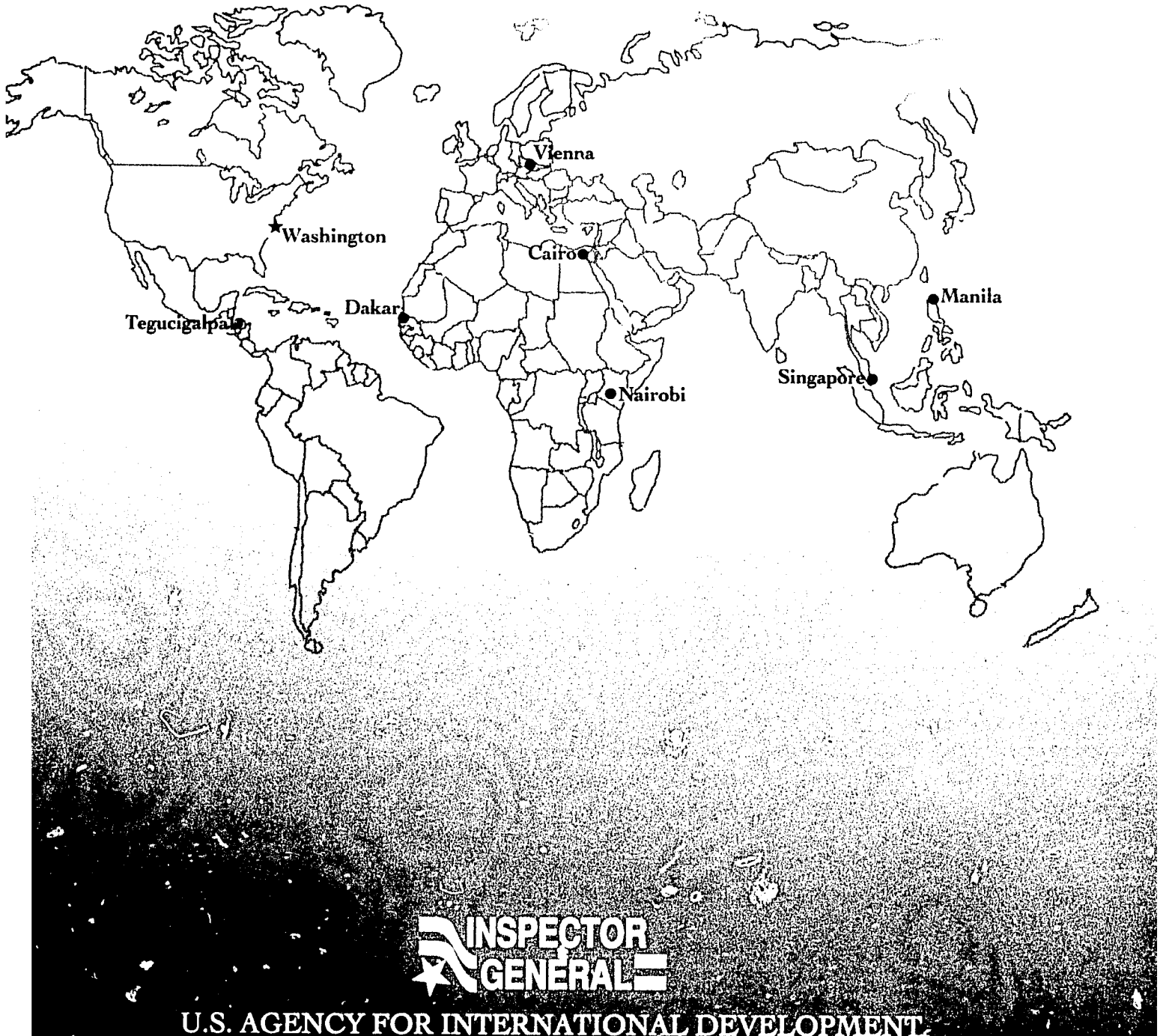
PD-ABE-365

Regional Inspector General for Audit
Singapore

AUDIT OF
CONTRACT NO. ANE 0348-C-00-6062-00
WITH INTERNATIONAL SCIENCE AND TECHNOLOGY INSTITUTE, INC.
INDONESIA

Audit Report No. 5-497-92-19-N
July 22, 1992



AUDIT OF
CONTRACT NO. ANE 0348-C-00-6062-00 WITH INTERNATIONAL SCIENCE AND TECHNOLOGY INSTITUTE, INC. (ISTI)
INDONESIA

AUDIT REPORT NO. 5-497-92-19-N

July 22, 1992

The Fund Accountability Statement of International Science and Technology Institute, Inc. presents fairly the expenditures incurred under the contract with USAID/Indonesia, except that ISTI claimed, and were reimbursed twice for $5,896 in costs. No material internal control weaknesses were noted, and except for the above noncompliance, the organization complied, in all material respects, with applicable laws, regulations, and contract terms.

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

June 22, 1992

TO: Charles F. Weden, Mission Director
USAID/Indonesia

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

SUBJECT: Audit of Contract No. ANE 0348-C-00-6062-00 with International Science and Technology Institute, Inc. - Indonesia
Audit Report No. 5-497-92-19-N

The accounting firm of Hans Tuanakotta & Mustofa, the Deloitte Ross Tohmatsu International affiliate in Indonesia, performed a financial audit of USAID/Indonesia's contract with International Science and Technology Institute, Inc. (ISTI) under the Faculties of Public Health Project in Indonesia. Five copies of the audit report are enclosed for your action.

The purpose of the Project is to assist the Government of Indonesia to expand and regionalize public health education and research by strengthening public health training programs in selected regional universities to supply manpower, conduct research, and provide technical assistance to the Ministry of Health, the National Family Planning Agency, and other agencies involved in the delivery