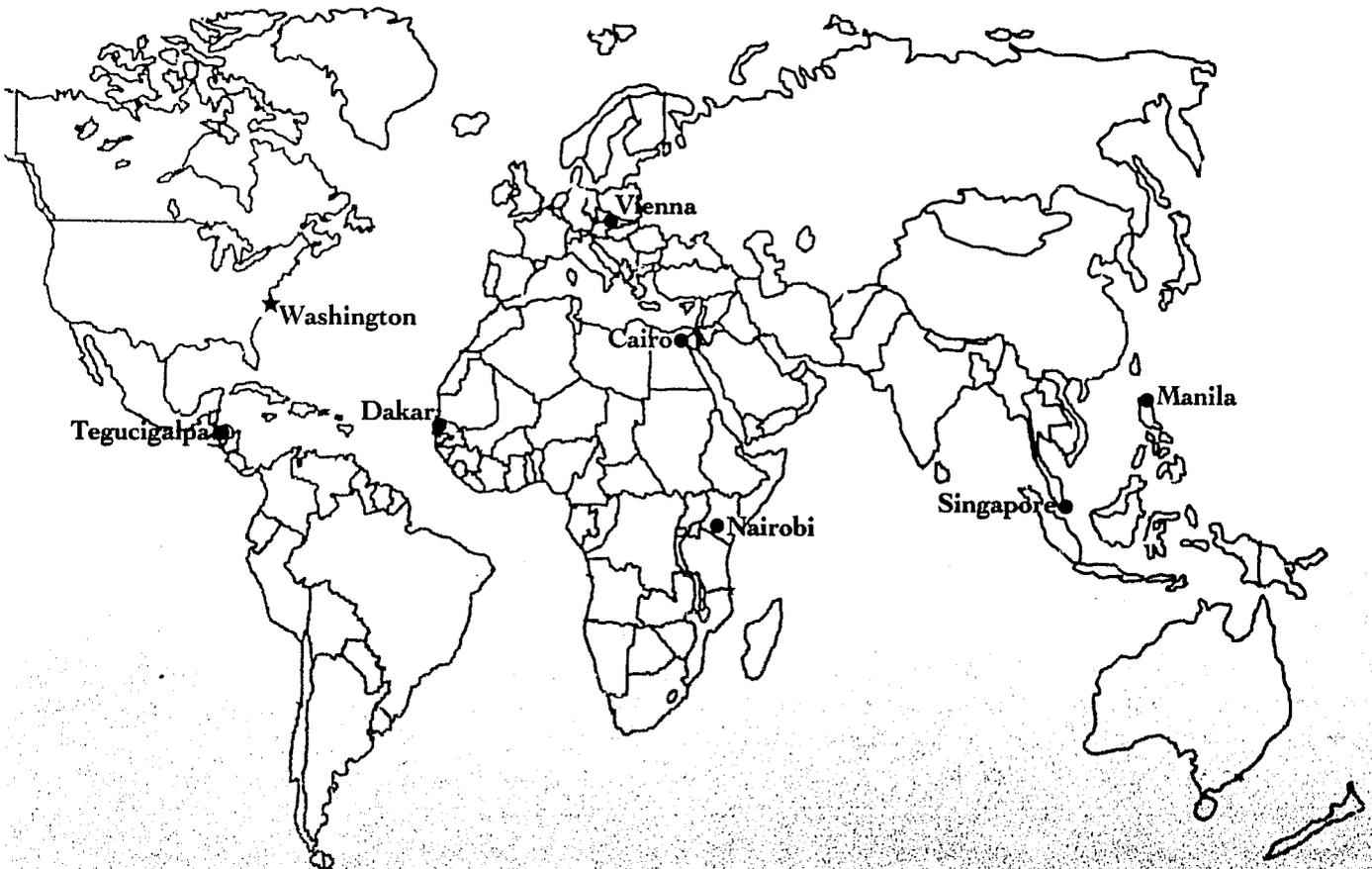


Regional Inspector General for Audit
Nairobi, Kenya

Audit of
Grant No. 623-0435-G-SS-7005-00
to the International Institute
of Tropical Agriculture

Report No. 3-698-93-02-N
October 30, 1992



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



U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

UNITED STATES OF AMERICA
AGENCY FOR INTERNATIONAL DEVELOPMENT
REGIONAL INSPECTOR GENERAL/AUDIT

UNITED STATES POSTAL ADDRESS
USAID/RIGA
UNIT 64102
APO AE 09831-4102

INTERNATIONAL POSTAL ADDRESS
POST OFFICE BOX 30261
NAIROBI, KENYA

October 30, 1992

memorandum

TO: Fred C. Fischer, Director, REDSO/ESA

FROM: Everette B. Orr, RIG/A/Nairobi 

SUBJECT: Audit of Grant No. 623-0435-G-SS-7005-00 to the International Institute of Tropical Agriculture, Audit Report No. 3-698-92-02-N

Attached are five copies of a mission-contracted financial audit report of Grant No. 623-0435-G-SS-7005-00 to the International Institute of Tropical Agriculture. The accounting firm of Bellhouse Mwangi Ernst & Young, Nairobi performed the audit.

