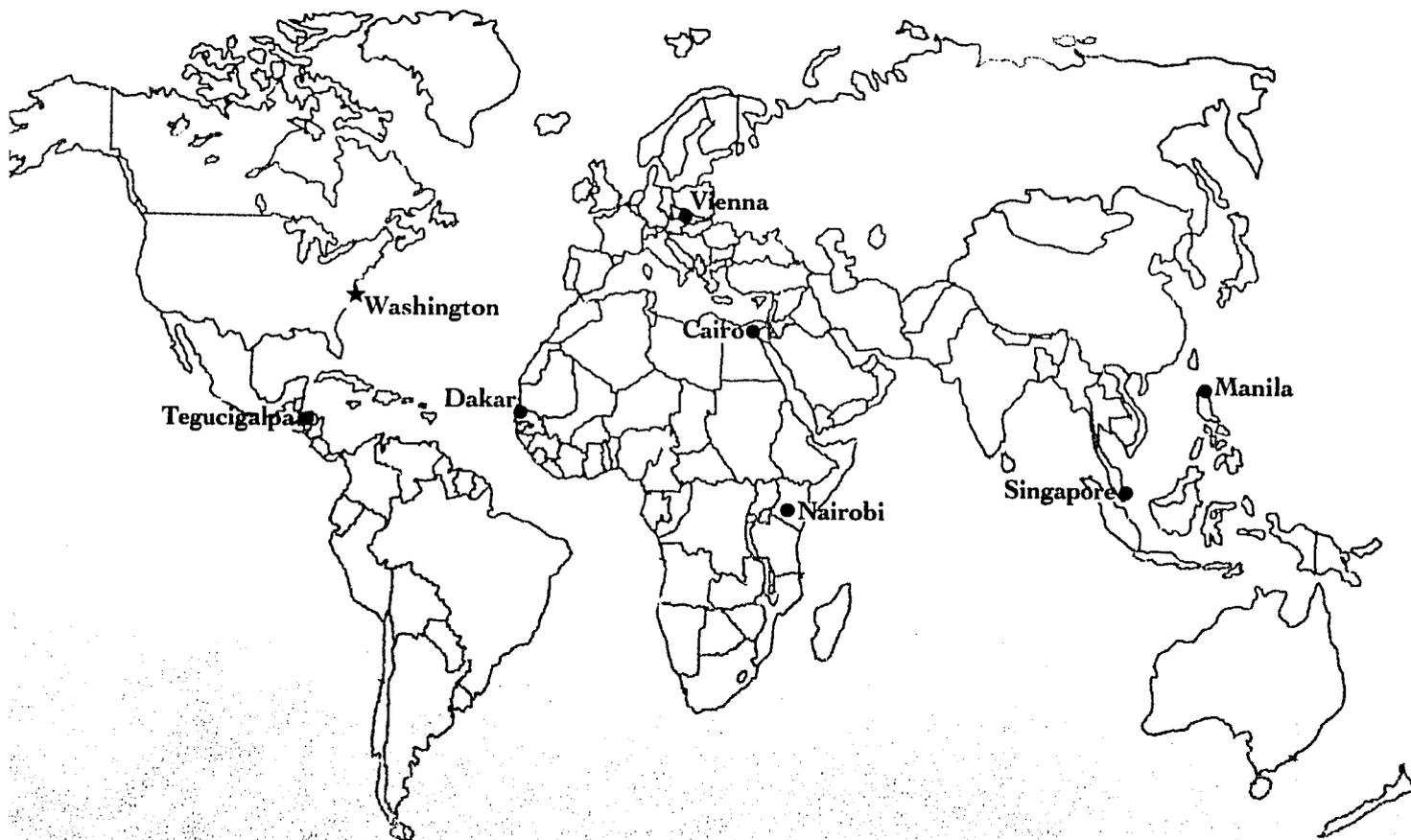


**Regional Inspector General for Audit
Singapore**

**AUDIT OF
SAVE THE CHILDREN FEDERATION
NEPAL**

**Audit Report No. 5-367-92-11-N
February 28, 1992**



**AUDIT OF
SAVE THE CHILDREN FEDERATION (SCF)
NEPAL**

AUDIT REPORT NO. 5-367-92-11-N

FEBRUARY 28, 1992

The auditors found that except for \$28,193 in questioned costs, SCF's Fund Accountability Statement presents fairly the receipts and payments under its grants with USAID/Nepal, and that no material internal control weaknesses were noted. However, they identified two material instances of noncompliance with grant agreement terms, including the fact that SCF did not meet its required Co-financing contributions.

**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.**

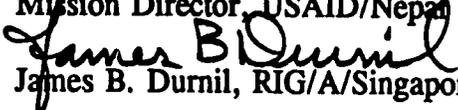
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
OFFICE OF THE REGIONAL INSPECTOR GENERAL FOR AUDIT
— Singapore —

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February 28, 1992

MEMORANDUM FOR: Kelly C. Kammerer
Mission Director, USAID/Nepal

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

SUBJECT: Audit of Save The Children Federation - Nepal
Audit Report No. 5-367-92-11-N

The accounting firm of Price Waterhouse, New Delhi, performed a financial audit of USAID/Nepal's three grants with Save The Children Federation (SCF) in Nepal. Five copies of the audit report are enclosed for your action.

USAID/Nepal has been providing assistance to support the activities of the Community Based Integrated Rural Development program in the Gorkha District of Nepal since 1981. The activities under this program included the implementation of sustainable rural development to improve the lives of the members of the community and to provide a wide range of training to expand their process of development. USAID/Nepal provided three grants to SCF under its Private Voluntary Organization Co-Financing II Project, to support the program and to expand community development in the Siraha region of Nepal. The period covered by the audit was August 25, 1988 to June 30, 1991, during which SCF expended \$431,323 under the three grants.

The audit objectives were to: (1) determine whether the Fund Accountability Statement of SCF presents fairly the receipts and expenditures under the three grants with USAID/Nepal and whether the expenditures were allocable, allowable, and reasonable; (2) report on SCF's system of internal controls; and (3) report on SCF's compliance with applicable laws, regulations, and agreement terms.

The auditors reported that except for \$28,193 in questioned costs (\$27,404 unallowable and \$789 unsupported costs), the Fund Accountability Statement presents fairly SCF's receipts and expenditures under the three grants with USAID/Nepal. No material internal control weaknesses were noted. For the items tested, except for two material instances of noncompliance, SCF complied with the applicable laws, regulations, and agreement terms. The first instance of noncompliance resulted in the above questioned costs, while in the second case, SCF did not meet its required Co-financing contributions. SCF's contributions included \$41,786 of potentially disallowed items, and their contributions fell short by \$143,124. Furthermore, the Mission retroactively approved a reduction in the grantee's contributions required under the grant

terms. This approval was made shortly after the auditors had identified a potential shortfall in SCF's contributions. Finally, five minor instances of noncompliance with agreement terms were noted.