of health and family planning services. Pursuant to a contract between USAID and U.S. Small Business Administration, ISTI was to provide technical assistance and various related services for the Project under a cost plus fixed fee type contract. The period covered by the audit was August 4, 1986 through June 30, 1991, during which ISTI reported that a total of $1,322,075 was received from USAID and $1,332,101 was expended under the contract. This audit only covers the Indonesian operations of ISTI, which expended $187,663 of these funds.

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

The auditors reported that the Fund Accountability Statement of ISTI presents fairly the expenditures incurred under the contract with USAID/Indonesia, except that ISTI claimed for and were reimbursed twice by USAID/Indonesia for $5,896 in costs . No material internal control weaknesses were noted, and except for the above noncompliance, ISTI complied, in all material respects, with applicable laws, regulations, and contract terms.

The management of ISTI agreed with the auditors' finding and recommendation. Their comments are included under the finding in the report and set out in full as Appendix 1.

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

Recommendation No. 1: We recommend that USAID/Indonesia:

(a) recover the $5,896 in costs that International Science and Technology Institute, Inc. claimed for and were reimbursed twice by USAID/Indonesia; and

(b) verify that International Science and Technology Institute, Inc. establishes and implements adequate internal control procedures to effectively prevent and detect errors in expenditure vouchers prepared for submission to USAID/Indonesia for reimbursement.

We appreciate the courtesies and cooperation USAID/Indonesia and ISTI 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.

Hans Tuanakotta & Mustofa

FINANCIAL AUDIT OF

INTERNATIONAL SCIENCE AND TECHNOLOGY INSTITUTE, INC.