On March 27, 1987, the United States Agency for International Development (USAID) signed Grant No. 623-0435-G-SS-7005-00 with the International Institute of Tropical Agriculture (IITA) to implement the East and Southern Africa Root Crop Research Network Project (ESARRAN). The goals of the Project are to: encourage vigorous collaborative, planning and evaluation of root crops research by scientists in the region; increase the generic base of the principal root crops and enhance its use in regional improvement programs; and facilitate improvement of root-crop based farming systems through surveys, design and methodology development. As of September 30, 1991, IITA had spent \$1,464,984 which was the amount audited.

- 2 -

The objectives of the audit were to:

- Audit IITA's Fund Accountability Statement and express an opinion as to whether the Fund Accountability Statement presents fairly, in all material respects, and in conformity with the basis of accounting described in the report, the use of funds in accordance with the grant agreement.
- Consider IITA's internal control structure in order to determine the auditing procedures for purposes of expressing an opinion on the Fund Accountability Statement and to report on significant internal control deficiencies and material weaknesses.
- Test IITA's compliance with the terms of the grant agreement as part of obtaining reasonable assurance as to whether the Fund Accountability Statement is free of material misstatement, and report on any identified material instances of noncompliance.

The auditors issued a qualified opinion on the Fund Accountability Statement. The auditors questioned expenditures of \$9,114 and identified \$6,067 of expenditures as being unsupported. The report on the internal control structure did not note any reportable conditions; however, the auditors made recommendations concerning fixed assets, payroll, and other accounting procedures. The report on compliance noted that with respect to the items tested, IITA complied, in all material aspects, with laws, regulations, and the grant. However, the auditors made recommendations concerning the timeliness of quarterly reports, correct usage of the overhead rate, and over-expenditure of certain budgets. Although these findings are noteworthy we will not require any action on the part of management to implement the related recommendations since the project is completed.

The draft audit report was submitted to USAID/REDSO/ESA and IITA for comment and their comments (Exhibit III and Exhibit IV, respectively) were incorporated in the final report by Bellhouse Mwangi Ernst & Young. We are including the following recommendations in the Office of the Inspector General audit recommendation follow-up system.

Recommendation No. 1: We recommend that the, Regional Economic Development Services Office for East and Southern Africa determine the allowability and recover, as appropriate, the following questioned costs from the International Institute of Tropical Agriculture:

1.1 \$9,114 of ineligible costs; and

10

1.2 \$6,067 of unsupportable costs.

Recommendation No. 2: We recommend that the Regional Economic Development Services Office for East and Southern Africa conduct an investigation into missing payment voucher no. 62305829 to International Institute of Tropical Agriculture in the amount of \$71,748.91 and appropriate action as required.

We consider Recommendation Nos. 1 and 2 unresolved. Recommendation No. 1 may be resolved upon a final determination of the allowability of the indicated questioned costs. Recommendation No. 2 may be resolved upon a final determination being made regarding the missing payment. Please respond to this report within 30 days indicating actions planned or already taken to implement the recommendations.

Thank you for the cooperation extended to Bellhouse Mwangi Ernst & Young and Regional Inspector General for Audit representatives during the audit.

Attachments: a/s.

**AUDIT OF
GRANT NO. 623-0435-G-SS-7005-00
TO THE INTERNATIONAL INSTITUTE
OF TROPICAL AGRICULTURE**

ATTACHMENTS

**UNITED STATES AGENCY FOR INTERNATIONAL
DEVELOPMENT GRANT TO
INTERNATIONAL INSTITUTE OF TROPICAL
AGRICULTURE - EAST AND SOUTHERN AFRICA
ROOT CROP RESEARCH NETWORK PROJECT
AUDIT REPORT FOR THE PERIOD
MARCH 27 1987 TO SEPTEMBER 30 1991**