The management of SCF agreed with findings 1, 3 and 10 in the auditors' report, and either disagreed or did not address the reported issues on the other findings. SCF's response is included in its entirety as Appendix B to the report.

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

Recommendation No. 1: We recommend that USAID/Nepal resolve the \$28,193 in questioned costs (\$27,404 unallowable and \$789 unsupported) identified in the auditors' report (Findings 1 to 5 and 7), and recover from Save The Children Federation any costs not allowable under the grants.

Recommendation No. 2: We recommend that USAID/Nepal:

- 2.1 review Save The Children Federation's Co-financing contribution requirements and require The Federation to meet its contributions, taking into consideration: (i) the resolution of the questioned costs; (ii) the \$41,786 of potentially disallowed contributions; and (iii) the shortfall of \$143,124 in The Federation's contributions.
- 2.2 obtain a legal opinion on the Mission's decision to retroactively reduce the grantee's Co-financing contribution requirements.

Recommendation No. 3: We recommend that USAID/Nepal verify that Save The Children Federation has established and implemented adequate procedures to improve its financial and performance reporting to USAID/Nepal. These procedures should address the timeliness, accuracy, and the proper classification of expenditures in the reports.

Recommendation No. 4: We recommend that USAID/Nepal require Save The Children Federation to establish and implement adequate procedures to obtain prior Mission approval for all appropriate grant expenditures, including international travel.

We appreciate the courtesies and cooperation the Mission and SCF 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

Price Waterhouse



January 3, 1992

Mr. James B. Durnil,
Regional Inspector General/Audit,
U.S. Agency for International Development,
17-03 Peninsula Plaza,
111 North Bridge Road,
Singapore 0617

Dear Sir

**AUDIT OF SAVE THE CHILDREN FEDERATION USA
KATHMANDU FIELD OFFICE
PERIOD AUGUST 25, 1988 TO JUNE 30, 1991**

This report presents the results of the financial audit of Save The Children Federation - Kathmandu Field Office for the period August 25, 1988 to June 30, 1991.

The background, audit objectives and scope, and the summary results of audit are contained in Parts I and II of this report. Parts III, IV and V include our audit opinions on the financial reports, the internal controls, and the compliance with laws and regulations, together with the related findings and recommendations.

The comments received from SCF are summarized in Part II of the report and are presented in their entirety in Appendix B.

Yours faithfully,

Price Waterhouse

**AUDIT OF SAVE THE CHILDREN FEDERATION USA
KATHMANDU FIELD OFFICE
PERIOD AUGUST 25, 1988 TO JUNE 30, 1991**

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**AUDIT OF SAVE THE CHILDREN FEDERATION USA
KATHMANDU FIELD OFFICE
PERIOD AUGUST 25, 1988 TO JUNE 30, 1991**

PART I - INTRODUCTION

A. Background

USAID/Nepal has been providing assistance to the Gorkha Community Based Integrated Rural Development (CBIRD) activities in the Gorkha District of Nepal since 1981. The major emphasis of these activities has been the implementation of sustainable rural development to improve the lives of the community and training of a wide range of community members to expand their own process of development. In August, 1988 USAID/ Nepal entered into a co-financing Grant Agreement with Save The Children Federation (SCF) to provide support for the CBIRD program under the PVO CO - Financing II Project and additionally to expand community development in the Siraha region of Nepal.

Under the three grants during the audit period USAID/Nepal provided funds to SCF as hereunder:

<u>Grant No.</u>	<u>Funds Obligated</u> US \$	<u>Funds disbursed during the audit period</u> US \$
367-0159-G-SS-8279-00	400,000	291,114
367-0159-G-SS-0183-00	340,000	93,430
367-0135-G-SS-9123-00	46,918	46,779
	<hr/>	<hr/>
	786,918	431,323
	<hr/>	<hr/>

B. Audit Objectives and Scope

The audit objectives were :

- To determine whether the Financial Reports (the fund accountability statements under grant terms) submitted by SCF to the Mission for the period August 25, 1988 to June 30, 1991 fairly present the receipts and expenditures under the grants and to identify any costs which were not fully supported with adequate records or which were not allocable, reasonable or allowable in accordance with grant terms and applicable Federal Acquisitions Regulations.
- To determine whether the SCF internal accounting controls were adequate for A.I.D. purposes.
- To report on compliance with applicable laws, regulations and grant terms.

Our examination was made in accordance with (1) generally accepted auditing standards set forth by the AICPA, (2) U.S. Government Auditing Standards and (3) the standards mentioned under Article II of the "Guidelines for Financial Audits contracted by A.I.D. - Financed Agreements".

The scope of our work for the audit comprised :

- confirmation of the grant funds received by SCF from USAID.
- an examination of the disbursements made by SCF to ensure that they were adequately supported and allowable under grant terms.
- evaluation of internal accounting controls to determine the extent of testing required of the SCF records and recommendations for improvements, if any.
- testing of compliance with applicable laws, regulations and grant terms by SCF.

The audit was conducted at Kathmandu during September 1991 and we examined, to the extent considered necessary, the financial status reports and the accounting records of SCF for the period under audit.

AUDIT OF SAVE THE CHILDREN FEDERATION USA
KATHMANDU FIELD OFFICE
PERIOD AUGUST 25, 1988 TO JUNE 30, 1991

PART II - SUMMARY RESULTS OF AUDIT

SCF submitted to USAID/Nepal financial reports during the audit period as summarized by us in Part IV-A. These reports were prepared by SCF, USA based upon the monthly expense reports submitted by its Kathmandu field office and provided the required accountability for grant funds together with the matching contributions made by SCF.

Our examination of the reports and the SCF accounting records revealed that the reports fairly presented the receipts and expenditures for the grants, although certain expenditures were questionable as unallocable and disallowable. However, these questioned costs did not materially impact the information reported and consequently, except for the effects of such items the financial reports and the notes thereon presented fairly the receipts and expenditures of SCF as they relate to the grants received from USAID/Nepal (Part III-A).

A summation of the expenses questioned is as follows:

<u>Finding No</u>	<u>US\$</u>
1	4,088
2	4,600
3	5,456
4	1,757
5	789
7	11,503
	<hr/>
Total	\$ 28,193
	<hr/>

The SCF management established and maintained a system of internal accounting controls which permitted the preparation of accurate financial status reports and ensured that transactions were executed in accordance with management's authorization.

The audit disclosed that expenditures were not always properly incurred, recorded and supported, and the cost match contributions were not made by SCF per grant terms. Except for these material instances of non-compliance the results of our tests of compliance indicated that, with respect to the items tested, SCF had complied, in all material respects, with the grant terms, and the applicable laws and regulations and for the items not tested by us nothing came to our attention which indicated non-compliance therewith.

