

**Regional Inspector General for Audit
Singapore**

**AUDIT OF
CREDIT UNION NATIONAL ASSOCIATION, INC.
SRI LANKA**

**Audit Report No. 5-383-92-28-N
September 18, 1992**



U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

**AUDIT OF
CREDIT UNION NATIONAL ASSOCIATION, INC.
SRI LANKA**

AUDIT REPORT NO. 5-383-92-28-N

September 18, 1992

The Fund Accountability Statement of the Credit Union National Association, Inc. presents fairly the receipts and expenditures under the grant and the organization complied, in all material respects, with applicable laws, regulations, and agreement terms. However, the auditors noted one material internal control weakness. When bills were paid, supporting documentation was not cancelled to document payment.

FINANCIAL 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

September 18, 1992

TO: Richard M. Brown, Mission Director
USAID/Sri Lanka

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

SUBJECT: Audit of the Credit Union National Association, Inc. - Sri Lanka
Audit Report No. 5-383-92-28-N

The accounting firm of Coopers & Lybrand, Singapore performed a financial audit of USAID/Sri Lanka's grant to the Credit Union National Association, Inc. - Sri Lanka (CUNA) under the Private Voluntary Organization Co-Financing Project II (Grant No. 11 of Project No. 383-0101). Five copies of the audit report are enclosed for your action.

In August 1988, under the Private Voluntary Organization Co-Financing Project II, USAID/Sri Lanka provided a grant to the Credit Union National Association, Inc. (CUNA) for developing the financial management capabilities of the Thrift and Credit Co-operative System in Sri Lanka to become financially and technically self-sustaining and to be able to provide credit-related services to low- and middle-income members. Although the grant was provided to CUNA, the World Council of Credit Unions, Inc. (WOCCU) and the Federation of Thrift & Credit Co-operatives Societies Ltd. (FTCCS) are the direct implementing agencies. The period covered by the audit was September 1, 1988 through December 31, 1991, during which CUNA reported that a total of \$675,237 has been expended.

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

The auditors reported that the CUNA's Fund Accountability Statement of presents fairly the receipts and expenditures under the grant and that CUNA complied, in all material respects, with applicable laws, regulations, and agreement terms. The auditors identified a material weakness in internal controls whereby FTCCS did not effectively cancel supporting documentation at the time of payment.

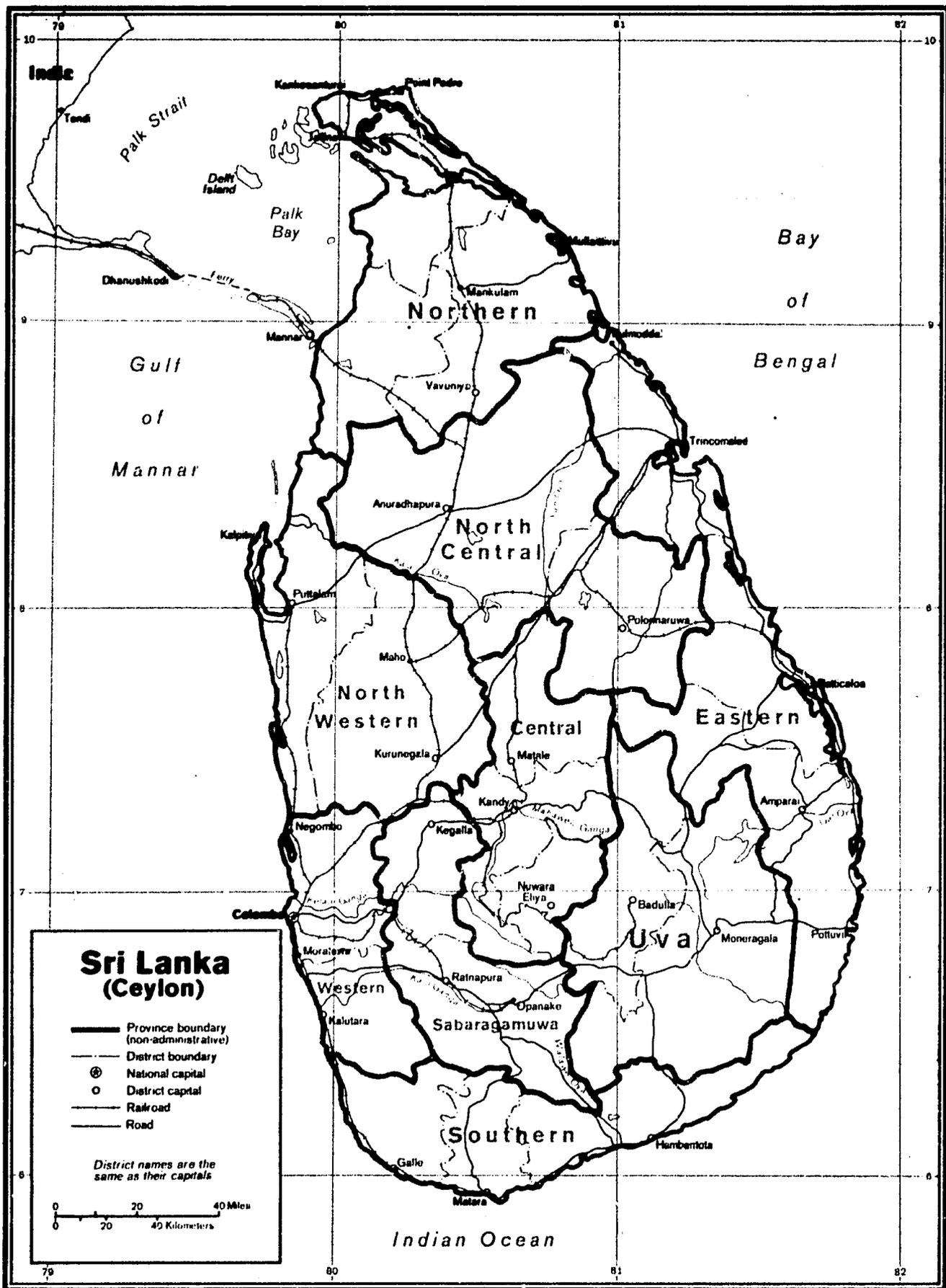
The management of CUNA and the implementing agencies generally agreed with the auditors' finding and recommendation. Management comments on the finding have been included on page 13 of the report, and additional comments provided by WOCCU have been included in full as Appendix A to the report.