**INTERNATIONAL INSTITUTE OF TROPICAL AGRICULTURE - ESARRN PROJECT
AUDIT REPORT FOR THE PERIOD MARCH 27, 1987
TO SEPTEMBER 30, 1991**

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**INTERNATIONAL INSTITUTE OF TROPICAL AGRICULTURE - ESARRN PROJECT
AUDIT REPORT FOR THE PERIOD MARCH 27, 1987
TO SEPTEMBER 30, 1991**

ABBREVIATIONS USED IN THE REPORT

USAID:	United States Agency for International Development
RFMC:	Regional Finance Management Center of USAID
REDSO/ESA:	Regional Economic Development Services Office/East and Southern Africa of USAID
IITA:	International Institute of Tropical Agriculture
ESARRN:	East and Southern Africa Root Crop Research Network
IDRC:	International Development Research Center
SAARFA:	The Strengthening of African Agricultural Research and Facilities of Agriculture.
IRRI:	International Rice Research Institute
GAAS:	Generally Accepted Auditing Standards
BMEY:	Bellhouse Mwangi Ernst & Young
\$:	US Dollars

1. INTRODUCTION

1.1 Background

The Strengthening of African Agricultural Research and Facilities of Agriculture (SAARFA) Project No. 698-0435 is an umbrella project funded and managed by the Africa Bureau's Office of Technical Resources of the United States. The East and Southern Africa Root Crop Research Network Project (ESARRN) is a subproject of SAARFA.

The goals of ESARRN are to:

- i) encourage vigorous collaborative, planning and evaluation of root crops research by scientists in the region;
- ii) increase the genetic base of the principal root crops and enhance its use in regional improvement programs;
- iii) facilitate improvement of root-crop based farming systems through surveys, design and methodology development;
- iv) develop improved techniques for drying, processing, and utilizing cassava; and
- v) foster the establishment of effective systems to exchange information with and to deliver improved technology to farmers.

On March 27th, 1987 United States Agency for International Development (USAID) signed Grant No. 623-0435-G-SS-7005-00 with International Institute of Tropical Agriculture (IITA) to implement the ESARRN project. USAID's initial obligation to IITA was \$942,900 but this was increased to \$1,942,900 by Amendment No. 3 to the grant, on August 12, 1990. The expiry date of the Grant is September 28, 1992. As of 30 September, 1991, \$ 1,341,082 had been expended by USAID out of which \$ 1,269,334 had been received by IITA.

The grant agreement requires counterpart contributions of 40% of the total project costs or \$1,272,000. The counterpart contributions are from International Development and Research Center (IDRC), \$ 747,000 and IITA in-kind contribution of \$ 525,000.

The scope of the mission - contracted audit includes the verification of all USAID disbursements to IITA, payments in excess of \$5,000 and a random sample of 39 payments less than \$5,000.

1.2 Pertinent Clauses in the Grant Agreement

The pertinent clauses in the Grant Agreement are summarized below:

- i) the ESARRN project coordinator's office is to be located in Lilongwe, Malawi, with the agreement of the Government of Malawi;
- ii) USAID will advise IITA, from time to time, regarding countries to which provision of USAID assistance is prohibited under the Foreign Assistance Act of the United States of America;

- iii) accounting records and documents must be maintained to support expenditure under the grant. Such records and documents must be made available for inspection by USAID representatives upon request;
- iv) the procurement source of eligible goods and services under the grant shall be the cooperating countries (i.e. Nigeria, Burundi, Kenya, Madagascar, Malawi, Mozambique, Rwanda, Sudan, Uganda, Zambia and any other East and Southern Africa country which subsequently agrees to participate in the program and is approved by USAID);
- v) quarterly financial, semi-annual progress reports and annual external audit reports are to be submitted to the Regional Economic Development Services Office/East and Southern Africa of USAID (REDSO/ESA);
- vi) establishment of a special account to be used solely for the USAID Project funds; and
- vii) funds disbursed are to be administered in accordance with the financial plan;

1.3 Audit Objectives and Scope

1.3.1 Objectives and Scope

Bellhouse Mwangi Ernst & Young (BMEY) were appointed under contract No. 623-0000-1-00-9051-00 to perform an agency contracted audit of ESARRN Project operated by IITA with the following objectives:

- i) to perform the audit in accordance with Generally Accepted Auditing Standards (GAAS) and the US Comptroller General's Government Auditing Standards (1988 Revision). During this audit Government Auditing Standard 3.46 regarding an external quality control review was not met;
- ii) to report on, in accordance with the above, the fairness of the Fund Accountability Statement, the Internal Control Structure of the IITA with respect to the program operations and IITA's compliance with the Grant Provisions and Applicable Laws and Regulations; and
- iii) to report on problem areas that require improvement and propose recommendations to correct problems identified.