In response to the report SCF provided a written response which has been included under each of the findings and in its entirety in Appendix B. With the exception of findings 1, 3 and 10 SCF has either disagreed with the other findings or has not adequately addressed the issues being reported.

Consequently, we have provided under each of the findings appropriate auditors comments to re-emphasise the issues being reported and which need to be addressed by SCF. As for the questioned expenses summarized above, SCF has obtained retroactive Mission approval for the costs included under Finding 1 (US\$4,088) and Finding 3 (US\$5,456).

Price Waterhouse



**AUDIT OF SAVE THE CHILDREN FEDERATION USA
KATHMANDU FIELD OFFICE
PERIOD AUGUST 25, 1988 TO JUNE 30, 1991**

PART III-A

**INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL REPORTS**

We have audited the accompanying financial reports and the notes thereon (Part IV-A) of Save The Children Federation (SCF) for the period August 25, 1988 to June 30, 1991. These reports are the responsibility of the SCF management. Our responsibility is to express an opinion on these reports based on our audit.

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

As stated in the Summary Results of Audit (Part II) and the detailed findings (Part V), the financial reports include certain unallocable and disallowable expenditures, amounting to \$ 28,193, which have been questioned by us.

In our opinion, except for the effects of such adjustments, if any, as might be necessary for the questioned costs, the financial reports and the notes thereon referred to in the first paragraph above present fairly, in all material respects, the receipts and expenditures of SCF as they relate to the grants during the period under audit in conformity with generally accepted accounting principles.

This report is intended solely for the use of SCF and USAID/Nepal. This restriction is not intended to limit distribution of this report which, upon acceptance by the AID Office of the Inspector General, is a matter of public record.

New Delhi
October 4, 1991.

Price Waterhouse

Price Waterhouse



**AUDIT OF SAVE THE CHILDREN FEDERATION USA
KATHMANDU FIELD OFFICE
PERIOD AUGUST 25, 1988 TO JUNE 30, 1991.**

PART III-B

**INDEPENDENT AUDITOR'S REPORT ON
THE INTERNAL ACCOUNTING CONTROLS**

We have audited the financial reports and the notes thereon of SCF, for the period August 25, 1988 to June 30, 1991 and have issued our report thereon dated October 4, 1991.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial reports are free of material misstatement.

In planning and performing our audit of the financial status reports of SCF for the period ended June 30, 1991, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing an opinion on the financial reports and not to provide assurance on the internal control structure.

The management of SCF is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs 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 assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial status reports 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 the 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 :

- reconciliation of receipts and payments as recorded with the bank accounts maintained.
- recording of all transactions in the books of account.
- maintaining proper and adequate books of account and records in support of the transactions recorded.
- reporting of an accurate financial position to USAID/Nepal.

For all 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.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. 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 reports and the notes thereon being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

This report is intended solely for the use of SCF and USAID/Nepal. This restriction is not intended to limit distribution of this report which, upon acceptance by the A.I.D. Office of the Inspector General, is a matter of public record.

New Delhi

Ruil Walshome

October 4, 1991

Price Waterhouse



AUDIT OF SAVE THE CHILDREN FEDERATION USA KATHMANDU FIELD OFFICE PERIOD AUGUST 25, 1988 TO JUNE 30, 1991.

PART III-C

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH AGREEMENT TERMS, APPLICABLE LAWS AND REGULATIONS

We have audited the financial reports and the notes thereon of SCF for the period August 25, 1988 to June 30, 1991 and have issued our report thereon dated October 4, 1991.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial reports are free of material misstatement.

Compliance with laws, regulations and grant provisions applicable to SCF is the responsibility of its management. As part of obtaining reasonable assurance about whether the financial reports are free of material misstatement, we performed tests of SCF compliance with certain provisions of laws, regulations and grant terms. However, our objective was not to provide an opinion on overall compliance with such provisions.

Material instances of noncompliance are failures to follow requirements, or violations of prohibitions, contained in statutes, regulations, contracts, or grants that cause us to conclude that the aggregation of the misstatements resulting from those failures or violations is material to the financial reports. The results of our tests of compliance disclosed the following material instances of noncompliance, the effects of which have not been corrected in the financial reports of SCF

expenditures were not always incurred, recorded and supported in accordance with grant terms (refer Findings 1 to 5).

the funding contributions to match funds provided by the Mission were not adequately and correctly made or reported (refer Findings 6 to 8).

We considered these material instances of noncompliance in forming our opinion on whether the financial reports of SCF are presented fairly, in all material respects in conformity with generally accepted accounting principles, and this report does not affect our report dated October 4, 1991 on the financial reports.

Certain other instances of non compliance, considered immaterial, which we noted have been included under Finding 10 to 13. Except as described above, the results of our tests of compliance indicate that, with respect to the items tested, SCF complied, in all material respects, with the provisions referred to in the third paragraph of this report and with respect to items not tested, nothing came to our attention that caused us to believe that SCF had not complied, in all material respects, with those provisions.

This report is intended solely for the use of SCF and USAID/Nepal. This restriction is not intended to limit the distribution of this report which, upon acceptance by the AID Office of the Inspector General, is a matter of public record.

New Delhi

October 4, 1991

Kree Walshouse

**AUDIT OF SAVE THE CHILDREN FEDERATION USA
KATHMANDU FIELD OFFICE
PERIOD AUGUST 25, 1988 TO JUNE 30, 1991.**

PART IV-A

**SUMMARIZED FINANCIAL REPORTS FOR THE PERIOD AUGUST 25, 1988
TO JUNE 30, 1991**

(U.S.DOLLARS)

	Phaseover Grant (No.367-8279) August 25, 1988 to June <u>30, 1991</u>	Siraha Grant (No.367-0183) July 1, 1990 to June <u>30, 1991</u>	EPI/ARI Grant (367-9123) August 25,1988 to January <u>31, 1990</u>	<u>Total</u>
Total outlays to date	939,905	121,785	46,779	1,108,469
Less: Non Federal share of outlays	<u>648,791</u>	<u>28,355</u>	Not Applicable	<u>677,146</u>
Total Federal share of outlays (refer Note 2 below)	291,114	93,430	46,779	431,323
Total Cumulative Federal Funds authorized	<u>400,000</u>	<u>340,000</u>	46,918	786,918
Unobligated balance of Federal Funds	<u>108,886</u>	<u>246,570</u>	139	<u>355,595</u>

Notes:

- (1) The financial reports presented above have been summarised from the reports submitted to the Mission, and our audit opinion thereon is in Part III-A.
- (2) Except for the EPI/ARI Grant (No.367-9123), the financial reports of the other two grants did not give a break-up of individual costs, as required by Handbook 13. However, presented on page 11 is a grant funds utilization statement on all three grants which has been summarized from the monthly expense reports prepared by SCF during the period under audit.

