Cause

US\$ 7,800 was used due to the delay in the receipt of the other donor's fund. In addition, the importance of fund segregation was not realized.

Recommendation

WEI should establish and implement procedures to separate use and accounting of funds and to ensure that USAID funds are not used to finance other donor's share of project expenses without prior approval from USAID/I.

Management Comment

The unusual situation in question occurred at project start up and was due to delay in the receipt of funds from non-USAID source. Detailed records of the use of USAID funds were maintained so as to accurately repay USAID. In the future, WEI will not use USAID funds in this way.

For the maintenance of one cash box, according to WEI, this cash box is not considered component of its accounting records. At any point in time the total monies in the cash box can be separated to determine the amount of USAID funds or the non-USAID funds using information maintained in the Bank Journals, Cash Box Journal and the Monthly Project Expense Ledger.

4. INCOMPLETE CONTROL OVER NON-EXPENDABLE PROPERTIES

Condition

Non-expendable properties were not labelled for purposes of identification. In addition, WEI had not yet taken an inventory of its properties.

Criteria

AID Handbook 13 on "Title to and Use of Property", paragraph (f)(1)(ii), states that the grantee's property management standards for property shall include, among others, procedural requirements for the maintenance of property records. The property records shall include other information like the manufacturer's serial number, model number, federal stock number, national stock number, or other identification number.

In addition, sound property management control normally includes labelling of the properties. This should be done using the AID "handclasps" stickers.

Effect

Properties purchased with USAID fund can not be readily identified. It could result into the properties being used for other than their authorized purposes.

Cause

Properties purchased by WEI pertained to small items only like office equipment, and were considered as part of expenditures.

Recommendation

We recommend that WEI establish and implement procedures to:

- a. develop listing of its properties with the necessary information discussed in the above criteria;
- b. periodically submit listing of properties to USAID;
- c. use of AID "handclasps" stickers for non-expendable properties; and
- d. periodically have a physical count of the properties.

Management Comment

WEI will maintain listing that includes complete required details. This will be submitted periodically to USAID. Labelling will be done and physical count will be performed on a yearly basis.

25a

INDEPENDENT AUDITORS' REPORT

ON

MANAGEMENT CAPABILITY IN RELATION TO

NEW GRANT NO. AID 497-0364-G-SS-1063-00

**FOR THE PROJECT ENTITLED "ACTION LEARNING TO PROMOTE
IMPROVED ENVIRONMENTAL MANAGEMENT AND ADVOCACY
THROUGH POPULAR PARTICIPATION (IEMA) WITH INDONESIAN
NON-GOVERNMENTAL ORGANIZATION"**

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No. 20.09.91 AID WEI SR5

Mr. James B. Durnill
Regional Inspector General
for Audit/Singapore
United States Agency for International
Development (USAID)
111, North Bridge Road
No. 17-03, Peninsula Plaza
Singapore 0617

Dear Mr. Durnill,

WORLD EDUCATION INC. (WEI)

INDEPENDENT AUDITORS' REPORT
ON MANAGEMENT CAPABILITY IN RELATION TO
NEW GRANT NO. AID 497-0364-G-SS-1063-00

We have performed a study and evaluation of WEI-Indonesia's management capability for work under a new PVO Co-Financing III Project Grant No. AID 497-0364-G-SS-1063-00 received from USAID/Indonesia for the project entitled "Action Learning to Promote Improved Environmental Management and Advocacy Through Popular Participation (IEMA) with Indonesian Non-Governmental Organization". Our study and evaluation was conducted in accordance with generally accepted auditing standards and the Government Auditing Standards issued by Comptroller General of the United States, and included areas we considered relevant to the criteria established by the Regional Inspector General for Audit/Singapore, to the extent we considered necessary.

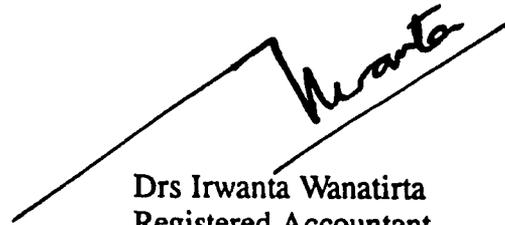
Correspondent of :

DRT International
Deloitte Ross Tohmatsu

We reviewed (i) the sufficiency of WEI's span of control; (ii) its current staffing levels; (iii) its current and forecasted workload; and (iv) its past performance in administering such similar projects, as they relate to the new grant.

Based on our study and understanding of the criteria referred to in the preceding paragraph, we believe that WEI-Indonesia has the management capability to provide sufficient administration and span of control in relation to the new USAID grant agreement referred to above.