1.3.2 Methodology

On February 10, 1992 BMEY performed a preliminary survey of the accounting documents available at the Regional Finance Management Center of USAID (RFMC). It revealed that Fiscal Statements (form SF 1032) were submitted. This statement summarizes cumulative expenditure to date for the previous quarter, expenditure for the quarter and cumulative expenditure to date, variances with the budget are noted and an estimate of expenditure over the next ninety days is made.

The audit objectives were:

- i) audit IITA's Fund Accountability Statement and express an opinion as to whether the Fund Accountability Statement presents fairly, in all material respects, and in conformity with the basis of accounting described in the report the use of funds in accordance with the grant agreement;
- ii) consider IITA's internal control structure in order to determine the auditing procedures for purposes of expressing an opinion on the Fund Accountability Statement and to report on significant internal control deficiencies and material weaknesses; and
- iii) test IITA's compliance with the terms of the grant agreement as part of obtaining reasonable assurance as to whether the Fund Accountability Statement is free of material misstatement, and report on any identified material instances of noncompliance;

1.4 Summary of Audit Results

1.4.1 Fund Accountability Statement

Our audit revealed that payments amounting to \$6,067 were unsupported and \$9114 were questionable. (See section 2.2.3)

A disbursement amounting to \$ 71,748.91 by RFMC to IITA on March 5, 1990 has not been received by IITA. RFMC has issued a "stop payment cable" to Treasury for necessary investigation to be carried out. Instructions to Paris to re-issue another check, once investigation is completed, have also been issued.

The Fund Accountability Statement is prepared on the basis of cash receipts and disbursements which is a comprehensive basis of accounting other than US Generally Accepted Accounting Principles.

IITA has not yet been reimbursed for the expenditure incurred in the quarter ended September 30, 1991 amounting to \$ 123,901. REDSO/ESA have received the reimbursement claim from IITA and arrangements to make the payment are underway. (See Exhibit I)

1.4.2 Internal Control Structure

The accounting records maintained at Lilongwe office were incomplete in certain aspects:-

- i) the fixed assets register was incomplete;
- ii) a local staff payroll was not maintained;
- iii) cash advances were not booked into the imprest book; and
- iv) the bank book did not reflect all transactions.

1.4.3 Compliance with Grant Provisions and Applicable Laws and Regulations

Our major findings on compliance were:-

- i) we noted that out of the 15 financial reports submitted, only one was submitted within 30 days after the calendar quarter as required by the grant agreement;
- ii) an overhead rate of 18.8% on total direct costs was utilized instead of 18% as required by the grant provisions. REDSO/ESA has since stated that the excess of 0.8% seems within limits and arose as a result of underestimation of the initial negotiated rate. REDSO/ESA will allow the rate of 18.8% as long as expenditure allocated by the grant is not exceeded;
- iii) the Travel and Training budget had been exceeded by \$ 11,462 and \$ 12,715 respectively without approval from USAID. According to REDSO/ESA these budget line items have been overspent by an average of 9%. This excess is within the grant provision of up to 10% without USAID approval; and
- iv) IITA, does not maintain a separate bank account for the USAID funds.

2. FUND ACCOUNTABILITY STATEMENT

2.1 Independent Auditor's Report

We have audited the Fund Accountability Statement for the USAID Grant to the International Institute of Tropical Agriculture/East and Southern Africa Root Crop Research Network Project No. 698-0435.07 for the period March 27, 1987 through September 30, 1991. This statement is the responsibility of the International Institute of Tropical Agriculture. Our responsibility is to express an opinion on this statement based on our audit.

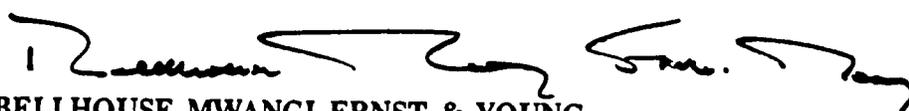
We conducted our audit in accordance with Generally Accepted Auditing Standards and Government Auditing Standards issued by the Comptroller General of the United States of America (1988 revision). For this audit Government Auditing Standard 3.46 regarding an external quality control review was not met. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the Fund Accountability Statement is free of material misstatement. 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 the management, as well as evaluating the overall Fund Accountability Statement presentation. We believe that our audit provides a reasonable basis for our opinion.

