

Regional Inspector General for Audit
Nairobi, Kenya

Audit of the
Agricultural Cooperative Development
International Grant
No. 617-0111-C-00-9100-00

Report No. 3-617-92-13-N
July 29, 1992



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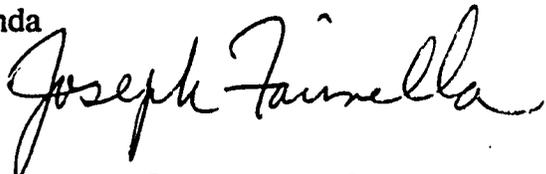
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July 29, 1992

memorandum

TO: Keith W. Sherper, Director, USAID/Uganda

FROM: Joseph Farinella, Acting RIG/A/Nairobi 

SUBJECT: Audit of the Agricultural Cooperative Development International Grant No. 617-0111-C-00-9100-00, Audit Report No. 3-617-92-13-N

Attached are five copies of a mission-contracted financial audit report of the Agricultural Cooperative Development International (ACDI) Grant No. 617-0111-C-00-9100-00. The accounting firm of Price Waterhouse, Nairobi performed the audit.

The goal of the Cooperative Agriculture and Agribusiness Support (CAAS) Project is to raise the standard of living in Uganda through increased agricultural productivity and production. The CAAS project has two major components: (1) the \$11 million cooperative development component to provide assistance for improving policies and institutional performance so that input distribution and commodity marketing can be done with greater efficiency and effectiveness, and (2) the \$9.55 million commodity import component to address short term foreign exchange constraints while increasing the availability of essential agricultural sector inputs such as seed, jute, fertilizer and other agricultural inputs. ACDI, as prime contractor, is assisting in implementing the project by providing technical assistance, training, and acquisition of project commodities. For the period April 11, 1988 through September 30, 1991, local currency expenditures claimed by ACDI under the commodity import component of CAAS totalled Uganda Shillings (Ushs) 1,279,019,500 (\$3,542,401). This was the amount audited.

W

The objectives of the audit were to:

- examine and express an opinion on ACDI's Fund Accountability Statement;
- examine and report on ACDI's internal control structure; and
- examine and report on ACDI's compliance with the terms of the grant agreement and applicable laws and regulations.

The auditors issued a qualified opinion on the Fund Accountability Statement due to one instance of stolen records. The matter of the stolen records was referred to RIG/I/N. The report on the internal control structure disclosed reportable conditions and made recommendations concerning ACDI's budget management and cash procedures. The report on compliance noted that ACDI complied with the grant agreement, laws and regulations.

The draft audit report was submitted to ACDI and USAID/Uganda for comment. ACDI and USAID/Uganda submitted their comments jointly which are included in Appendix I of the report. We are including the following recommendations in the Office of the Inspector General audit recommendation follow-up system.

Recommendation No. 1: We recommend that USAID/Uganda require Agricultural Cooperative Development International to improve its internal control structure under the commodity import component of the Cooperative Agriculture and Agribusiness Support Project by establishing and implementing procedures for:

- 1.1 restricting its line-item expenditures to the approved budget or seeking advance approval of any variations, and**
- 1.2 reconciling the month-end bank and petty cash manual account values with computerized values.**

Recommendation Nos. 1.1 and 1.2 have been addressed and appropriate action has been taken by management; therefore, these recommendations are closed upon issuance of the report.

Thank you for the cooperation extended to Price Waterhouse and Regional Inspector General for Audit representatives during the audit.

Attachments: a/s.

**AUDIT OF THE
AGRICULTURAL DEVELOPMENT INTERNATIONAL
GRANT NO. 617-0111-C-00-9100-00**

ATTACHMENTS

AGENCY FOR INTERNATIONAL DEVELOPMENT

COOPERATIVE AGRICULTURE AND AGRIBUSINESS
SUPPORT PROJECT UGANDA
(PROJECT NO 617-0111)

FINANCIAL AND COMPLIANCE AUDIT OF AGRICULTURAL COOPERATIVE
DEVELOPMENT INTERNATIONAL (ACDI)
(GRANT NO 617-0111-C-00-9100-00)

COMMODITY IMPORT COMPONENT

FOR THE PERIOD APRIL 11, 1988
THROUGH SEPTEMBER 30, 1991

MAY 20, 1992



COOPERATIVE AGRICULTURE AND AGRIBUSINESS SUPPORT PROJECT UGANDA

**FINANCIAL AND COMPLIANCE AUDIT OF AGRICULTURAL COOPERATIVE
DEVELOPMENT INTERNATIONAL**

FOR THE PERIOD APRIL 11, 1988 THROUGH SEPTEMBER 30, 1991.