CONTRACT WITH USAID/INDONESIA

ON THE FACULTIES OF PUBLIC HEALTH PROJECT (USAID CONTRACT NO. ANE 0348-C-00-6062-00)

FOR THE PERIOD FROM AUGUST 4, 1986 TO JUNE 30, 1991

Hans Tuanakotta & Mustofa

INTERNATIONAL SCIENCE AND TECHNOLOGY INSTITUTE, INC.
CONTRACT WITH USAID INDONESIA
ON THE FACULTIES OF PUBLIC HEALTH PROJECT
(USAID CONTRACT NO. ANE 0348-C-00-6062-00)

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Hans Tuanakotta & Mustofa
Registered Public Accountants

HTM
JAKARTA, SURABAYA, DENPASAR & BANDUNG

HEAD OFFICE :
Wisma Antara 12th Floor
Jl. Medan Merdeka Selatan No. 17
Jakarta 10110
Phone : 3861879 (Hunting), 3802955, 3805785, 3845325
Facsimile : 363670

No. 130792 IW AID ISTI SR1

July 13, 1992

Mr. James B. Durnil
The Regional Inspector General
for Audit/Singapore (RIG A/S)
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 International Science and Technology Institute, Inc. (ISTI) and its contract with USAID/Indonesia (USAID/I) on the Faculties of Public Health Project (FPHP) Contract No. ANE 0348-C-00-6062-00 for the period from August 4, 1986 to June 30, 1991. Our audit pertains to ISTI Indonesian operations only and does not include ISTI's disbursements made outside Indonesia. Also, our audit does not cover ISTI's management policies, and systems and procedures on its outside Indonesian operations.

BACKGROUND

Indonesia, a country with a population of over 160 million, has a high infant and child mortality rate relative to its ASEAN neighbors. In 1988, infant and child mortality were estimated at 70 per 1,000 live births and 17.8 per 1,000 children aged 1 to 4 years, respectively. Tetanus, diarrhea and respiratory infections were the primary causes of death and malnutrition acting as a serious underlying factor.

The Government of Indonesia (GOI) has designated several child survival and other related programs as a priority development area. Substantial progress has been made in reducing rates of fertility, and infant, child and maternal mortality. Progress has been possible because of an expanding economy which allowed for large public sector allocations to health budget. But in 1985, falling world oil prices severely curtailed revenues from Indonesia's largest source of income and foreign exchange. This economic situation impact all government sectors and also the health budget, especially the Ministry of Health's ability to provide the preventive and promotive health service, which directly influence child survival.

USAID's Involvement in the Project

In relation to the above, GOI requested USAID/I's assistance in (1) reducing infant mortality and crude birth rates, (2) expanding its public health training and research program and, (3) expanding its program of child survival throughout the country.

USAID responded with several projects, one of them being the FPHP. This project started on August 4, 1986 with completion date on June 30, 1992. Total estimated project cost is US$ 15.4 million. USAID's contribution includes a US$ 5 million loan and a US$ 4 million grant, while the GOI contribution is US$ 6.4 million.

Project's Goal and Purpose

The purpose of the FPHP is to assist GOI in its efforts to expand and regionalize public health education and research by strengthening public health training programs in selected regional universities to supply manpower, conduct research, and provide technical assistance to the Ministry of Health, the National Family Planning Agency (BKKBN), and other public and private sector agencies involved in health and family planning service delivery.

To achieve its purpose the project employed the following strategies:

1. Strengthen the public health training, research and community service capacities of the Public Health Department of the Medical Faculties of several Indonesian universities to enable them to meet accreditation requirements of the Ministry of Education and Culture (MEC) for becoming Faculties of Public Health.

2. Built considerable administrative and technical skills of Faculty of Public Health at the University of Indonesia, assist to develop it as a National Resource Center for supporting the development of the new Faculties of Public Health.

3. Actively encouraged cooperation between the Faculties of Public Health and regional health and family planning implementing agencies.

ISTI'S CONTRACT

ISTI's contract with USAID/I, which is a cost plus fixed fee type contract, is a subcontract from USAID main contract with U.S. Small Business Administration (SBA).

The main contract between USAID and SBA states that SBA should (a) provide up to 70 person months of short-term technical assistance, 70 person months of domestic technical assistance and services of a long-term technical advisor; (b) teach selected short courses in specialized public health disciplines to staff members; (c) assist to formulate regional specific research programs at each faculty; and (d) advise on educational administration and management systems. It also provides that SBA subcontract all its responsibilities under the main contract with ISTI.