HANS TUANAKOTTA & MUSTOFA

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Drs Irwanta Wanatirta
Registered Accountant
No. D-4118

September 20, 1991

INDEPENDENT AUDITORS' REPORT

ON

FINANCIAL CAPABILITY IN RELATION TO

NEW GRANT NO. AID 497-0364-G-SS-1063-00

**FOR THE PROJECT ENTITLED "ACTION LEARNING TO PROMOTE
IMPROVED ENVIRONMENTAL MANAGEMENT AND ADVOCACY
THROUGH POPULAR PARTICIPATION (IEMA) WITH INDONESIAN
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- 28 -

No. 20.09.91 AID WEI SR6

Mr. James B. Durnil
Regional Inspector General
for Audit/Singapore
United States Agency for International
Development (USAID)
111, North Bridge Road
No. 17-03, Peninsula Plaza
Singapore 0617

Dear Mr. Durnill,

WORLD EDUCATION INC. (WEI)

INDEPENDENT AUDITORS' REPORT
ON FINANCIAL CAPABILITY IN RELATION TO
NEW GRANT NO. AID 497-0364-G-SS-1063-00

We have performed a study and evaluation of WEI-Indonesia's financial capability for work under a new PVO Co-Financing III Project Grant No. AID 497-0364-G-SS-1063-00 received from USAID/Indonesia for the project entitled "Action Learning to Promote Improved Environmental Management and Advocacy Through Popular Participation (IEMA) with Indonesian Non-Governmental Organization". Our study and evaluation was performed in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States, and included areas we considered relevant to the criteria established by the Regional Inspector General for Audit/Singapore, to the extent we considered necessary.

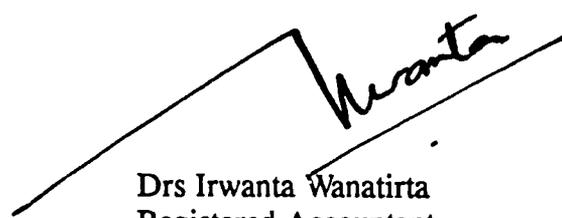
Correspondent of :

DRT International
Deloitte Ross Tohmatsu

We reviewed WEI's assets, liabilities, revenues and expenses as set out in the audited financial statements, management accounts and budgets. Our review also included assessing WEI's capacity to generate funds for the project, its working capital facilities and cash flow forecasts, as they relate to the new grant.

Based on our study and understanding of the criteria referred to in the preceding paragraph, we believe that WEI-Indonesia has the financial capability for the work in relation to the new USAID grant agreement referred to above.

HANS TUANAKOTTA & MUSTOFA

A handwritten signature in black ink, appearing to read 'Irwanta', is written over a diagonal line that extends from the left towards the right.

Drs Irwanta Wanatirta
Registered Accountant
No. D-4118

September 20, 1991

INDEPENDENT AUDITORS' REPORT

ON

**ADEQUACY OF PERSONNEL AND TRAVEL POLICIES IN RELATION
TO**

NEW GRANT NO. AID 497-0364-G-SS-1084-00

**FOR THE PROJECT ENTITLED "ACTION LEARNING TO PROMOTE
IMPROVED ENVIRONMENTAL MANAGEMENT AND ADVOCACY
THROUGH
POPULAR PARTICIPATION (IEMA) WITH INDONESIAN
NON-GOVERNMENTAL ORGANIZATION"**

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Facsimile : 325855

- 30 -

No. 20.09.91 AID WEI SR7
Mr. James B. Durnill
Regional Inspector General
for Audit/Singapore
United States Agency for International
Development (USAID)
111, North Bridge Road
No. 17-03, Peninsula Plaza
Singapore 0617

Dear Mr. Durnill,

WORLD EDUCATION INC. (WEI)

INDEPENDENT AUDITORS' REPORT
ON THE ADEQUACY OF PERSONNEL AND TRAVEL POLICIES IN RELATION
TO NEW GRANT NO. AID 497-0364-G-SS-1084-00

We have performed a study and evaluation of the adequacy of WEI-Indonesia's personnel and travel policies in relation to the new PVO Co-Financing III Project Grant No. AID 497-0364-G-SS-1063-00 received from USAID/Indonesia for the project entitled "Action Learning to Promote Improved Environmental Management and Advocacy Through Popular Participation (IEMA) with Indonesian Non-Governmental Organization". Our study and evaluation was performed in accordance with generally accepted auditing standards and Government Auditing Standard issued by the Comptroller General of the United States and included areas we considered relevant to the criteria established by the Regional Inspector General for Audit/Singapore, to the extent we considered necessary.

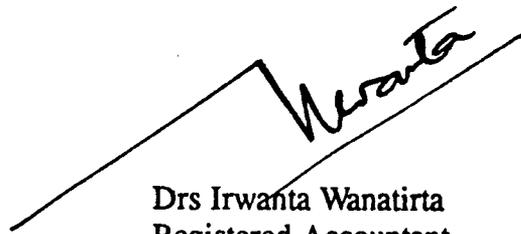
Correspondent of :

DRT International
Deloitte Ross Tohmatsu

We reviewed WEI's personnel and travel policies as they relate to the grants received from USAID/Indonesia, their procedures for management's approval of such policies and the uniform enforcement of such policies to federally funded and other activities of the organization.