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2

I EXECUTIVE SUMMARY

A Cooperative Agriculture and Agribusiness Support Project (CAAS)

The Cooperative Agriculture and Agribusiness Support Project (CAAS) goal is to raise the standard of living in Uganda through increased agricultural productivity and production. The project objectives are (i) to increase agricultural productivity and production through increased supply of agricultural inputs (ii) to help place input supply and output marketing on a sound commercial basis, and (iii) to stimulate agribusiness development by diversifying the cultivation of agricultural cooperatives and move them away from the traditional coffee and cotton crops.

The CAAS project has two major components: the \$11 million cooperative development component to provide assistance for improving policies and institutional performance so that input distribution and commodity marketing can be done with greater efficiency and effectiveness, and the \$9.55 million commodity import component to address short term foreign exchange constraints while increasing the availability of essential agricultural sector inputs such as seed, jute, fertilizer and other agricultural inputs.

Technical assistance, training and acquisition of project commodities are provided by the prime contractor Agricultural Cooperative Development International (ACDI).

B Accounting and Contract Monitoring Systems

The overall responsibility for accounting and financial monitoring resides with ACDI/Washington.

For local expenditures, ACDI yearly submits a budget to the CAAS Core Committee. This committee, which is comprised of the USAID Project Officer, the Projects Coordinator from the Ministry of Commerce, Cooperatives and Marketing, and the General Secretary of the Uganda Cooperative Alliance, authorizes all Uganda Shilling expenditures generated by the program. Once approval has been given, ACDI may spend up to the limit without submitting monthly/quarterly reports. The drawdowns taken are usually irregular, and are made when adequate funds are available.

The original supporting documentation for local currency transactions of the field office are maintained at the ACDI headquarters in Kampala. ACDI is audited every quarter by the Uganda Cooperative Alliance Auditing Service (UCA). The financial statements of ACDI in the United States are audited by the independent auditing firm of Ernst and Young.

C Audit Objective and Scope

Price Waterhouse has performed a financial and compliance audit of the local costs claimed by the Cooperative Agriculture and Agribusiness Support Project for the period April 11, 1988 through September 30, 1991.

The objectives of this audit were to:

- . review direct costs to assure the propriety and allowability of charges to USAID
- . determine whether the contractor or grantee has complied with applicable laws, regulations and terms of the contract agreement
- . identify and evaluate internal controls
- . prepare audit reports analyzing areas in need of improvement, proposing recommendations and itemizing costs accepted, questioned and unsupported.

Our examination was performed in accordance with generally accepted auditing standards and the standards contained in the Government Auditing Standards by the Comptroller General of the U.S. (1988 revision) and, accordingly, included such tests of the contractor's data and records and other auditing procedures as were considered necessary in the circumstances.

The audit was performed under the supervision of the Regional Inspector General audit office based in Nairobi and was conducted in accordance with the "Government Auditing Standards" issued by the Comptroller General of the U.S. 1988 Revision. Price Waterhouse auditors also adhered to the guidelines contained in various chapters of the "Guidelines for Financial and Compliance Audits of AID - Financed Agreements" and "Guidelines for Audits of Federal Awards to Non Profit Institutions".

A team from Price Waterhouse Nairobi visited Kampala from November 4 to November 6, 1991 to perform the preliminary survey. The purpose of the survey was to secure an understanding of the grant recipient's accounting system, assess the overall strength of the system of internal controls, estimate the extent of compliance with the grant provisions and procurement regulations and determine the degree to which supporting documentation would be available to the audit team. The survey provided the groundwork from which Price Waterhouse developed its detailed audit workplan.

Price Waterhouse made further visits to Kampala from November 11 to November 27 and December 16 to December 18, 1991 to perform the fieldwork. Report writing was carried out in Nairobi.

The terms of the individual grant agreement and the cost principles contained in the applicable U.S. Government regulations were used as criteria in the determination of unsupported or questioned costs.

The scope of the audit consisted of the following:

- . examination and testing of supporting documentation for field office expenditures
- . a review of ACDI's Uganda Shilling transactions for compliance with the Grant Agreement and applicable laws and regulations
- . a study and evaluation of the internal accounting controls and accounting practices of ACDI to the extent necessary to render an opinion on the Uganda Shilling component of the Fund Accountability Statement
- . a review of the grant agreements, implementation letters, implementation reports, handbooks, relevant government regulations and other related documents.