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/Sri Lanka verify that Credit Union National Association, Inc. has taken steps to ensure that its implementing agency, Federal Thrift & Credit Co-operative Societies Ltd., establishes and implements a system to effectively cancel supporting documentation at the time of payment.

We appreciate the courtesies and cooperation USAID/Sri Lanka, CUNA, WOCCU and FTCCS 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 recommendation.



AUDIT OF
CREDIT UNION NATIONAL ASSOCIATION, INC.
PERTAINING TO ITS PVO CO-FINANCING GRANT WITH THE
UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
IN SRI LANKA

PVO CO-FINANCING II 383 - 0101, GRANT NO 11
FOR THE PERIOD SEPTEMBER 1, 1988 TO DECEMBER 31, 1991

Performed and Prepared

by

Coopers & Lybrand
Singapore

&

Coopers & Lybrand
Sri Lanka

AUDIT OF
CREDIT UNION NATIONAL ASSOCIATION, INC.
PERTAINING TO ITS PVO CO-FINANCING GRANT WITH THE
UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
IN SRI LANKA

INDEPENDENT AUDITORS' REPORT

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your reference
our reference**A5/KYT/CUNA**

Mr James B Durnil
Regional Inspector General
for Aduit, Singapore,
United States Agency for International Development
#17-03 Peninsula Plaza
111 North Bridge Road
Singapore 0617

1 September 1992

Dear Mr Durnil

This report presents the results of our audit of Credit Union National Association, Inc. ("CUNA") pertaining to PVO Co-Financing II 383-0101 Grant No. 11 ("Grant No 11") with the United States Agency for International Development, Sri Lanka ("USAID/SL"), for the period September 1, 1988 to December 31, 1991. Funding under this Grant continues beyond our review period.

Background - Sri Lanka

At present, the World Bank lists Sri Lanka as one of the poorest countries in the world with an average per capita income of only US \$ 510 per annum (Source: Asiaweek, July 17, 1992).

In an attempt, therefore, to boost productivity and the general living conditions of the Sri Lanka people, a number of Private Voluntary Organizations ("PVOs") and government institutions are working together on a variety of socio-economic based initiatives and projects. One such PVO involved in these projects is CUNA.