A payment of \$ 71,748.91 by USAID to the International Institute of Tropical Agriculture on May 3, 1990 has not been accounted for in the Fund Accountability Statement. The management of the International Institute of Tropical Agriculture has informed us that the amount was never received by their bankers and investigations are being undertaken to establish what has happened to this payment.

The Fund Accountability Statement is prepared on the basis of cash receipts and disbursements which is a comprehensive basis of accounting other than U.S. Generally Accepted Accounting Principles.

Except for the matters noted above, in our opinion, the Fund Accountability Statement referred to above presents fairly, in all material respects, the project income and expenditure received and disbursed by the International Institute of Tropical Agriculture for the period March 27, 1987 through September 30, 1991, in conformity with the basis of accounting described above.

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. The report is intended solely for the information of International Institute of Tropical Agriculture and the United States Agency for International Development, but this is not intended to limit the distribution of the report, if a matter of public record.


BELLHOUSE MWANGI ERNST & YOUNG
NAIROBI

September 30, 1992

2.2 Findings and Recommendations

2.2.1 Introduction

The Fund Accountability Statement was prepared from the records maintained by IITA, and is included in this report as Exhibit 1. The Fund Accountability Statement is prepared on the basis of cash receipts and disbursements which is a comprehensive basis of accounting other than U.S. Generally Accepted Accounting Principles.

The scope of the audit included sampling disbursements of the grant funds and payments therefrom, in the period March 27, 1987 through September 30, 1991.

2.2.2 Sample Selection Criteria

We verified all payments over \$5,000 and test checked a sample of payments below \$5,000. Our sample covered 54% of the expenditure.

2.2.3 Audit Results

The results from our audit indicate that receipts and expenditure were authorized and duly supported by original and approved documents.

As indicated below, payments amounting to \$6,067 were not supported (as explained in section 2.2.4) and payments amounting to \$9,114 are questionable. (See section 2.2.5)

	Claimed	Accepted	Questioned	Un- supported
	\$	\$	\$	\$
Salaries, Wages, Allowances	538,526	529,212	8,964	350
Office Space, Equipment	52,924	52,924		
Vehicles	54,918	54,918		
Research Expenses, Consultants	118,364	118,364		
Travel	106,932	106,782	150	
Communication, Newsletter	30,525	30,525		
Training, Workshop	201,575	195,858		5,717
Audit, Evaluation	22,295	22,295		
Regional support	107,093	107,093		
Central Services costs	231,832	231,832		
Total Expenditure	<u>1,464,984</u>	<u>1,449,803</u>	<u>9,114</u>	<u>6,067</u>

2.2.4 Unsupported Expenses

i. Unsupported expenses from Lilongwe office

Supporting documentation for the following payments could not be traced during our visit to Lilongwe:

<u>Date</u>	<u>Description</u>	<u>Amount</u> \$
31.7.87	Dr. M. N. Alvarez-Accommodation	133
31.7.87	Vehicle Insurance	1,957
Jan/Feb 88	Dr. M.N. Alvarez-Airport tax and Taxi	104

		2,194

In response to our draft report the auditee has provided photocopies of supporting documents for vehicle and Airport tax and taxi. These costs are now considered supported. IITA has confirmed that the accommodation expense of \$133 was not charged to USAID.

ii) A number of other sundry payments were noted in the staff cost analysis:

<u>Year</u>	<u>Description</u>	<u>Amount</u> \$
1990	National Staff - Professional fees	2,636
	Insurance	7,456
1991	International staff - others	1,994

		12,086

In response to our draft report the auditee provided photocopies of supporting documentation for the above payments with the exception of professional fees of \$350 paid to Mr. Domingos. Subject, to this we accept these costs as supported.

iii. Direct Disbursements to National Programs

Our review of the bank book and bank statements for unusual payments, revealed that payments amounting to \$41,380.74, \$1,499 and \$ 113 were paid directly to creditors for Network Activities and Conference and Training respectively, by bank or telegraphic transfers. In their response to our draft report the auditee provided supporting documents to indicate that \$41,381 is chargeable to IDRC (center 9075). The other expenditures of \$1,499 and \$113 were charged to ISTRC (center 8096), and IRTP/IRRI (center 1043) and Training cost (center 1171) respectively, not USAID. During our field work these expenses could not be isolated from allocable expenditure to USAID because they were not analyzed in the bank book.

The project coordinator at Lilongwe, informed us that National Programs are required to send quarterly returns to account for money disbursed. However, these returns are not reviewed by the administrator to ensure they are correct.