D

Audit Limitations

The work was performed only on the Uganda Shilling component of the grantee expenditure. All documentation on U.S. Dollar costs is retained in Washington, DC.

ACDI in Kampala does not submit U.S. Standard Form 1034s. Annually it submits a budget to the CAAS Core Committee, who approves all Shilling expenditures generated from the program. ACDI does not account for their advances and receives money at irregular intervals throughout the year.

In instances of conflict between what costs are normally allowed under USAID regulations and what is approved by the CAAS Core Committee we have accepted the CAAS Core Committee's decision as they have the responsibility of disbursing the Uganda Shillings generated. The USAID Project Officer is a member of the CAAS Core Committee and therefore has knowledge of the budget and what it contains.

Uganda Shilling records for December 1989 were stolen. Copy records were not retained and we were unable to audit this month's expenditure. Disbursements in December 1989 totalled UShs 8,003,175 (\$21,630)

E Results of the Audit

1 Costs reported by Cooperative Agriculture and Agribusiness Support Project.

We performed a financial and compliance audit of the Fund Accountability Statement for the Cooperative Agriculture and Agribusiness Support Project for the period of April 11, 1988 through September 30, 1991. Subject to the scope limitations identified in Section D we identified no transactions which in our opinion were questioned or unsupported.

2 Internal Accounting Controls

We made a study and evaluation of the system of internal accounting controls to the extent we considered necessary and required by generally accepted government auditing standards.

Our study and evaluation was designed to determine the nature, timing and extent of auditing procedures necessary for expressing an opinion on the organization's Fund Accountability Statement. The full text of our report is presented in Section III. We noted the following reportable conditions.

- i) Budgets - The annual budget submitted to the CAAS Core Committee is not followed closely and we noted certain instances where the difference between the amount budgeted and the amount expended was considerable. There appears to have been little planning put into the budgeting process.
- ii) No reconciliations are performed for the computerised Bank and Petty Cash balances against the manual balances. Differences were noted between the two values.

iii) Accounting records for December 1989 were stolen from the ACIDI storeroom. This appears to have been part of a coverup by the former project administrator to try and conceal a defalcation on his behalf.

In addition to the reportable conditions noted above we also noted the following:

iv) Instances where original invoices were not being stamped PAID to indicate that the transaction is now complete and should be cancelled. This control is critical to distinguish paid from unpaid documents.

3 Compliance With Grant Agreement Terms and Applicable Laws and Regulations

ACIDI complied with those provisions of the agreement, laws and regulations, noncompliance with which could have a material effect on the Fund Accountability Statements.

We observed that approval from the CAAS Core Committee was at times in conflict with USAID regulations in such matters as line item expenditure and exceeding local budget line items.

In such instances we have agreed with the CAAS Core Committee's decision as they have the responsibility of disbursing the locally generated Uganda Shillings.

Price Waterhouse



COOPERATIVE AGRICULTURE AND AGRIBUSINESS SUPPORT PROJECT

REPORT ON FUND ACCOUNTABILITY STATEMENT

INDEPENDENT AUDITOR'S OPINION

We have performed a financial audit of the Grant Agreement Fund Accountability Statement of the Cooperative Agriculture and Agribusiness Support Project: Grantee ACDI for the period April 11, 1988 to September 30, 1991.

This financial statement is the responsibility of the auditee's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards contained in the Government Auditing Standards by the Comptroller General of the United States (1988 Revision). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our auditing provides a reasonable basis for our opinion.

As described in Note 1, this financial statement was prepared in conformity with the accounting practices prescribed or permitted by the USAID Grant Agreement and Applicable Laws and Regulations, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, except for the limitations for stolen records in December 1989 and differences between USAID regulations and CAAS Core Committee approvals as described in Section D to the Executive Summary, the Fund Accountability Statement examined by us presents fairly the local Ugandan Shilling expenditures claimed by ACDI in relation to the Grant Agreement and Applicable Laws and Regulations with the Agency for International Development for the period April 11, 1988 to September 30, 1991.

Information contained in this report may be privileged. The restriction of 18 USC 1905 should be considered before any information is released to the public.



This report is intended solely for the use of the United States Agency for International Development and the management of ACDI and should not be used for any other purpose.