GRANT FUNDS UTILIZATION STATEMENT

(U.S. DOLLARS)

	Phaseover Grant (No. 367-8279) August 25, 1988 to June <u>30, 1991</u>	Siraha Grant (No. 367-0183) July 1, 1990 to June <u>30, 1991</u>	EPI/ARI Grant (367-9123) August 25, 1988 to January <u>31, 1990</u>	<u>Total</u>
Personnel salaries	55,460	9,477	20,700	85,637
Travel	12,395	3,179	7,883	23,457
Office Administration and Equipment	34,738	13,545	-	48,283
Program Costs	156,819	45,005	-	201,824
Training	9,760	5,088	6,102	20,950
Other Direct Costs	-	-	8,507	8,507
	<hr/>	<hr/>	<hr/>	<hr/>
Total Direct Costs	269,172	76,294	43,192	388,658
Overheads	21,942	17,136	3,587	42,665
	<hr/>	<hr/>	<hr/>	<hr/>
Grand Total	291,114	93,430	46,779	431,323
	<hr/>	<hr/>	<hr/>	<hr/>

AUDIT OF SAVE THE CHILDREN FEDERATION USA
KATHMANDU FIELD OFFICE
PERIOD AUGUST 25, 1988 TO JUNE 30, 1991

PART V

FINDINGS AND RECOMMENDATIONS

FINDING 1 : EXPENSES INCURRED PRIOR TO COMMENCEMENT OF GRANT PERIOD

CONDITION:

Expenses of US\$ 2,950 incurred prior to commencement of the Siraha Grant (367-0183) were charged to the grant and reported to the Mission, as occurring during the grant period. Also, for this grant SCF included as its matching contribution during 1990 US\$ 1,138 incurred prior to grant commencement.

CRITERIA:

The grant agreements, under the clause entitled period of grant, require that only those expenses incurred from the effective date of the grant be included as program expenditures.

CAUSE:

Expenses incurred prior to commencement of the grant were included as they were paid after commencement of the grant agreement.

EFFECT:

Disallowable expenses US\$ 2,950 have been charged to the grant and reimbursed by the Mission. Also, the US\$ 1,138 needed to be reduced from the cost match reported and the Mission funding during 1991.

RECOMMENDATION

SCF should ensure that expenses are reported in accordance with grant terms and resolve the US\$ 2,950 and \$ 1,138 with USAID/Napal.

SCF MANAGEMENT RESPONSE:

The Siraha grant was under negotiation when the \$2,950 was charged. SC/US had already started its program in Siraha with an understanding that AID would provide funding support. In this case, SC/US has already obtained a waiver letter from AID. (See AID 10/21/91 letter attached.)

On the second point, AID has said that since they had given approval for the expenses incurred prior to the commencement of the grant, the SC/US private budget spent during the same period of time could be considered as a match. In fact, SC/US costs for this program during this period are more than stated here (\$3,343.43 in May 1990 and \$7,762.63 for June 1990), but only \$1,138 has been reported as a match.

AUDITORS COMMENT

The Mission by its letter dated October 21, 1991 has given retroactive approval for expenses incurred prior to the effective date of the grant

FINDING 2 : USE OF GRANT FUNDS FOR PURPOSES OTHER THAN MEETING GRANT OBJECTIVES.

CONDITION:

Expenses of US\$ 3,300 and US\$ 1,300 respectively, incurred on making video films, were charged to the EPI/ARI (367-9123) and Siraha (367-0183) grants. The video for EPI/ARI was for evaluating that program prior to its conclusion while the video for Siraha was to be used for publicity by SCF to raise funds in the USA. In both cases however, the grant agreements do not envisage such costs or grant objectives.

CRITERIA:

Per grant agreements, grant funds should be exclusively utilised for meeting grant objectives and may not be used for other purposes, except by prior Mission approval.

CAUSE:

These expenses were believed to be allowable under grant terms and no clarification or approval from the Mission was considered necessary.

EFFECT:

US\$ 4,600 disallowable expenses have been charged to the grants.

RECOMMENDATION:

In the absence of Mission approval SCF should reimburse these disallowable expenses.

SCF MANAGEMENT RESPONSE :

SCF did not agree with this finding and stated that it was important to document the lessons, under the EPI/ARI (367-9123) project, to fulfil future training needs, and the video film for Siraha (367-0183) grant was made to increase project understanding amount staff at its US headquarters and was not used for fund raising activities in the USA. Also, SCF was not aware that prior permission was necessary for such activities. A full text of the SCF response to this finding is included under Appendix B.

AUDITORS COMMENT

As stated in the finding the grant agreements do not appear to include such costs and in the absence of prior Mission approval we believe that costs of US\$4,600 have been correctly considered as disallowable.

Also, in the case of the Siraha video film the audit conclusion of its being used for fund raising activities was based on SCF documents and support vouchers of this cost.

FINDING 3 : CERTAIN EXPENSES NOT APPROVED BY MISSION

CONDITION:

Prior approval for international travel and training expenses was not obtained from USAID/Nepal for the following:

<u>Grant</u>	<u>Amount (US\$)</u>	<u>Nature</u>
EPI/ARI (367/9123)	396	International Travel
	156	Overseas Training
Siraha (367/0183)	3,724	International Travel
	1,180	Overseas Training
	<hr/>	
	\$ 5,456	

CRITERIA:

Per requirements of Handbook 13 and OMB Circular A 122 these expenses required prior Mission approval.

CAUSE:

SCF was not aware of the requirements to seek Mission approval for such costs.

EFFECT:

Grant funds were utilized without proper approvals resulting in questioned costs.

RECOMMENDATION:

SCF needs to ensure that approvals are obtained from the Mission, whenever required, and the costs questioned above reimbursed, if not approved.

SCF MANAGEMENT RESPONSE:

Previously, the NFO was not fully aware of the requirements to seek AID prior approval for international trainings/travel. This guideline will be strictly followed in the future.

After discussions with the auditors, SC/US requested AID retroactive approval of these previous international travel and trainings. (Please refer to the NFO letter dated October 9, 1991). AID has since provided its approval for these international travel and training costs. (A copy of the AID October 28, 1991 letter is also attached).

AUDITORS COMMENT

The Mission by its letter dated October 28, 1991 has retroactively approved the costs questioned in this finding.

FINDING 4 : INAPPROPRIATE ALLOCATION OF EXPENSES TO GRANTS

CONDITION:

In cases where SCF exceeded the expense budget available under a particular grant the excess expenditure was transferred to another grant without intimating or obtaining Mission approval.

CRITERIA

Per grant agreements only those expenses which are directly allocable to a grant should be so charged under that particular grant.

CAUSE:

Expenses incurred were allocated between grants to conform to budget requirements as SCF was not aware that Mission approval should be sought.