AUDIT OBJECTIVES AND SCOPE

We conducted a financial audit of ISTI's Fund Accountability Statement pertaining to its contract with USAID/I on FPHP (Contract No. ANE 0348-C-00-6062-00) for the period from August 4, 1986 to June 30, 1991. The Fund Accountability Statement comprises of the statement of expenditures, which pertains only to ISTI's disbursements that were made in Indonesia, and the notes for this statement.

The results of our work, which pertain only to ISTI'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 Contract, Applicable Laws and Regulations

The audit did not include the examination of the transactions made by ISTI, Washington in the United States as the supporting documents for these transactions are maintained in the U.S. However, for information purposes only, included as part of Note 3 to the Fund Accountability Statement, is a statement of receipts and expenditures for the whole project.

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

a. The Fund Accountability Statement under the FPHP presents fairly the expenditures for the period from August 4, 1986 to June 30, 1991 in accordance with the terms of the Contract 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 Contract.

b. ISTI'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 Contract and authorizations and are properly recorded to permit the preparation of vouchers or invoices in accordance with the Contract.

c. ISTI has complied with the applicable laws, regulations and terms of the Contract.

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 Contract 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, ISTI and RIG/A/S officials.

b. Reviewing the contracts between USAID/I, SBA and ISTI, including all amendments and modifications, action plans, pertinent sections of the AID standard provisions, and correspondences and minutes of meeting between USAID/I and ISTI; as well as project reports maintained by ISTI and USAID/I.

c. Reviewing ISTI Indonesia's internal control structure, accounting records, and control procedures.

d. Assessing ISTI Indonesia's compliance with the terms of the Contract, applicable laws and regulations.

e. In performing some of the above procedures, compliance and substantive testing procedures were devised and performed. These include confirming balances with ISTI's head office and USAID/I offices.

f. 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

Payments totalling to US$ 5,896.18 made by ISTI were reimbursed from USAID twice.

In our opinion, except for the effects of such adjustments, which might arise from the matter referred to in the preceding paragraph, the Fund Accountability Statement presents fairly the expenditures of ISTI for the period from August 4, 1986 to June 30, 1991 as they relate to its Indonesian operations.

Internal Control Structure

In planning and performing our audit of the Fund Accountability Statement of ISTI, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the statement.

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

We noted no matters involving the internal control structure and its operation that we consider to be a material weakness.

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 ISTI Indonesia's system of internal control taken as a whole.

Compliance with the Terms of the Contract, Applicable Laws and Regulations

Our tests for compliance with the terms of the Contract and applicable laws and regulations of the ISTI's Indonesian operations and selected transactions and records indicate that, for the items tested, ISTI Indonesia complied with those provisions of the Contract and applicable laws and regulations, except for the payments totalling to US$ 5,896.18 made by ISTI, which were reimbursed from USAID twice.

With respect to transactions and records not tested by us, nothing came to our attention that caused us to believe that ISTI Indonesia has not complied, in all material respects, with the terms of the Contract, applicable laws and regulations in connection with the FPHP.

SUMMARY OF MANAGEMENT COMMENTS

The management of ISTI Indonesia generally agreed with the audit finding and recommendation. The full text of their comments are attached as Appendix 1 to this report.

FOLLOW UP ON PRIOR AUDITS

No prior audits were carried out on ISTI's contract with USAID/I.

ACKNOWLEDGEMENT

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

HANS TUANAKOTTA & MUSTOFA

Drs Irwanta Wanatirta
Registered Accountant No. D-4118

5A'

Hans Tuanakotta & Mustofa

INDEPENDENT AUDITORS' REPORT

ON

FUND ACCOUNTABILITY STATEMENT

Hans Tuanakotta & Mustofa
Registered Public Accountants

HTM
JAKARTA, SURABAYA, DENPASAR & BANDUNG

HEAD OFFICE :
Wisma Antara 12th Floor
Jl. Medan Merdeka Selatan No. 17
Jakarta 10110
Phone : 3861879 (Hunting), 3802955, 3805785, 3845325
Facsimile : 363670