December 18, 1991

Price Waterhouse

COOPERATIVE AGRICULTURE AND AGRIBUSINESS SUPPORT PROJECT

**FUND ACCOUNTABILITY STATEMENT
FOR THE PERIOD APRIL 11, 1988 TO SEPTEMBER 30, 1991**

	<u>AMOUNT DISBURSED UShs</u>	<u>AMOUNTS ACCEPTED UShs</u>	<u>RECOMMENDED TO BE QUESTIONED UShs</u>	<u>UNSUPPORTED UShs</u>	<u>REFERENCE</u>
USAID Operating Expenses	232,490,000	232,490,000			
CAAS Program Support	211,216,000	211,216,000			2.1
Bukalsa Cooperative Training	18,893,500	18,893,500			
Ministry of Commerce, Cooperatives and Marketing	59,990,000	59,990,000			
Uganda Cooperative Alliance	559,330,000	559,330,000			
Uganda Cooperative Central Union	22,000,000	22,000,000			
Luwero Triangle	73,500,000	73,500,000			
Agricultural Secretariat	91,600,000	91,600,000			
CAAS Import Audit	10,000,000	10,000,000			
	1,279,019,500	1,279,019,500			
US\$ Equivalent	3,542,401	3,542,401			

We reviewed the system for disbursing funds from the CAAS Core Committee account. Apart from line item "CAAS Program Support" we did not perform any detailed testing on the other expenditures.

The US Dollar equivalent is calculated by taking the average exchange rate over the life of the project at 361/06 : \$1.

COOPERATIVE AGRICULTURE AND AGRIBUSINESS SUPPORT PROJECT

**NOTES TO FUND ACCOUNTABILITY STATEMENTS FOR THE
PERIOD APRIL 11, 1988 TO SEPTEMBER 30, 1991**

**NOTE 1: Nature of Operation and Summary of Significant
Accounting Policies**

The CAAS project has two major components. The \$11 million (U.S.) cooperative development component is designed to provide assistance for improving policies and institutional performance so that input distribution and commodity marketing can be done with greater efficiency and effectiveness. The \$9.55 million (U.S.) commodity import component is designed to address short term foreign exchange constraints while increasing the availability of essential agricultural sector inputs such as seed, jute, fertilizer and other agricultural inputs.

Accounting Records

The overall responsibility for accounting and financial monitoring of the CAAS project resides with ACDI/Washington.

For local expenditures, ACDI yearly submits a budget to the CAAS Core Committee. This committee, which is comprised of the USAID Project Officer, the Projects Coordinator from the Ministry of Commerce, Cooperatives and Marketing and the General Secretary of the Uganda Cooperative Alliance, authorizes all Uganda Shilling expenditures generated from the program. Once approval has been given, ACDI spends up to the limit without submitting monthly/quarterly reports. The drawdowns taken are usually irregular and are made when adequate funds are available.

In instances of conflict between what costs are normally allowed under USAID regulations and what is approved by the CAAS Core Committee, ACDI follows the CAAS Core Committee's decision as they have been delegated the responsibility of disbursing the Uganda Shillings generated by the program. The USAID Project Officer is a member of the CAAS Core Committee and therefore has knowledge of the budget and what it contains.

NOTE 2 Unsupported and Questioned Costs

A summary of costs which in our opinion are unsupported and questioned for reimbursements under the terms of the Grant Agreement is presented below.

2.1 CAAS Program Support

This amount relates to one invoice where ACDI was unable to produce supporting documentation.

DATE	LEDGER REFERENCE	VALUE	
		<u>UShs</u>	<u>US\$</u>
10.89	R Shaw	25,500	(\$127.50)

The above relates to a staff cash advance for the purchase of house locks that did not have supporting documentation when expended. We recommend that ACDI repay the Shillings to the CAAS Core Committee.

Mission Response

Mission concurs with ACDI that adequate supporting documentation exists to remove the costs as questionable.

Auditors Response

Agreed, costs are now considered allowable.

Price Waterhouse



COOPERATIVE AGRICULTURE AND AGRIBUSINESS SUPPORT PROJECT

INDEPENDENT AUDITOR'S REPORT ON INTERNAL ACCOUNTING CONTROLS

We have performed a financial audit of the Grant Agreement Fund Accountability Statement relating to the Cooperative Agriculture and Agribusiness Support Project Grantee ACDI for the period April 11, 1988 to September 30, 1991 and have issued our report there on dated December 18, 1991.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States (1988 Revision). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit of the financial statements of ACDI for the period April 11, 1988 to September 30, 1991, we considered ACDI's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

The local management of ACDI 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 unauthorised use or disposition, and that transactions are executed in accordance with management's authorisation and recorded properly to permit the preparation of financial statements 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 operations 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 category:

direct costs in local currency charged to the grant.