EFFECT:

The inappropriate allocation resulted in disallowable expenses as follows:

<u>Expense item</u>	<u>Amount (\$)</u>	<u>Grant to which initially charged</u>	<u>Grant to which subsequently charged</u>
Training	745	Child survival	EPI/ARI (367-9123)
Travel	586	"	"
Telecom	426	"	"
	<u>1,757</u>		

RECOMMENDATION:

SCF should allocate the expenses to appropriate grants and seek Mission approval in case variances are noted. Also, SCF should resolve questioned costs with the Mission.

SCF MANAGEMENT RESPONSE:

SC/US has maintained separate ledgers for each individual grant. Particularly, in this case, certain expenses that were incurred for the implementation of EPI/ARI project were mistakenly charged to the Child Survival Grant. EPI/ARI is a locally-funded Child Survival Grant. The person who made the voucher did not distinguish carefully between the Washington DC and locally-funded child survival grant. Later on when we realized that these EPI/ARI expenses were charged to the Child Survival Grant, SC/US transferred these expenses to their correct location in the EPI/ARI Grant.

AUDITORS COMMENT

The written response received is at complete variance with the explanation provided by SCF staff during the course of the audit. At the time of audit these expenses were accepted to be relating to the Child Survival Grant and the related expense vouchers supported this fact. SCF has not, however, addressed the main issue reported in this finding of allocating expenses to appropriate grants and seeking Mission approval in case variances are noted. Therefore, the above recommendation still needs to be actioned by SCF.

FINDING 5 : SUPPORTS NOT AVAILABLE

CONDITION :

Supports for shipping costs US\$ 789 were not available at SCF Kathmandu as these were reportedly paid and charged by SCF, USA under the EPI/ARI grant (367-9123). Also, we were unable to determine whether the costs related to the grant.

CRITERIA:

Handbook 13 requires grant expenses to be supported by appropriate original bills which relate to the grant.

CAUSE:

No details or supporting documents were made available to SCF at Kathmandu as these were retained by its headquarters.

EFFECT:

Unsupported costs have apparently been charged to the grant.

RECOMMENDATION:

SCF should maintain adequate support documents at Kathmandu for the grant expenses claimed and obtain supports for the shipping costs questioned above.

SCF MANAGEMENT RESPONSE:

The supporting receipts of the costs (attached herewith) were not found during the auditing time. This audited EPI/ARI grant is the continuation of the previous EPI Grant. Ms.Mimi Church was a locally-recruited staff who established the HIIIS for this project. Because of her outstanding skill on data analysis, here involvement was continued until the later part of this EPI/ARI grant. After her three and half years of service with Save the Children, she was eligible to receive her shipping costs, according to SC/US regulations. 1250 kgs. of her personal belongings were shipped. The total cost incurred was US\$4,365, of which \$789 was charged to EPI/ARI Grant.

AUDITORS COMMENT

As stated in the finding, Handbook 13 requires grant expenses to be supported by appropriate original bills which relate to the grant. From the SCF response it appears that the questioned expense related to a previous EPI grant and was not envisaged as a cost under the new EPI grant. Accordingly, the freight cost of US\$789, we believe, is disallowable under the EPI/ARI (367-9123) grant.

FINDING 6: COST MATCHING NOT ACHIEVED PER REQUIREMENTS AND CALCULATED INACCURATELY

CONDITION:

SCF did not meet the obligation to match its contribution against funding provided by the Mission for one of the grants (367-8279) and also did not accurately calculate the cost match reported.

CRITERIA:

SCF was required to contribute specific non-federal funds towards total grant costs per grant terms and report information accurately per Handbook 13.

CAUSE:

The cost match reported was calculated by SCF, USA and SCF, Kathmandu was not aware of the details.

EFFECT:

SCF did not comply with the requirements and as a result the cost matching fell short by US\$ 143,124 summarized as follows:

<u>FY</u>	<u>Cost Match Reported</u> (\$)	<u>Cost Match Recalculated*</u> (\$)	<u>Cost Match Required</u> (\$)	<u>Shortfall/ (Excess)</u> (\$)
1989	89,197	258,829	250,000	(8,829)
1990	316,524	130,587	270,000	139,413
1991	243,070	201,210	213,750	12,540
	<hr/>	<hr/>	<hr/>	<hr/>
Total	648,791	590,626	733,750	143,124
	<hr/>	<hr/>	<hr/>	<hr/>

* The recalculation of cost match is as per basis advised by SCF, USA.

RECOMMENDATION:

SCF should establish and implement procedures to ensure that cost match contributions are adequately monitored to comply with grant provisions and resolve the shortfall noted (also refer Findings 7 and 8 which impact cost match shortfall).

SCF MANAGEMENT RESPONSE:

Recently, amendment #3 to Grant #367-8279 (faxed to HO for approval) has changed the SC Match portion (amendment letter is attached). According to this change, SC was required to match \$581,000 through the end of FY91. From the revised match calculation, SC/US has already match #590,626 to this Grant. Therefore, the issue of cost match shortfall should not exist anymore.

AUDITORS COMMENT

In view of the retroactive approval given by USAID/Nepal for SCF to reduce the cost match required under grant terms, the cost match requirement appears to have been prima facie complied with. However, SCF has not responded to the impact, Findings 7 and 8 may have on the reported cost match and this still remains to be resolved.

FINDING 7 : PERSONNEL COSTS FORMING PART OF SCF COST MATCH UNDER GRANT 367/8279 CLAIMED INCORRECTLY AS DIRECT COSTS

CONDITION:

Personnel indirect costs (non-sectoral salaries) normally included in SCF cost match under this grant were incorrectly claimed as direct costs during the period October 1989 to June 1990.

CRITERIA:

Grant terms do not permit inclusion of indirect costs as direct costs and normal accounting procedures require that cost classifications followed are applied consistently.

CAUSE:

SCF changed the accounting procedures normally followed as the direct cost budget was not being fully utilised during this period.

EFFECT:

Direct costs amounting to US\$ 11,503 are disallowable as they were incorrectly claimed and the cost match reported was understated.

RECOMMENDATION:

SCF should adhere to its normal accounting procedures to ensure compliance with requirements and the disallowable costs reimbursed to the Mission.

SCF MANAGEMENT RESPONSE:

Salaries may be charged directly to this grant if there is adequate support to show that effort was in fact expended on the grant. SC's institutional provisional indirect cost rate is based on the previous fiscal year's actual allocation of expenses. If during the current fiscal year an indirect expense is charged directly as provided for in the grant agreement, that is then reflected in the cost allocation of that particular year when a new provisional rate is developed yielding a lower institutional rate thereby more than compensating for the otherwise direct costing of these indirect expenses.

AUDITORS COMMENT

The SCF response does not address the problems discussed in the finding but offers an explanation on how the indirect cost rate is calculated and subsequently adjusted. The grant agreement includes the budgeted line items in its financial plan and accordingly precludes claiming indirect costs as direct costs. Consequently, the US\$11,503 non-sectoral salaries remain disallowable.