No. 161291 IW AID ISTI 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,

INTERNATIONAL SCIENCE AND TECHNOLOGY INSTITUTE, INC. (ISTI)
CONTRACT WITH USAID INDONESIA
ON THE FACULTIES OF PUBLIC HEALTH PROJECT (FPHP)
(USAID CONTRACT NO. ANE 0348-C-00-6062-00)
FOR THE PERIOD FROM AUGUST 4, 1986 TO JUNE 30, 1991

INDEPENDENT AUDITORS' REPORT
ON THE FUND ACCOUNTABILITY STATEMENT

We have audited the accompanying Fund Accountability Statement of ISTI-Indonesia's expenditures pertaining to its contract with USAID/I on the FPHP for the period from August 4, 1986 to June 30, 1991. The Statement, comprising the statement of expenditures and the notes thereon, set out on pages 8 to 10, is the responsibility of ISTI's 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 9, the Fund Accountability Statement presents only the expenditures of ISTI-Indonesia as they pertain to its contract with USAID/I for the period from August 4, 1986 to June 30, 1991 and is not intended to present fairly the expenditures of ISTI as a whole.

Payments totalling to US$ 5,896.18 made by ISTI were reimbursed from USAID twice.

In our opinion, except for the effect of such adjustments, which might arise from the matter referred to in the preceding paragraph, the Fund Accountability Statement presents fairly the expenditures of ISTI in Indonesia as they pertain to Contract No. ANE 0348-C-00-6062-00 on the FPHP for the period from August 4, 1986 to June 30, 1991.

This report is intended solely for the use of USAID/I and should not be used for any other purposes.

HANS TUANAKOTTA & MUSTOFA

Drs Irwanta Wanatirta
Registered Accountant No. D-4118

December 16, 1991

INTERNATIONAL SCIENCE AND TECHNOLOGY INSTITUTE, INC.
FUND ACCOUNTABILITY STATEMENT
(Statement of Expenditures)
FOR THE PERIOD FROM AUGUST 4, 1986 TO JUNE 30, 1991
(Amounts in United States Dollars)

Travel	US$	51,947.01
Other direct costs		135,716.09
Total	US$	187,663.10

The accompanying notes form an integral part of the Fund Accountability Statement.

INTERNATIONAL SCIENCE AND TECHNOLOGY INSTITUTE, INC.
NOTES TO THE FUND ACCOUNTABILITY STATEMENT
FOR THE PERIOD FROM AUGUST 4, 1986 TO JUNE 30, 1991

1. SIGNIFICANT ACCOUNTING POLICIES
The fund accountability statement is a statement of expenditures, which is prepared in accordance with the historical cost concept. The records are maintained in United States Dollars.

2. COMPONENT UNIT OF THE ORGANIZATION
The Fund Accountability Statement presents only ISTI's expenditures that were made in Indonesia under the Contract No. ANE 0348-00-6062-00 on FPHP and is not intended to present fairly the transactions of ISTI as a whole.

3. UNAUDITED STATEMENT OF RECEIPTS AND EXPENDITURES FOR THE CONTRACT IN TOTAL
Part of the Contract No. ANE 0348-00-6062-00 on FPHP were expended in the United States and part in Indonesia. Those expended in the United States were not audited because the related supporting documents are maintained over there.

Reimbursements of all expenditures, including those expended in Indonesia, are processed by ISTI Washington. Accordingly, ISTI Washington receives reimbursements from USAID, while ISTI Indonesia receives its funds from ISTI Washington.