For the internal control structure category 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. It did not include the operations or costs of the ACDI Head Office in Washington, DC.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgement, could adversely affect the entity's ability to record, process, summarise and report financial data consistent with the assertions of management in the financial statement. The following reportable conditions were noted:

- . actual spending does not conform, or is not limited, to the approved annual budgets
- . no reconciliations are performed for the Bank and Petty Cash balances
- . accounting records were stolen from ACDI

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 reportable condition in which the design or operation of one or more 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 statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned function. We did not find any matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

However, we noted certain matters involving the internal control structure and its operation which should be addressed by the management. Our findings and recommendations are presented in the following pages.



Information contained in this report may be privileged. The restriction of 18 USC 1905 should be considered before any information is released to the public. This report is intended solely for the use of ACDI and the United States Agency for International Development, and should not be used for any other purpose.

December 18, 1991

Lia Watohuse

COOPERATIVE AGRICULTURE AND AGRIBUSINESS SUPPORT PROJECT

REPORT ON INTERNAL CONTROLS

1 Budgets

Findings

We reviewed expenditure against budgets submitted to the CAAS Core Committee and found certain large differences including considerable overruns. However against the total project budget, expenditure continues to be well within the budgeted amounts.

Recommendations

ACDI should consider their budget during the planning stage and limit spending to the values approved by the CAAS Core Committee or seek approval to vary the annual budget.

2 Bank Reconciliations

Findings

The manual balances of the Bank and Petty Cash are not reconciled to the computerised values.

Recommendations

ACDI should continue to maintain a manual cash book and petty cash book and reconcile the manual and computerised month end balances for the Bank and Petty Cash.

3 Security

Observation

Accounting records for the period of December 1989 were stolen.

The Project Administrator defalcated US\$ 1,000,000. A UCA audit at a later date noticed a suspicious voucher. The administrator's explanation for this was not accepted. He was immediately relieved of all financial duties and repaid the money back over a six month's period. When the documents were found to be missing from storage, he was dismissed. The UCA audit reviewed all other documents prior to their disappearance, and issued a clean opinion. In the course of our testing, we did not discover any other questionable documents.

The defalcation appears to have been a singular instance and we are satisfied that management has taken the necessary steps to improve security and that future thefts are unlikely to occur.

4

Cancelling of Paid Documents

Findings

ACDI does not always stamp documents as having been paid to indicate that the transaction is now cancelled. This control is needed to ensure that paid and unpaid documents are distinguishable.

Recommendation

Management should ensure that all documents are marked when paid to indicate cancellation.

Price Waterhouse



COOPERATIVE AGRICULTURE AND AGRIBUSINESS SUPPORT PROJECT

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

We have performed a financial audit of the Grant Agreement Fund Accountability Statement of the Cooperative Agriculture and Agribusiness Support Project: Grantee ACDI for the period April 11, 1988 to September 30, 1991 and have issued our report thereon dated December 18, 1991. Our examination was made 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 (1988 Revision). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The management of ACDI is responsible for compliance with the terms of the Grant Agreement and applicable laws and regulations. In connection with our examination referred to above we selected and tested transactions and records to determine the organization's compliance with agreement terms and applicable laws and regulations. However, our objective was not to provide an opinion on overall compliance with such provisions.

The results of our tests indicate that, for the Uganda Shilling transactions and records tested, ACDI complied with those provisions of the Grant Agreement and laws and regulations, non-compliance with which could have a material effect on the Fund Accountability Statement. However, we noted one issue that we believe warrants the attention and action of ACDI as described in the Audit Findings Sections. Nothing came to our attention that caused us to believe that, for the items not tested, ACDI was not in compliance with laws or regulations or provisions of the Grant Agreement with which noncompliance could have a material effect on the above Fund Accountability Statements.

Information contained in this report may be privileged. The restriction of 18 USC 1905 should be considered before any information is released to the public.



This report is intended solely for the use of the United States Agency for International Development and the management of ACDI and should not be used for any other purpose.