FINDING 8 : INDIRECT COSTS ARE INCLUDED IN COST MATCH REPORTED BY SCF AND ARE ALSO REIMBURSED BY MISSION AS AN OVERHEAD RATE IN PROPORTION TO DIRECT COSTS INCURRED.

CONDITION:

Under two of the grants examined by us (367-0183 and 367-8279) the Mission reimburses SCF indirect costs by applying an overhead rate to the direct costs incurred. These indirect costs are also included and reported as cost match by SCF under the two grants without considering their possible allocation to another grant which is funded by USAID/Washington and to other funding received by SCF.

CRITERIA:

As per grant agreements the cost match to be provided by SCF should be from non-federal sources and Handbook 13 requires that indirect costs are allocated by reference to all sources of funding towards the operations.

CAUSE:

The cost match reported was calculated by SCF, USA and SCF, Kathmandu was not aware of the details.

EFFECT:

Cost match reported includes indirect costs reimbursed by the Mission under the two grants, thereby overstating the cost match as follows:

	<u>FY 1989</u> US\$	<u>FY 1990</u> US\$	<u>FY 1991</u> US\$	<u>Total</u> US\$
Grant 367-8279	8,844	7,341	6,428	22,613
Grant 367-0183	-	6,271	12,902	19,173
	<u>8,844</u>	<u>13,612</u>	<u>19,330</u>	<u>41,786</u>

In the absence of details as to the other funding sources the extent to which indirect costs need to be allocated differently could not be determined.

RECOMMENDATION:

In order to fulfil its grant obligations SCF should recompute the cost match reported to ensure that only non-federal funds are included therein and indirect costs are appropriately allocated to other funding sources.

SCF MANAGEMENT RESPONSE:

SC utilizes an institutional provisional indirect cost rate that is calculated on an annual basis. The calculation is based on the previous year's actual allocation of funds. The resulting provisional rate is effective retroactively to the beginning of the previous fiscal year and is effective until amended by the following year's calculation. Actual match reported to AID is tracked and taken into account when the rate is calculated. If match consists of indirect expenses, prior to final calculation, the indirect cost pool is reduced by the amount of the match and the match amount is added to the direct cost category. The impact of this process is to reduce SC's otherwise real indirect cost relationship.

AUDITORS COMMENT

The SCF response explains the basis of calculating the indirect cost rate and the adjustments which are made for its calculation. However, no detailed calculations are provided to support the stated position and to demonstrate that indirect costs are appropriately allocated to all funding sources. We therefore believe that SCF needs to work with the Mission to resolve this finding.

FINDING 9 : NON-ADHERENCE TO REPORTING REQUIREMENTS

CONDITION:

Financial status reports (SF 269s) were not being submitted to the Mission as stipulated in the grants. The delays noted were:

<u>Grant</u>	<u>Quarter Ending</u>	<u>Date of Submission</u>
Siraha (367-0183)	September, 1990	12.6.90
	December, 1990	3.5.91
	March, 1991	5.24.91
	June, 1991	8.23.91
Phaseover (367-8279)	December 1988	2.21.89
	March 1989	5.22.89
	June, 1989	8.30.91
	September, 1989	12.14.89
	December, 1989	2.26.90
	March, 1990	5.25.90
	June, 1990	9.4.90
	September, 1990	12.7.90
	December, 1990	3.5.91
	March, 1991	5.23.91
	June, 1991	8.27.91
EPI/ARI (367-9123)	June, 1989**	9.4.90
	January, 1990**	5.9.90

** All reports submitted were for a quarter, except the two reports for the EPI/ARI grant which were for a period of ten and seven months respectively.

Also, the financial status reports for the Siraha (367-0183) and Phaseover (367-8279) grants did not give a break-up of individual costs as required.

CRITERIA:

Grant terms and Handbook 13 regulations required the financial status reports to be submitted quarterly and to provide a break-up of individual costs by grant budget line items.

CAUSE:

SCF Kathmandu attributed these problems to its home office which prepared the financial status reports based on the monthly expense reports.

EFFECT:

The Mission did not receive financial status reports on a timely basis and SCF, contrary to requirements, did not ensure compliance with grant terms

RECOMMENDATION:

Financial status reports should be submitted to the Mission per requirements stipulated in the grants.

SCF MANAGEMENT RESPONSE:

The submission dates reported in this finding roughly correspond to when we submitted our SF-269 reports to AID in Washington. We have difficulty meeting AID's 30 day reporting deadline due to our many field offices and their difficulty in getting complex financial reports to home office in time to be processed by this deadline.

We have approval from Gene Westlake of AID Washington for an additional 15 working days beyond the AID 30 day reporting deadline to submit our SF-269 reports. During 1991 we instituted a new procedure whereby, if we do not meet that 15 day requirement, we alert Gene Westlake and confirm in writing when the reports are to be sent

We were not aware of any requirements to give a breakdown of costs. The Mission should request this information if it is needed.

AUDITORS COMMENT

The reporting requirements together with the SF 269 format to be followed are stipulated in the grant agreements entered into between SCF and USAID/Nepal. Consequently, any deviations from the grant agreements require prior Mission approval.

FINDING 10 : TIME SHEETS NOT COMPLETED PROPERLY

CONDITION :

Time Sheets for the period September 1988 to January 1991 did not report the hours spent by employees on each grant but reported only their location.

CRITERIA :

OMB Circular A-122 requires that time sheets record the time spent by each employee and Mission approval is sought if an alternative system is followed. Also, the SCF internal auditors had recommended that time spent by each employee be reported on time sheets.

CAUSE :

SCF was not aware of the requirements and believed that the location reported was adequate.

EFFECT :

Compliance with requirements and SCF's internal audit recommendation not achieved.

RECOMMENDATION :

SCF should comply with requirements and follow its internal audit recommendation.

SCF MANAGEMENT RESPONSE :

SC has agreed with AID that with effect from January 1991, time sheets will reflect actual time or percentage of time spent by employees on various funding sources.

AUDITORS COMMENT :

None.

FINDING 11 : PERFORMANCE REPORTS NOT SUBMITTED PER REQUIREMENTS.

CONDITION :

Program performance reports were prepared on a six monthly basis instead of the required quarterly reports.

CRITERIA :

The grant agreements required program performance reports on a quarterly basis and any change in the requirement was subject to written Mission approval.

CAUSE :

SCF believed that the reports could be prepared on six monthly basis as advised verbally by the Mission.

EFFECT :

Performance reports are required by the Mission to assist in monitoring the program. Non-compliance by SCF weakened the monitoring process.

RECOMMENDATION :

SCF should submit performance reports as per requirements.

SCF MANAGEMENT RESPONSE :

SC requests that the Mission formally accept the six-monthly reports.

AUDITORS COMMENT :

None.