CUNA - The Organization and its Programs

The birth of CUNA can be traced back to the credit union idea and its beginnings in Europe in the mid 19th century. The movement was transported to the United States during the turn of the century and it quickly spread, leading to the formation of CUNA as a national organization in 1934. CUNA spearheaded the spread of the credit union message in the developing nations, resulting in the establishment of national movements in numerous countries. Regional associations were organized, leading to increased recognition of the need for an international apex organization for credit unions, and thus the formation of World Council of Credit Unions, Inc. ("WOCCU") in 1971.

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Mr James B Durnil
Regional Inspector General
for Audit, Singapore,
United States Agency for International Development
Singapore

The purpose of the Grant is to provide support for the project "Strengthening Financial Management Capabilities of the Thrift and Credit Co-operative System in Sri Lanka" in collaboration with the Federation of Thrift & Credit Co-operative Societies Ltd. Sri Lanka ("FTCCS") and WOCCU. This involves the development of the financial management capabilities of the Thrift and Credit Co-operative System to be financially and technically self-sustaining, able to provide savings, credit and related services to low and middle income members to increase productivity, income and the availability of basic services. The implementing agent for this project is WOCCU, and will be responsible to CUNA for the overall project management. Direct implementation is carried out by the FTCCS with appropriate advisory services provided by The Asian Confederation of Credit Unions ("ACCU") in accordance with its relationship with FTCCS as a member, and WOCCU. Henceforth, WOCCU and FTCCS will be referred to as CUNA's agents.

Audit Objectives and Scope of Work

We have conducted a financial audit of CUNA's Fund Accountability Statement as it relates to Grant No 11 received under the PVO Co-Financing II Project, for the period September 1, 1988 to December 31, 1991.

The Fund Accountability Statement comprises the Receipts and Payments Statement for Grant No 11 for the period September 1, 1988 to December 31, 1991 and the notes thereon. The results of our work are reflected in the accompanying Independent Auditors' Reports on the :

- a) Fund Accountability Statement;
- b) System of Internal Control; and
- c) Compliance with Agreement Terms, Applicable Laws and Regulations.

The objectives of our work were to :

- a) Determine whether the Fund Accountability Statement for CUNA presents fairly the receipts and payments of CUNA as they pertain to its Co-Financing Project for the period noted above and in accordance with the terms of the Grant Agreement. Expenditure reimbursed by USAID/SL, as well as costs claimed as part of CUNA's contribution to the Grant, were covered by this audit;
- b) Report on CUNA's internal accounting controls implemented by CUNA's agents; and
- c) Report on CUNA's compliance with applicable laws, regulations, agreement terms, binding policies and procedures as implemented by CUNA's agents.

Mr James B Durnil
Regional Inspector General
for Audit, Singapore,
United States Agency for International Development
Singapore

Our audit was conducted in accordance with generally accepted auditing standards and United States Government Auditing Standards and, accordingly, included such tests as we considered appropriate in order to satisfy our objectives.

The scope of our work included the following general procedures:

- a) Holding meetings with USAID/SL, WOCCU, FTCCS and USAID Regional Inspector General for Audit/Singapore ("RIG/A/S") officials;
- b) Reviewing the Grant Agreement and appropriate amendments, OMB circulars, AID handbook regulations, prior period audit reports on CUNA's financial statements, correspondence and minutes of meetings between USAID/SL and CUNA, WOCCU and FTCCS, as well as project progress reports maintained by both the grant recipients and USAID/SL;
- c) Obtaining an understanding of the accounting, administrative and internal control systems of CUNA's agents using questionnaires, interviews, flowcharts and narrative descriptions;
- d) Devising and performing appropriate tests on the transactions recorded in the Fund Accountability Statement;
- e) 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; and
- f) Testing the effectiveness of administrative controls applied by CUNA's agents' management to ensure compliance with applicable laws, regulations and agreement terms.

Audit Results

a) Opinion on the Fund Accountability Statement

In our opinion, the Fund Accountability Statement presents fairly, in all material respects, the receipts and payments of CUNA for the period September 1, 1988 to December 31, 1991, as they pertain to Grant No 11 received from USAID/SL under the PVO Co-Financing II Project.

Mr James B Durnil
Regional Inspector General
for Audit, Singapore,
United States Agency for International Development
Singapore

b) System of Internal Controls

In accordance with Paragraph 19 of Chapter 5 of Government Auditing Standards, we limited our reliance on CUNA's agents' internal control structure as our preliminary review and documentation of the accounting and control systems indicated that an adequate structure did not exist for our reliance due to the small size of the entity. In order to maintain the efficiency of our audit, we therefore extended our substantive testing.