We recommend that returns from National Programs of co-operating countries, should be obtained on a quarterly basis and reviewed by the administration accountant at Lilongwe office. This will ensure that amounts disbursed are properly utilized for the intended purposes and are correctly analyzed in IITA's records.

Payments for conferences and training should be backed by supporting documentation.

REDSO/ESA concurs with the above recommendation (see Exhibit III, page 2), back up documentations were subsequently provided for the unsupported payments.

iv) Payments with Inadequate Description in the Bank Book.

Telegraphic transfers amounting to \$18,574.80 paid from Lilongwe office and charged to training, did not have sufficient description of the payee, to enable us to establish whether the payment was an advance or was for network activities. There were no supporting documents for these payments. In response to our draft report photocopies of supporting documents were provided for \$12,858 of the above expenditure.

The auditee response did not provide supporting documentation for the following payments totalling \$5,717:

- i) miscellaneous expenses of \$1,098 incurred during a consultation trip with IDRC representatives from Nairobi, Kigali and Kampala;
- ii) deposit for an allowance of \$707 for Ndamage and Belehu for a Steering Committee meeting in Zambia;
- iii) deposit to Express Kenya for payment of per diems of \$1,077 to steering committee members;
- iv) payment to Everett & Sons Ltd for periodicals of \$2,547 for Chitedze Library; and
- v) we were unable to obtain supporting documentation for unidentified telegraphic transfers of \$288.

We recommend that a full payment description, (i.e. payee and purposes), be properly documented in the bank book. This will facilitate cost allocation and control over the imprest to or from National Programs.

The auditee has stated that they may be able to provide justification for these items after the project co-ordinator at Malawi returns from leave on 7th September 1992. We recommend these matters be resolved by REDSO/ESA.

Recommendation

We recommend that \$ 6,067 in unsupported payments (\$350 noted in item ii and \$ 5,717 in item iv) be deducted from future disbursements.

2.2.5 Questioned Payments

Our field work indicated that a payment of \$2,525 was made on November 16, 1990 to Mr. J. Wilmore of Save the Children Federation. This payment was analyzed as donations (Regional support). No explanations were provided by management during our field work.

An ex-gratia payment of \$629 to local staff at Lilongwe office was not authorized by International Co-operation Program as reported by the internal audit report dated June 21, 1990. We had classified this payment as questionable.

In response to our draft report supporting documents and approval were provided to account for the above questioned amounts.

The following are details of questioned expenses previously classified as unsupported staff costs:-

- i) Included in international staff costs for 1988 are \$13,504, referred to as "Prior year cost". According to management these amounts were staff costs for Dr. Alvarez in 1987. A journal voucher to support the transaction could not be traced. The grant provisions indicated that, USAID was to pay Dr. Alvarez's salary for December 1987, which amounted to \$4,540. The balance amounting to \$8,964 was to be settled by IDRC. IITA has confirmed that the balance will be charged against IDRC. Therefore this amount will be recovered from future claim vouchers. (See Exhibit III, page 1).
- ii) We have reclassified a previously unsupported payment of \$150 being intransit cost to and from Lagos and Malawi of Dr. Methali which was erroneously charged to USAID instead of IDRC (center 9075).

Recommendation

We recommend that the questioned payment of \$ 9,114 (noted above in items i and ii) be deducted from future reimbursements.

2.2.6 Disbursement by USAID not Received by IITA

USAID authorised an IITA claim of \$ 71,748.91 payment voucher No. 62305829 for the quarter ended December 31, 1989. According to RFMC, this amount was transferred on March 5, 1990 to IITA's bank account. However, it was not received by IITA banker's. A number of letters have been exchanged between IITA and RFMC regarding the matter but it has yet to be resolved.

We noted that USAID does not send remittance advices to IITA when reimbursements are made.

Recommendation

We recommend that REDSO/ESA should follow up the matter and establish whether the disbursement was made and if so, what happened to the receipt. USAID should send a remittance advice to IITA whenever a reimbursement is made, this will ensure that IITA is aware of all reimbursements made and follow up any significant delays in transfers.

RFMC has issued a stop payment cable to Treasury for necessary investigation. Paris has been instructed to issue another check once investigations are completed. (See Exhibit III page 1).

2.2.7 Management Representations

Written representations have been provided by IITA as required by SAS 19.