FINDING 12 : INCORRECT CLASSIFICATION OF EXPENSES

CONDITION :

SCF, Kathmandu submits to SCF, USA monthly expense reports, on the basis of which the financial status reports are prepared by the latter and provided to the Mission. Certain expenses were reported to SCF, USA under incorrect account heads for grants 367-0183 and 367-8279 (refer to Appendix A.1). However, as SCF, USA did not provide the break-up of costs for these two grants to the Mission per requirements, the incorrect reporting was not noted.

CRITERIA :

Handbook 13 requires accurate classification of costs under appropriate account heads and the financial status reports need to report the break-up of costs.

CAUSE :

SCF, Kathmandu was unaware of the requirement to report cost break-up and as the reports were prepared by SCF, USA the incorrect cost classification was not corrected.

EFFECT :

The Mission did not receive the information required to be submitted by SCF.

RECOMMENDATION :

SCF should prepare financial status reports per requirements and verify their accuracy prior to submission to the Mission.

SCF MANAGEMENT RESPONSE :

Noted.

AUDITORS COMMENT :

None

FINDING 13 : NATURE OF TRAVEL EXPENSES NOT DISTINGUISHED IN EXPENSE REPORTS.

CONDITION :

The expense reports submitted by SCF to its headquarters did not distinguish between International and Domestic travel costs.

CRITERIA :

As international travel requires prior Mission approval, SCF should only include approved costs in the expenses reports submitted to its headquarters.

CAUSE :

SCF included all costs incurred in its monthly expense reports.

EFFECT :

Financial status reports prepared by SCF, USA included unapproved costs.

RECOMMENDATION :

SCF should identify international travel costs in its expense reports and only incur them with Mission approval.

SCF MANAGEMENT RESPONSE :

We agree that the Mission should pre-approve grant funded international travel. However, HO does not require a detailed expense breakdown of international versus domestic travel.

AUDITORS COMMENT :

None.

AUDIT OF SAVE THE CHILDREN FEDERATION USA
 KATHMANDU FIELD OFFICE
 PERIOD AUGUST 25, 1988 TO JUNE 30, 1991

COSTS INCORRECTLY CLASSIFIED

<u>Grant</u>	<u>FY</u>	<u>Nature of Expenses</u>	<u>Expenses charged to</u>	<u>Expenses correctly chargeable to</u>	<u>US\$</u>
Siraha (367-0183)	1990	Tuition fee of SCF personnel	Travelling	Training	860
Phaseover (367-8279)	1990	Proportion of multi-sectoral personnel costs incurred at SCF Kathmandu.	Program Fund	Personnel	4049
-do-	1989	Housing, utilities and rental costs	Personnel	Office Administration.	2001
-do-	1989	Vehicle Operation Costs	Travel	-do-	3500
-do-	1990	-do-	-do-	-do-	2000
-do-	1991	-do-	-do-	-do-	2000



Save the Children U.S.A.

Post Office Box 2218
Kathmandu, Nepal
Tel. 412447, 412598
Cable : SAVCHILD
Fax : 077-1-410375

Appendix B.1
(Page 1 of 8)

Ref. # 206/91-92

Jan 9, 1992.

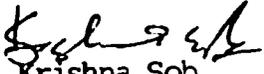
Bal Ram N.S. Joshi
Financial Analyst
USAID
Rabi Bhawan, Kalimati
Kathmandu

Dear Mr. Bal Ramji,

Enclosed, please find the copy of Responses on Audit Report by Price Waterhouse for USAID - Nepal Grant # 9123, 8279, & 0183, which was prepared by our International Headquarters. If you have any questions on this, please let us know.

Thank-you very much.

Sincerely yours,


Krishna Sob
Deputy Director



54 Wilton Road
Westport, CT 06880 USA
(203) 226-7272

Appendix B.1
(Page 2 of 8)

December 13, 1991.

RIG/A/Singapore
USAID/Nepal
Rabi Bhawan
Kalimati Durbar
Kathmandu
Nepal.

Dear Sirs

Save the Children Federation (SC) - Draft Report

The attached memorandum responds to the final draft audit report by Price Waterhouse on the AID funded activities of SC Nepal field office for the period from August 25, 1988 to June 30, 1991.

As a general response to the findings, we believe that most of the questioned costs are in fact reasonably allowable under the grant. Recent grant amendments have resulted in SC complying with the match requirements and we have implemented procedures to ensure that reports are submitted to AID within an acceptable period. We therefore believe that match and financial status reports should not be included as material areas of control non-compliance in the audit report.

We appreciate this opportunity to respond to the findings and assure you that, where applicable, we will consider these comments in improving systems throughout the Agency.

Your faithfully

Julia Gilmour
Director Audit and Operations Support

Finding 1 : Expenses Incurred Prior to Commencement of Grant Period

The Siraha grant was under negotiation when the \$2,950 was charged. SC/US had already started its program in Siraha with an understanding that AID would provide funding support. In this case, SC/US has already obtained a waiver letter from AID. (See AID 10/21/91 letter attached).

On the second point, AID has said that since they had given approval for the expenses incurred prior to the commencement of the grant, the SC/US private budget spent during the same period of time could be considered as a match. In fact, SC/US costs for this program during this period are more than stated here (\$3,343.43 in May 1990 and \$7,762.63 for June 1990) but only \$1,138 has been reported as a match.

Finding 2 : Use of Grant Funds for Purposes Other Than Meeting Grant Objectives

The EPI/ARI (367-9123) project was implemented by SC/US in close collaboration with the District EPI Office of His Majesty's Government. The project was implemented by HMG staff with SC technical, Managerial, and supervisory assistance.

This EPI project tested immunization strategies to extend government cover to the highest percentage of eligible beneficiaries among children and women of fertility age, in the remote and isolated communities of rural Gorkha. Lessons learned included: cold chain maintenance procedures; use of steam sterilizers; management of an effective HIS; and micro-community planning. The strategies adopted in this project were important for both the HMG EPI Office and SC/US.

It was important to document these lessons for future training of HMG staff and raising community awareness in Nepal. Therefore, this video film was prepared to document the project implementation procedures and strategies on a step-by-step basis. At present, this video film has been effectively used during meetings and trainings of HMG and SC health workers responsible for service delivery at the community level.

Therefore, the grant has not only expanded EPI coverage in Gorkha, but also documented the strategies for success. These have since been widely used to improve the EPI coverage in the similar situations within Nepal.

SC/US program activities extended to Siraha during 1990. The living conditions of rural Siraha, along the Indian border -- especially the terrain, landscape, and social and development issues -- are significantly different from the middle hills context of Gorkha District, where SC/US has been working for the last ten years. SC

Nepal - Draft Audit Report
Management Response

Therefore, Siraha was a totally new environment for both the Nepal Field Office and SC/US Headquarters. In order to increase the understanding about Siraha, and these important differences, among staff at SC/US Headquarters, this video film was prepared. It has never been used for fund-raising.

However, SC/US was not aware that prior permission should be obtained for such project activities.