During the course of our audit, though, we noted a matter involving the internal control structure and its operation that we considered to be a reportable condition and material weakness. This matter has been detailed within the body of our report. (See page 13)

c) Compliance with Agreement Terms, Applicable Laws and Regulations

Our tests for compliance with agreement terms, applicable laws and regulations of selected transactions and records of CUNA (maintained by CUNA's agents) indicated that, for the items tested, CUNA complied, in all materials respects, with those provisions of its agreement terms, as well as applicable laws and regulations, for the period under our review.

c) Compliance with Agreement Terms, Applicable Laws and Regulations (Cont'd)

Certain instances of non-compliance were however noted, and these have been included in a separate communication to management dated 1 September 1992. However, the overall result of these non-compliance issues is not considered to have a material effect on the Fund Accountability Statement of CUNA for the period under our review.

With respect to transactions and records not tested by us, nothing came to our attention that caused us to believe that CUNA had not complied, in all material respects, with agreement terms, applicable laws or regulations.

In the course of our work, no significant or material findings and recommendations from previous audits, that affect the current audit objectives, were noted.

Mr James B Durnil
Regional Inspector General
for Audit, Singapore,
United States Agency for International Development
Singapore

Comments on Findings and Recommendations

The management of CUNA through its agents have principally agreed to our finding and recommendation on internal control set out on page 13 and their comments have been incorporated in full in that page.

In addition to the comments noted above, the management of CUNA through its agent, WOCCU, has commented on the use of CUNA/WOCCU/FTCCS nomenclature. These comments have been incorporated in full in Appendix A.

We have disagreed with these comments as CUNA is the grantee and ultimately responsible for the implementation of the project in accordance with the grant agreement; and we are therefore reporting on the fund accountability of CUNA.

Acknowledgements

We would like to take this opportunity to express our gratitude for the assistance given to us by the RIG/A/S office, USAID/SL and the management and staff of CUNA, WOCCU and FTCCS during the course of our audit.

Yours truly

Stephen A. Hyland

**REPORT ON THE
FUND ACCOUNTABILITY STATEMENT**

your reference
our reference**A5/KYT/CUNA**

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

1 September 1992

Dear Mr Durnil

CREDIT UNION NATIONAL ASSOCIATION, INC.
PERTAINING TO ITS PVO CO-FINANCING GRANT WITH THE
UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
IN SRI LANKA

INDEPENDENT AUDITORS' REPORT ON THE FUND
ACCOUNTABILITY STATEMENT

We have audited the Fund Accountability Statement ("the Statement") of Credit Union National Association, Inc. ("CUNA") pertaining to PVO Co-Financing II 383-0101, Grant No 11 ("Grant No 11") with the United States Agency for International Development, Sri Lanka ("USAID/SL"), and as it relates to the period September 1, 1988 to December 31, 1991. Funding under the Grant continues beyond our review period.

As stated in Note 2 on page 9, the Fund Accountability Statement presents only the transactions of CUNA as it pertains to Grant No. 11 received from USAID/SL excluding expenditure related to the US dollar based home offices direct and support costs, but including CUNA's own contributions limited to Rs13,345,966 (US\$361,875), an amount sufficient to comply with the Grant's requirements, and is not intended to present fairly the receipts and payments of CUNA as a whole.

This Statement, comprising the Receipts and Payments Statement for the Grant and the notes thereon, and as set out on pages 8 and 9 is the responsibility of CUNA's management. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the 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 our audit provides a reasonable basis for our opinion.



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**CREDIT UNION NATIONAL ASSOCIATION, INC.
PERTAINING TO ITS PVO CO-FINANCING GRANT WITH THE
UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
IN SRI LANKA**

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

In our opinion, the Fund Accountability Statement referred to above presents fairly, in all material respects, the receipts and payments of CUNA for the period September 1, 1988 to December 31, 1991 in conformity with generally accepted accounting principles.