3. INTERNAL CONTROL STRUCTURE

3.1 Independent Auditor's Report

We have audited the Fund Accountability Statement for the USAID Grant to the International Institute of Tropical Agriculture/East and Southern Africa Root Crop Research Network Project No. 698-0435.07 for the period March 27, 1987 through September 30, 1991, and have issued our report thereon dated September 30 1992.

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). For this audit Government Auditing Standard 3.46 regarding an external quality control review was not met. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

In planning and performing our audit of the Fund Accountability Statement we considered the internal control structure established by International Institute of Tropical Agriculture in so far as it relates to grant funds 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 International Institute of Tropical Agriculture is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments 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 the assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with International Institute of Tropical Agriculture'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, projections 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:

Control Environment

- written procedures
- personnel capabilities

Accounting System

- accounting records and USAID reporting
- reconciliations to independently generated information

Control Procedures

- disbursements
- Treasury management

For all of the control 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 reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level, the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above. However, we noted certain matters involving the internal control structure and its operation that we have reported in Section 3.3.

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. The report is intended solely for the information of International Institute of Tropical Agriculture and the United States Agency for International Development but this is not intended to limit the distribution of the report, if a matter of public record.



**BELLHOUSE MWANGI ERNST & YOUNG
NAIROBI**

September 30, 1992

3.2 Work Performed

We reviewed the internal control structure in relation to those elements which related to the USAID grant. We obtained an understanding of the design of relevant procedures and we assessed control risk. Our review considered the significant internal control structure policies and procedures, categorized as follows:

Control Environment

- written procedures
- personnel capabilities

Accounting System

- accounting records and USAID reporting
- reconciliations to independently generated information

Control Procedures

- disbursements
- Treasury management

3.3 Findings and Recommendations

3.3.1 Control Environment

Our review indicated that established written procedures exist for the management of grant funds, the accounting of which is integrated with the management of all IITA funds.

The capability of personnel involved in the management of these funds at head office was considered adequate. However, we consider the ability of the administrative accountant to be inadequate (as evidenced by the shortcoming under sections 3.3.4 and 3.3.5).

3.3.2 Incomplete Fixed Asset Register

A fixed assets register is maintained but it is not complete. Furniture and equipment at Dr. Alvarez's and Dr. Otoo's houses have not been recorded. We found that Dr. Alvarez and Dr. Otoo keep separate lists of assets in their houses.

We also noted that identification numbers have not been affixed to all assets.

Recommendation

All fixed assets should be recorded in the same fixed assets register and identification numbers or marks affixed. This will facilitate control (both physical and record) over the assets.

REDSO/ESA concurs with the recommendation above. (See Exhibit III, page 2).

3.3.3 Local Staff Payroll not maintained

No permanent payroll records are maintained at Lilongwe office, only monthly salary sheets are prepared and submitted together with the outstation imprest returns.

Recommendation

We recommend that a payroll be introduced at Lilongwe to provide a permanent record of local staff costs.

3.3.4 Advances not booked on Imprest Book

Imprest disbursements between April 1, 1989 through September 30, 1991 amounting to \$22,321.31 have not been recorded in the imprest book. These amounts were reported through an outstation imprest report. Overall the recording of imprest in the accounting records was incomplete.

Recommendation

All advances should be recorded in the imprest book. This will facilitate subsequent follow up of outstanding imprests and would ensure proper control of advances.

REDSO/ESA concurs with above recommendation (see Exhibit III, page 2) and further recommends a regular reconciliation be carried out.

3.3.5 Incomplete Bank Book

We reviewed the bank book at Lilongwe office and found that:

- i) bank transactions for July 1988 through January 1989 were unrecorded;
- ii) in the months of October 1987 through May 1988, a number of transactions designated in different currencies were not recorded, and not translated into either U.S. dollars or Malawi Kwacha;
- iii) a number of expenses had not been analyzed and totalled for the months of October 1987 through June 1988 and April 1989 through September 1991;
- iv) the bank book was not totalled for October 1987 to January 1988, hence it was not easy to agree the amounts claimed per outstation imprest reports to the bank book;
- v) receipts from Ibadan for March 1987 through January 1989 were not recorded in the bank book;
- vi) receipts were not issued for check or cash receipts. It is therefore not possible to check completeness of receipts recorded in the bank book; and
- vii) bank reconciliations were not prepared for the period March 1987 to December 1988 because the coordinator does not have the accounting knowledge to prepare a bank reconciliation.

Recommendation

The above shortcomings arose as the administrative accountant was not competent. His services were however terminated in February 1992 before the mission contracted audit commenced. IITA should recruit a more qualified accountant in order to improve the quality of the accounting records. We further recommend that a receipt book be introduced at Lilongwe office to ensure that all receipts are properly recorded.