Finding 3 : Certain Expenses Not Approved by Mission

Previously, the NFO was not fully aware of the requirement to seek AID prior approval for international trainings/travel. This guideline will be strictly followed in the future.

After discussions with the auditors, SC/US requested AID for retroactive approval of these previous international travel and trainings. (Please refer to the NFO letter dated Oct. 9, 1991.) AID has since provided its approval for these international travel and training costs. (A copy of the AID Oct. 28, 1991 letter is also attached.)

Finding 4 : Inappropriate Allocation of Expenses

SC/US has maintained separate ledgers for each individual grant. Particularly, in this case, certain expenses that were incurred for the implementation of EPI/ARI project were mistakenly charged to the Child Survival Grant. EPI/ARI is a locally-funded Child Survival Grant. The person who made the voucher did not distinguish carefully between the Washington DC and locally-funded Child Survival Grant. Later on when we realized that these EPI/ARI expenses were charged to the Child Survival Grant, SC/US transferred these expenses to their correct location in the EPI/ARI Grant.

Finding 5 : Support Not Available

The supporting receipts of the costs (attached herewith) were not found during the auditing time. This audited EPI/ARI grant is the continuation of the previous EPI Grant. Ms. Mimi Church was a locally-recruited staff who established the HIS for this project. Because of her outstanding skill on data analysis, her involvement was continued until the later part of this EPI/ARI grant. After her three and half years of service with Save the Children, she was eligible to receive her shipping costs, according to SC/US regulations. 1250 kgs. of her personal belongings were shipped. The total cost incurred was US \$4,365, of which \$789 was charged to EPI/ARI Grant.

SC Nepal - Draft Audit Report
Management Response

Finding 6 : Cost Matching Not Achieved Per Requirements and Calculated Correctly

Recently, amendment #3 to Grant #367-8279 (faxed to HQ for approval) has changed the SC Match portion (amendment letter is attached). According to this change, SC was required to match \$581,000 through the end of FY91. From the revised match calculation, SC/US has already matched \$590,626 to this Grant. Therefore, the issue of cost match shortfall should not exist any more.

Finding 7 : Personnel Costs Forming Part of SC Cost Match Claimed as Direct Costs

Salaries may be charged directly to this grant if there is adequate support to show that effort was in fact expended on the grant. SC's institutional provisional indirect cost rate is based on the previous fiscal year's actual allocation of expenses. If during the current fiscal year an agreement, that is then reflected in the cost allocation of that particular year when a new provisional rate is developed yielding a lower institutional rate thereby more than compensating for the otherwise direct costing of these indirect expenses.

Finding 8 : Indirect Costs Included in Cost Match and Reimbursed by Mission as Overhead

SC utilizes an institutional provisional indirect cost rate that is calculated on an annual basis. The calculation is based on the previous year's actual allocation of funds. The resulting provisional rate is effective retroactively to the beginning of the previous fiscal year and is effective until amended by the following year's calculation. Actual match reported to AID is tracked and taken into expenses, prior to final calculation, the indirect cost pool is reduced by the amount of the match and the match amount is added to the direct cost category. The impact of this process is to reduce SC's otherwise real indirect cost relationship.

Finding 9 : Non-Adherence to Reporting Requirements

The submission dates reported in this finding roughly correspond when we submitted our SF-269 reports to AID in Washington. We have difficulty meeting AID's 30 day reporting deadline due to our many field offices and their difficulty in getting complex financial reports to home office in time to be processed by this deadline.

SC Nepal - Draft Audit Report
Management Response

We have approval from Gene Westlake of AID Washington for an additional 15 working days beyond the AID 30 days reporting deadline to submit our SF-269 reports. During 1991 we instituted a new procedure whereby, if we do not meet that 15 day requirement, we alert Gene Westlake and confirm in writing when the reports are to be sent.

We were not aware of any requirements to give a breakdown of costs. The Mission should request this information if it is needed.

Finding 10 : Non-Compliance with Requirements

10.1 Timesheets : SC has agree with AID that with effect from January, 1991, timesheet will reflect actual time or percentage of time spent by employees on various funding sources.

10.2 Performance Reports : SC requests that the Mission formally accept the six-monthly reports.

10.3 Incorrect reporting : Noted

10.4 Expense Reports : We agree that the Mission should pre-approve grant funded international travel. However, HQ does not require a detailed expense breakdown of international versus domestic travel.



UNITED STATES OF AMERICA Appendix B.1
(Page 7 of 8)
AGENCY FOR INTERNATIONAL DEVELOPMENT
MISSION TO NEPAL

KATHMANDU, NEPAL

OCT 21 1991

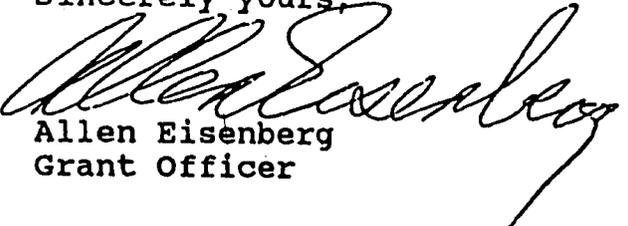
Krishna Sob
Deputy Director
Save the Children USA
Post Office Box 2218
Kathmandu, Nepal

Subject: Grant No. 367-0159-G-SS-00-0183-00

Dear Mr. Sob:

In response to your October 7, 1991 letter, this is to serve as the grant officer's authority for Save the Children to incur costs under the subject grant beginning May 1, 1990. This is with the understanding that expenditures are limited to costs that would otherwise be allowable under the grant, and that this authorization is not to be considered as authority to exceed the amount available under the grant or any other budgetary limitation.

Sincerely yours,


Allen Eisenberg
Grant Officer



UNITED STATES OF AMERICA
AGENCY FOR INTERNATIONAL DEVELOPMENT
MISSION TO NEPAL

Appendix B.1
(Page 8 of 8)

KATHMANDU, NEPAL

October 28, 1991

Mr. Keith Leslie
Country Director
Save the Children USA
Kathmandu

Subject: Approval of air fare, training and travel costs
charged to Grant Nos. 9123, 8279 and 0183.

Dear Keith,

This is in response to Mr. Sob's letter dated October 9, 1991 requesting approval of air fare, training and travel costs charged to the Grant Nos. 9123, 8279 and 0183. Following the review of the justification provided for each of the training program (1 to 13 as per Mr. Sob's letter), I am pleased to approve the cost of each program (1 to 13), except the program No. 9. We believe program No. 9 (improve and computerize the information system of the entire Nepal Save Program) is not a direct expense and should be borne by the SCF. This authorizes a total amount of US dollar 17,435 (U.S. dollar seventeen thousand four hundred and thirty five only) charged to Grant Nos. 9123, 8279 and 0183.

Thank you.

Sincerely,


Allen Eisenberg
Grant Officer

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