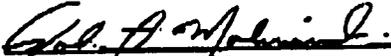
This report is intended solely for the use of the Agency for International Development and CUNA and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report which, upon acceptance by the USAID Regional Inspector General for Audit, Singapore,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

Coopers & Lybrand
COOPERS & LYBRAND

Certified Public Accountants

CREDIT UNION NATIONAL ASSOCIATION, INC.
 AGENT: THE WORLD COUNCIL OF CREDIT UNIONS, INC.
 PVO CO-FINANCING II PROJECT, GRANT NO. 11
 RECEIPTS AND EXPENDITURE STATEMENT FOR THE
 PERIOD FROM SEPTEMBER 1, 1988 TO DECEMBER 31, 1991

	USAID/SL Contributions Rs.	FTCCS Contributions Rs.	Total Contributions Rs.	US \$ Equivalent
RECEIPTS				
Net funds Contributed	11,025,175	13,345,966	24,371,141	660,820
EXPENDITURES				
Personnel	5,040,531	730,273	5,770,804	\$156,475
Travel	1,164,480	212,633	1,377,113	\$37,340
Training	1,955,743	625,347	2,581,090	\$69,986
Consultants	272,864	0	272,864	\$7,399
Capital Expenditures	2,970,642	3,609,088	6,579,730	\$178,409
Revolving Loan Fund	0	7,633,167	7,633,167	\$208,973
Communication	0	163,190	163,190	\$4,425
Rent	0	122,180	122,180	\$3,313
Monitoring	0	131,527	131,527	\$3,568
Other Direct Costs	152,527	118,561	271,088	\$7,351
TOTAL	11,556,787	13,345,966	24,902,753	\$675,237
Funds Deficit for Period	531,612	0	531,612	\$14,417


 Robert Malinowski
 World Council of Credit Unions, Inc.
 Director of Finance and Administration

**CREDIT UNION NATIONAL ASSOCIATION, INC.
PVO CO-FINANCING II PROJECT, GRANT NO 11**

Notes to the Fund Accountability Statement - 31 December 1991

1 Significant Accounting Policies

- (a) The Fund Accountability Statement, expressed in Sri Lankan Rupees, is prepared in accordance with the historical cost convention. Sri Lankan rupee amounts have been translated to their US dollar equivalent at the average rate of exchange during the statement period.
- (b) Receipts and payments relate to amounts received and paid respectively in cash or in kind. The Funds deficit for the period represents excess of payments over receipts which is due from USAID/SL. There is no material financial effect if the Fund Accountability Statement were to be prepared on an accruals basis.

2 Component unit of CUNA

The Fund Accountability Statement presents only the transactions of CUNA as they pertain to Grant No 11 received from USAID/SL under the PVO Co-Financing II Project, excluding the expenditures related to the US \$ based home office's direct and support costs, and including CUNA's own contributions limited to amounts (Rs13,345,966; US\$361,875) sufficient to comply with the Grant's budgeted expenditure to this grant, and is not intended to present fairly the receipts and payments of CUNA as a whole.

The US\$ based expenditure amount to US\$137,685.

**REPORT ON THE SYSTEM OF
INTERNAL CONTROLS**

your reference
our reference**AJ/KYT/CUNA**

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

1 September 1992

Dear Mr Durnil

CREDIT UNION NATIONAL ASSOCIATION, INC.
PERTAINING TO ITS PVO CO-FINANCING GRANT WITH THE
UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
IN SRI LANKA

INDEPENDENT AUDITORS' REPORT ON THE SYSTEM
OF INTERNAL CONTROLS

We have audited the Fund Accountability Statement ("the Statement") of Credit Union National Association, Inc. ("CUNA") pertaining to PVO Co-Financing II 383-0101, Grant No 11 ("Grant No 11") with the United States Agency for International Development, Sri Lanka ("USAID/SL"), and as it relates to the period September 1, 1988 to December 31, 1991. Funding under the Grant continues beyond our review period.

As stated in Note 2 on page 9, the Fund Accountability Statement presents only the transactions of CUNA as it pertains to Grant No. 11 received from USAID/SL excluding expenditure related to the US dollar based home offices direct and support costs, but including CUNA's own contributions limited to Rs13,345,966 (US\$361,875), an amount sufficient to comply with the Grant's requirements, and is not intended to present fairly the receipts and payments of CUNA as a whole.

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 financial statements are free of material misstatement.

CUNA has delegated the responsibility for the overall management and implementation of the project to its agents WOCCU and FTCCS.

In planning and performing our audit, we considered the internal control structure set up by CUNA's agents in order to determine our auditing procedures for the purpose of expressing our opinion on the Fund Accountability Statement and not to provide assurance on the internal control structure of CUNA or CUNA's agents as a whole.