Based on our study and understanding of the criteria referred to in the preceding paragraph, we believe that WEI-Indonesia has adequate personnel and travel policies to ensure that resulting cost from the activities under the new grant will be both reasonable and in accordance with the applicable cost principles.

HANS TUANAKOTTA & MUSTOFA

A handwritten signature in black ink, appearing to read 'Irwanta', is written over a diagonal line that slopes upwards from left to right.

Drs Irwanta Wanatirta
Registered Accountant
No. D-4118

September 20, 1991



World Education

To: Drs. Irwanta Wanatirta
Hans Tuanakotta & Mustofa

From: Paul Musante
Project Director
World Education, Inc. 

Re: Management Comments on Audit of World Education's PVO
Co-Financing II Grant from USAID

Date: January 13, 1992

Below are World Education's (WE) comments on the recommendations contained in the auditor's report:

1. INADEQUACIES IN CASH MANAGEMENT

Management Comment:

On the segregation of duties of the accountant and the cashier, World Education feels that with such a limited number of staff in the project office, dividing these responsibilities between two people is too expensive. The administrative assistant's responsibilities are more and more including providing backstopping support to activities and organizations in the field. This staff member now spends approximately 30% of her work week at locations outside of the project office.

To compensate for this non-segregation of duties, WE proposes the following procedures that will be described in a memo and distributed to all employees responsible for handling project monies. These procedures will be established in February 1992.

The office manager will manage a petty cash imprest fund system controlled through a maximum cash amount based on a review of WE's cash requirements. Also:

- the office manager will not be a check signatory;
- there will be a limit on the size of cash disbursements;
- all payees will sign for cash;
- the office manager will not receive cash, a separate individual will receive cash and sign checks ; and

- an unannounced monthly review will be performed on this fund by the Project Director.

WE will also identify transactions where funds can be disbursed by bank transfer to limit the number of cash transactions necessary.

2. DEFICIENCIES IN GENERAL ACCOUNTING AND OTHER PROCEDURES

Management Comment:

Most subgrants that WE makes involve a single disbursement or advance and a single liquidation. WE will maintain a subgrant advance subledger to monitor these "minigrants" which will all be for less than US \$10,000. As they are only single entries, there seems to be no benefit in establishing a more comprehensive system. This subledger will be established in February 1992.

The written agreements between WE and subgrantees will also be expanded to more explicitly describe the reporting requirements and information subgrantees must supply to World Education at the end of each grant; i.e. all receipts stamped "PAID" with vendor, amount and description of each expense.

3. ABSENCE OF A FORMAL OPERATING LICENSE IN INDONESIA

Management Comment:

World Education continues its efforts to expedite the finalization of an agreement with the Department of Education.

4. NONMAINTENANCE OF A TAX ACCOUNT NUMBER (NPWP) AND NONWITHHOLDING OF TAXES ON ITS EMPLOYEES' SALARIES AND OTHER WITHHOLDING TAXES

Management Comment:

As many details of the registration process with tax officials are dependent on the content of the formal operating agreement World Education is presently negotiating with the Department of Education, World Education feels that it will be necessary to finalize the operating agreement and then establish and implement tax withholding procedures from employees not exempted in the agreement. If however, by July 1, 1992 an operating agreement has not been finalized and signed, World Education will immediately contact responsible officials to register as a tax withholding agent.

5. COMMINGLING OF FUNDS RECEIVED FROM USAID AND NON-USAID SOURCES

Management Comment:

The unusual situation in question occurred at project start up and was due to a delay in the receipt of funds from FAO. Detailed records of the use of USAID funds were maintained so as to accurately repay USAID. In the future, World Education will not use USAID funds in this way.

WE's financial management system includes the maintenance of separate Bank Journals for the USAID and FAO bank accounts. These Journals record all transactions for each of the accounts. As money is withdrawn from the bank for Project use and "deposited" in the cash box, an entry detailing the withdrawal is made in the Bank Journal. Similarly, a Cash Box Journal is maintained to record all transactions in the cash box. As the money is spent on either USAID or FAO project expenses, these expenses are recorded in detail in the Project Expense Ledger which allocates the expense to the appropriate donor organization. The design of this ledger facilitates generating two separate monthly financial reports for USAID and FAO.

At any point in time the total monies in the cash box can be separated to determine the amount of USAID funds or FAO funds using information maintained in the Bank Journals, Cash Box Journal and the monthly Project Expense Ledger.

The cash box is not considered a component of WE's accounting records. The accounting records are separate for each funding source with separate bank accounts, two Bank Journals, the maintenance of detailed records of expenses incurred by each donor, and the generation of separate monthly financial reports.

6. INCOMPLETE CONTROL OVER NON-EXPENDABLE PROPERTIES

Management Comment:

World Education will maintain a listing of non-expendable properties that includes manufacturer's serial number, model number, label number, other descriptors such as color and size, as well as purchase price and date. This listing will periodically be submitted to USAID. These properties will also be labelled so that they can be readily identified as purchased with USAID funds. A physical count of the properties will be performed on a yearly basis. These property management procedures will be set out in a memorandum to all relevant project employees in February of 1992.

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