The following presentation pertains to the Statement of Receipts and Expenditures for the contract in total for the period from August 4, 1986 to June 30, 1991 (Amounts in United States Dollars):

	Indonesia (Audited)	Washington (Unaudited)	Total (Unaudited)
RECEIPTS			
Amount received by ISTI Washington from USAID			1,322,074.65
EXPENDITURES			
Salaries	-	229,143.49	229,143.49
Fringe	-	20,333.63	20,333.63
Overhead	-	169,020.94	169,020.94
Consultants	-	284,739.54	284,739.54
Travel	51,947.01	97,433.19	149,380.20
Per diem	-	85,043.52	85,043.52
Other direct cost	135,716.09	26,954.80	162,670.89
G & A	-	135,425.56	135,425.56
Fixed fee	-	96,343.50	96,343.50
Total	187,663.10	1,144,438.17	1,332,101.27
SHORTFALL OF RECEIPTS OVER EXPENDITURES			10,024.62

Column headings of the above statement of receipts and expenditures for the contract in total are explained as follows:

ISTI - Indonesia, pertains to ISTI disbursements that were made in Indonesia.

ISTI - Washington, pertains to ISTI disbursements that were made in the United States.

Total, pertains to the Organization's total receipts and disbursements out of the Contract.

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Hans Tuanakotta & Mustofa

INDEPENDENT AUDITORS' REPORT

ON

INTERNAL CONTROL STRUCTURE

Hans Tuanakotta & Mustofa
Registered Public Accountants

HTM
JAKARTA, SURABAYA, DENPASAR & BANDUNG

HEAD OFFICE :
Wisma Antara 12th Floor
Jl. Medan Merdeka Selatan No. 17
Jakarta 10110
Phone : 3861879 (Hunting), 3802955, 3805785, 3845325
Facsimile : 363670

No. 161291 IW AID ISTI 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,

**INTERNATIONAL SCIENCE AND TECHNOLOGY INSTITUTE, INC. (ISTI)
CONTRACT WITH USAID INDONESIA
ON THE FACULTIES OF PUBLIC HEALTH PROJECT (FPHP)
(USAID CONTRACT NO. ANE 0348-C-00-6062-00)
FOR THE PERIOD FROM AUGUST 4, 1986 TO JUNE 30, 1991**

**INDEPENDENT AUDITORS' REPORT
ON INTERNAL CONTROL STRUCTURE**

We have audited the Fund Accountability Statement of ISTI pertaining to its contract with USAID/I on the FPHP for the period from August 4, 1986 to June 30, 1991, and have issued our report thereon dated December 16, 1991.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in 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.

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

The management of ISTI 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 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 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:

Accounting system and record keeping
Cash disbursements
Cost allocation and allowability
Reimbursement request
Financial reporting

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.

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 irreguralities in amounts that would be material in relation to the fund accountability statement 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 operations that we consider to be material weaknesses as defined above.

This report is intended solely for the use of ISTI and USAID/I.

HANS TUANAKOTTA & MUSTOFA

Drs Irwanta Wanatirta
Registered Accountant No. D-4118

December 16, 1991

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Hans Tuanakotta & Mustofa

INDEPENDENT AUDITORS' REPORT

ON

COMPLIANCE WITH THE TERMS OF THE CONTRACT, APPLICABLE LAWS AND REGULATIONS

Hans Tuanakotta & Mustofa
Registered Public Accountants

HTM
JAKARTA, SURABAYA, DENPASAR & BANDUNG

HEAD OFFICE :
Wisma Antara 12th Floor
Jl. Medan Merdeka Selatan No. 17
Jakarta 10110
Phone : 3861879 (Hunting), 3802955, 3805785, 3845325
Facsimile : 363670

No. 161291 IW AID ISTI SR4

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,

**INTERNATIONAL SCIENCE AND TECHNOLOGY INSTITUTE, INC. (ISTI)
CONTRACT WITH USAID INDONESIA
ON THE FACULTIES OF PUBLIC HEALTH PROJECT (FPHP)
(USAID CONTRACT NO. ANE 0348-C-00-6062-00)
FOR THE PERIOD FROM AUGUST 4, 1986 TO JUNE 30, 1991**

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

We have audited the Fund Accountability Statement of ISTI pertaining to its contract with USAID/I on the FPHP for the period from August 4, 1986 to June 30, 1991, and have issued our report thereon dated December 16, 1991.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in 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, contract, and binding policies and procedures applicable to ISTI is the responsibility of ISTI's management. As part of obtaining reasonable assurance about whether the fund accountability statement is free of material misstatement, we performed tests of ISTI's compliance with certain provisions of laws, regulations, contract and binding policies and procedures. However, our objective was not to provide an opinion on compliance with such provisions.