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**CREDIT UNION NATIONAL ASSOCIATION, INC.
PERTAINING TO ITS PVO CO-FINANCING GRANT WITH THE
UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
IN SRI LANKA**

**INDEPENDENT AUDITORS' REPORT ON THE SYSTEM
OF INTERNAL CONTROLS**

The management of CUNA through its agents, 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 cost of internal control structure, policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that the assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of 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 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 to the following categories :

Accounting Controls;

- o Cash receipts
- o Cash disbursements
- o Payroll
- o Property and equipment

Administrative controls;

- o Cost allocation and allowability
- o Monitoring
- o Reporting

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

As a result of these procedures, and in accordance with Government Auditing Standards, we limited our reliance on the internal control structure as, given the small size of the local implementing agent, an adequate structure for the purposes of audit reliance was considered not to be in existence. As a consequence, we adopted a substantive testing approach in our audit of the Fund Accountability Statement.

However, during the course of our audit, we noted a matter involving the internal control structure and its operation that we consider to be a reportable condition 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 organization's ability to record, process, summarize and report financial data, consistent with the assertions of management, in the financial statements.

**CREDIT UNION NATIONAL ASSOCIATION, INC.
PERTAINING TO ITS PVO CO-FINANCING GRANT WITH THE
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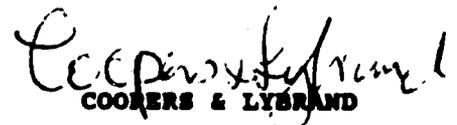
**INDEPENDENT AUDITORS' REPORT ON THE SYSTEM
OF INTERNAL CONTROLS**

Our audit revealed a condition that the local implementing agent's supporting documentation had not been effectively cancelled at the time of payment. This reportable condition is described in detail on page 13.

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 Statement being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned tasks.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we consider that the reportable condition above is a material weakness.

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


COOPERS & LYBRAND

Certified Public Accountants

CREDIT UNION NATIONAL ASSOCIATION, INC.

SCHEDULE OF REPORTABLE CONDITIONS

SUPPORTING VOUCHERS NOT EFFECTIVELY CANCELLED AT TIME OF PAYMENT.

Condition

All supporting documentation such as bills, invoices and vouchers of FTCCS had not been effectively cancelled at the time of payment.

Criteria

Sound internal control practice requires that supporting documentation be cancelled at the time of payment.

Effect

The non-cancellation of supporting documents at the time of payment may lead to the possibility of documents being resubmitted for payment more than once.

No evidence of impropriety was, however, noted by us during the course of our audit as a result of this condition.

Cause

This weakness in internal control has resulted as the management of FTCCS did not recognize the need for such a procedure.

Recommendation

We recommend that CUNA ensure that FTCCS establishes and implements a system to ensure that all supporting documents be effectively cancelled after payment to prevent their use in support of further payments. For this purpose, the date and the number of the cheque should be recorded on the supporting documents and the documents should be cancelled with a "PAID" stamp. At the time of signing the cheque, the signatories should ensure that the date and number of cheque being signed correspond with those recorded on the supporting documents.

Management Comments

WOCCU will advise and assist FTCCS in implementing a procedure to ensure that all supporting documents be cancelled after payment. Previously, WOCCU felt that as a result of intensive review of FTCCS' documents in WOCCU's office, there was less need for FTCCS to implement this type of system. (A system which WOCCU itself uses.) WOCCU recognizes its responsibility in project management and technical assistance and will therefore advise and assist FTCCS in developing this new procedure.

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

your reference
our reference**A5/KYT/CUNA**

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

1 September 1992

Dear Mr Durnil

CREDIT UNION NATIONAL ASSOCIATION, INC.
PERTAINING TO ITS PVO CO-FINANCING GRANT WITH THE
UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
IN SRI LANKA

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

We have audited the Fund Accountability Statement of Credit Union National Association, Inc. ("CUNA") pertaining to PVO Co-Financing II 383-0101, Grant No 11 ("Grant No 11") with the United States Agency for International Development, Sri Lanka ("USAID/SL"), and to the extent it relates to the period September 1, 1988 to December 31, 1991. Funding under the Grant continues beyond our review period.

As stated in Note 2 on page 9, the Fund Accountability Statement presents only the transactions of CUNA as it pertains to Grant No. 11 received from USAID/SL excluding expenditure related to the US dollar based home offices direct and support costs, but including CUNA's own contributions limited to Rs13,345,966 (US\$361,875), an amount sufficient to comply with the Grant's requirements, and is not intended to present fairly the receipts and payments of CUNA as a whole.