December 18, 1991

Rice Warehouse

COOPERATIVE AGRICULTURE AND AGRIBUSINESS SUPPORT PROJECT:

**REPORT ON COMPLIANCE WITH GRANT AGREEMENT TERMS AND APPLICABLE
LAWS AND REGULATIONS**

Observation

We observed that approval from the CAAS Core Committee was at times in conflict with the normal USAID regulations concerning expenditure allowability and exceeding local budget line items.

In such instances we have agreed with the CAAS Core Committee's decision as the committee - comprising of the USAID Project Officer, Project Coordinator from the Ministry of Commerce, Cooperatives and Marketing and the General Secretary of the Uganda Cooperative Alliance - have the responsibility of disbursing the locally generated Uganda Shillings.

The express applicability of USAID procurement regulations to the spending of local currency held by the host government is unclear.

Appendix I

Mission Comments

UNITED STATES OF AMERICA

AGENCY FOR INTERNATIONAL DEVELOPMENT

U.S.A.I.D. MISSION TO UGANDA

UNITED STATES POSTAL ADDRESS
USAID/KAMPALA
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20520

INTERNATIONAL POSTAL ADDRESS
P.O. BOX 7007
KAMPALA, UGANDA.

MEMORANDUM

DATE: March 31, 1992

TO: Mark Hoffman, Price Waterhouse, Nairobi, Kenya

FROM: Keith W. Sherper, Mission Director
USAID/Uganda 

SUBJECT: Financial and Compliance Audit of USAID/Uganda CAAS Project.

Please be advised that USAID/Uganda's comments regarding the 01/15/92 initial draft of the subject audits are covered in this memorandum. The comments are in three sections as follows:

Section A - Agricultural Cooperative Development International (ACDI) \$9.6 M Commodity Import Program
Section B - Agricultural Cooperative Development International (ACDI) \$10.0 M Food for Peace/PL480 Monetization Program
Section C - Unrelated matters, for Mission's attention, resulting from the ACDI audit.

A. Agricultural Cooperative Development International (ACDI) \$9.6 Million COMMODITY IMPORT PROGRAM

1. FINDING: Unsupported cost of US\$ 25,500 (\$127.50) which related to one invoice without supporting documentation was discovered and it is recommended that ACDI repay the shillings to the CAAS Core Committee.

RESPONSE: This was a misclassified PL480 expenditure and was subsequently reimbursed by PL480. The payment voucher (attachment 1) was signed by the vendor. In Uganda it is common for vendors not to have receipts; normal practice is to have the vendor sign a petty cash voucher as was done in this case.

RECOMMENDATION: That this issue be considered resolved and closed since the vendor acknowledged receipt by signing on the voucher.

2. FINDING: Expenditures against budgets were reviewed and certain large differences including considerable overruns were found. It is recommended that ACDI should consider their budget during the planning stage and limit spending to the values approved by the CAAS Core Committee or seek approval to vary the annual budget.

RESPONSE: Attached (attachment 2) is the appropriate section from the December 31, 1991 Project Implementation Report showing expenditures against budget. USAID believes that this issue was inadvertently not discussed by the auditors during their field work, otherwise the relevant documents would have been provided to them. Per attachment 2 since no overruns were incurred, overruns were not reported.

RECOMMENDATION: This issue be considered resolved and closed.

3. FINDING: The manual balances of the Bank and Petty Cash accounts are not reconciled to the computerized values. It is recommended that ACDI continue to maintain a manual cash book and petty cash book and reconcile the same to the month-end manual and computerized balances.

RESPONSE: Concur. During the time of the audit bank and petty cash may not have reconciled with accounting printouts. This exercise is done quarterly and the reconciled statement is part of the Project Implementation Report. A cash/bank reconciliation is also reviewed by the internal auditors on a quarterly basis. Monthly reconciliations will be enforced and have been already implemented effective with the month of December 1991. January and February 1992 balances have been reconciled.

RECOMMENDATION: That this issue be considered resolved and closed.

4. FINDINGS: ACDI does not always stamp documents as having been paid to indicate that the transaction is cancelled. It is recommended that Management ensure that all documents are marked when paid.

RESPONSE: Concur. The practice of stamping "PAID" on documents is now in effect.

RECOMMENDATION: That this issue be considered resolved and closed.

Correction Note To The CIP Audit Reports:

The funding table for the period 4/11/88 - 9/30/91, Line Item No. 2 CAAS PROGRAM SUPPORT - shows US\$ 201,216,000 whereas the correct number is US\$. 211,216,000 (attachment 3 refers).

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