Material instances of noncompliance are violations of laws, regulations, contracts, or binding policies and procedures that cause us to conclude that the aggregation of misstatements resulting from those violations is material to the Fund Accountability Statement. The result of our tests of compliance is identified on page 15 of this report.

We considered this material instance of noncompliance in forming our opinion on whether ISTI's Fund Accountability Statement is presented fairly, in all material respects, in conformity with generally accepted accounting principles. As a result, we have made appropriate qualifications on our report dated December 16, 1991 on the Fund Accountability Statement.

Except as described above, the results of our tests of compliance indicate that with respect to the items tested ISTI 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 ISTI Indonesia had not complied, in all material respects, with those provisions.

This report is intended solely for the use of ISTI and USAID/I.

HANS TUANAKOTTA & MUSTOFA

Drs Irwanta Wanatirta
Registered Accountant No. D-4118

December 16, 1991

INTERNATIONAL SCIENCE AND TECHNOLOGY INSTITUTE, INC.

USAID CONTRACT NO. ANE 0348-C-00-6062-00

COMPLIANCE ISSUE

AUDIT FINDING AND RECOMMENDATION

ISTI'S DOUBLE REIMBURSEMENTS FROM USAID

Condition
The following ISTI payments were reimbursed from USAID twice:

a. Airfare of a technical advisor amounting to US$ 2,546.60 in October 1989 to Tokyo was included in two Expense Vouchers (Number 55 and 58), and therefore reimbursed from USAID twice, under ISTI 115 Voucher Number 26 and 27.

b. Payment to consultant amounting to US$ 2,747.90 for the month of July 1988 was reimbursed from USAID twice, under ISTI 115 Voucher Number 11 and 12.

c. Payment to consultant amounting to US$ 601.68 for the month of July 1988 was reimbursed from USAID twice, under ISTI 115 Voucher Number 11 and 12.

Criteria
Section B.6 of the main contract between USAID and SBA provides that the contract costs shall be limited to reasonable, allocable and necessary costs determined in accordance with the clauses of the Contract.

Effect
ISTI received amount of US$ 5,896.18 in excess.

Cause
The above double reimbursements were oversight.

Recommendation
USAID/I should recover the above overpayment of US$ 5,896.18.

Management Comment
ISTI agrees with this finding and in order to more timely correct errors of this nature ISTI has already instituted internal control procedures that will prevent such oversights in the future.

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Appendix 1.

International Science and Technology Institute, Inc.

Headquarters: 1129 20th Street, N.W., Washington, D.C. 20036
202/785-0831 • Telex: 272785 ISTI UR • FAX: 202/223-3865

May 20, 1992

Drs. Irwanta Wanatirta, Partner
Hans Tuanakotta & Mustofa
Registered Public Accountants
Wisma Antara 12th Floor
Jl. Medan Merdeka Selatan No. 17
Jakarta, Indonesia 10110

Ref: Financial Audit of USAID/Indonesia Contract No. ANE-0348-C-00-6062-00 (Project 115)

Dear Drs. Wanatirta:

The purpose of this letter is to formally respond to your May 4, 1992 letter requesting ISTI's comments on the above referenced audit report dated December 16, 1991.

ISTI's comments that should be incorporated into the Independent Auditors' Report on Compliance with the Terms of the Contract, Applicable Laws and Regulations, "Management Comments" paragraph are:

> ISTI agrees with this finding and in order to more timely correct errors of this nature, ISTI has already instituted internal control procedures that will prevent such oversights in the future.

Sincerely,

Eugene C. Fazio
Vice President, Finance

CC: Mr. James B. Durnil
RIG A/S

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APPENDIX 2

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