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 financial statements are free of material misstatement.

14



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Foo Tiang Sooi

Ernest T P Seow
Jimmy K H Seet
Lawrence K S Seet
Edwin T S Khoo
Leong Yit Siong
Quek Soo Tat

Betty Khoo
Chey Chor Wai

directors

D Michael Fleming
Andrew Jackomos
Joyce Tan
David K H Toh

**CREDIT UNION NATIONAL ASSOCIATION, INC.
PERTAINING TO ITS PVO CO-FINANCING GRANT WITH THE
UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
IN SRI LANKA**

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

Compliance with laws, regulations, contracts, grants and binding policies and procedures applicable to CUNA is the responsibility of CUNA's management. CUNA has delegated this responsibility to its agents WOCCU and FTCCS. As part of our audit, we performed tests on selected transactions and records kept by CUNA's agents for compliance with those provisions. However, it should be noted that, whilst we performed those tests of compliance as part of obtaining reasonable assurance whether the financial statements were free of material misstatements, our objective was not to provide an opinion on compliance with such provisions.

However, we noted certain instances of non-compliance of the Grant agreement which do not have a material financial impact on the Fund Accountability Statement and these matters have been reported to the management of CUNA in a separate letter dated 1 September 1992.

The result of our tests indicate that with respect to the items tested, CUNA's agents have complied, in all material respects, with the provisions referred to in the fourth paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that CUNA had not complied, in all material respects, with those provisions.

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

Coopers & Lybrand
COOPERS & LYBRAND

Certified Public Accountants



**WORLD COUNCIL
OF CREDIT UNIONS, INC.**

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Appendix A

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September 17, 1992

Mr. Phillip E. S. Tan
Coopers and Lybrand
SINGAPORE

VIA FAX
3362539

Dear Mr. Tan:

Thank you for providing us with a copy of the audit report of USAID PVO Co-Financing II 383-0101 Grant #11. I regret that we could not respond to you sooner, because even by international courier, we did not receive the report and your cover letter until September 9, 1992. By separate fax today, we sent you the signed copy of the Fund Accountability Statement and the original is being sent out by courier this evening.

It appears to us that the audit process is pretty much complete except for:

1. We need to receive a copy of the Management Letter of September 1, 1992, that is referred to in the Opinion, and
2. We want to point out that while the change in CUNA/WOCCU/FTCCS nomenclature has made the audit report much more accurate, a few incorrect references do still exist:

<u>REFERENCE</u>	<u>SUGGESTED CHANGE</u>	<u>EFFECT</u>
Cover letter to Mr. Durnil, Page 2 Objective a)	"presents fairly the receipts and payments of CUNA" should say "CUNA's agents."	WOCCU makes all project disbursements and submits reimbursement requests to USAID. CUNA makes no representation as to whether the Fund Accountability Statement is fairly presented because they do not prepare, review, or approve the Statement.
Same paragraph as above	"cost claimed as part of CUNA's contribution to the Grant" should say "FTCC's contribution ."	The funds referred to are mobilized and expended by FTCCS.

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<u>REFERENCE</u>	<u>SUGGESTED CHANGE</u>	<u>EFFECT</u>
Cover letter to Mr. Dumil, Page 3, Scope b)	"audit reports on CUNA's financial statements" should say "WOCCU's financial statements."	No audit reports of CUNA were requested or provided during the examination.
Audit Opinion, Paragraph 2	"but including CUNA's own contributions" should be "FTCCS's contributions."	As stated above, CUNA made no contribution to this project.
Notes to the Fund Accountability Statement Note #2)	"presents only the transactions of CUNA" should say "CUNA's agent and FTCCS'."	None of CUNA's transactions are shown since they are not directly involved in the project.
Opinion on the System of Internal Controls, Paragraph 2	"transaction of CUNA ... CUNA's own contribution"	See comments above
Opinion of Compliance, Paragraph 2	"transaction of CIINA ... CUNA's own contribution"	See comments above

Thank you for your consideration to the above changes.

Sincerely,



Robert Malinowski
Director, Finance and Administration

cc: Ranjith Hettiarachchi, FTCCS VIA FAX
Diane Gotzian, WOCCU
Pat Owen, WOCCU

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