REDSO/ESA recommends that a bank reconciliation should be prepared every month to allow for timely corrective action if any. With the project closing down on September 30, 1992, IITA should consider using a qualified accountant on temporary basis to put the records straight. In the event that IITA receives other funding from USAID, personnel capabilities should be reviewed during general capability assessment (see Exhibit III, page 3).

4. COMPLIANCE WITH GRANT PROVISIONS AND APPLICABLE LAWS AND REGULATIONS

4.1 Independent Auditor's Report

We have audited the Fund Accountability Statement for the USAID Grant to the International Institute of Tropical Agriculture/East and Southern Africa Root Crop Research Network Project No. 698-0435.07 for the period March 27, 1987 through September 30, 1991, and have issued our report thereon dated September 30, 1992.

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). For this audit, Government Auditing Standard 3.46 regarding an external quality control review was not met. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, grants, and binding policies and procedures applicable to the program funds is the responsibility of the International Institute of Tropical Agriculture. As part of our audit, we performed tests of International Institute of Tropical Agriculture's compliance with certain provisions of laws, regulations, contracts, grants, and binding policies and procedures. However, it should be noted that we performed those tests of compliance as part of obtaining reasonable assurance about whether the financial statements are free of material misstatement; our objective was not to provide an opinion on compliance with such provisions.

The results of our tests indicate that with respect to the items tested, International Institute of Tropical Agriculture complied, in all material aspects, 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 the International Institute of Tropical Agriculture had not complied, in all material respects, with those provisions.

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. The report is intended for the information of International Institute of Tropical Agriculture and the United States Agency for International Development but this is not intended to limit the distribution of the report, if a matter of public record.



**BELLHOUSE MWANGI ERNST & YOUNG
NAIROBI**

September 30, 1992

4.2 Introduction

Our audit of USAID project assistance to the IITA included obtaining assurances that the IITA complied with grant provisions and applicable laws and regulations.

Procedures performed to test such compliance included the following:

- i) a review of grant provisions and related regulations to identify those provisions and regulations which could have a material effect on the Fund Accountability Statement; and
- ii) detailed testing to confirm IITA's compliance with those provisions and regulations.

4.3 Findings and Recommendations

In the course of our audit, we noted the following instances of noncompliance:

- i) the grant agreement requires, quarterly reports on financial statements be submitted to REDSO/ESA and RFMC within 30 days after the calendar quarter. Out of the 15 financial reports submitted during the period March 27, 1987 through September 30, 1991, only one report was submitted within this time limit.

Recommendation

Outstation imprest reports should be prepared within 15 days after month end to enable IITA to submit its reports in the required timeframe. Outstation imprest verification at head office can be enhanced by employing an extra assistant accountant in the Special Projects Department.

- ii) the grant provides for an overhead rate of 18% of total direct costs. Following our review we noted that overall, 18.8% of total direct costs, referred to as central service costs, were claimed by IITA. The rate of 18.8% was not applied uniformly in all the financial reports to REDSO/ESA, the rates ranging between 0% and 43%.

Recommendation

IITA should use the agreed overhead rate to ensure compliance with the terms of the grant agreement. Otherwise the amount in excess of the agreed rate should not be reimbursed.

REDSO/ESA accepts the excess of 0.8% to be within limits as it arose as a result of underestimating the initial negotiated rate. REDSO/ESA will allow the rate of 18.8% as long as expenditure allocated by the grant is not exceeded (see Exhibit III, page 3).

iii) We noted that the following budget line items had been overspent:

	<u>Actual</u> \$	<u>Budget</u> \$	<u>Overspent</u> \$	<u>Overspent</u> %
Travel	106,932	95,470	11,462	12.0
Training, workshop	<u>201,575</u>	<u>188,860</u>	<u>12,715</u>	<u>6.7</u>
	<u>308,507</u>	<u>284,330</u>	<u>24,177</u>	<u>8.5</u>

Budget line items should not be exceeded without approval from REDSO/ESA. IITA should request for realignment of the budget lines if the amount allocated is not adequate.

REDSO/ESA agrees that budget line items have been overspent by an average of 9%. This excess is within the grant provision of up to 10% without A.I.D approval (see Exhibit III, page 3).

iv) The grant provisions require that the recipient maintains a separate bank account for the grant funds. We noted that no separate bank account is maintained. The management does not consider it necessary to maintain a separate account because funds are disbursed to them on a reimbursement basis.

Recommendation

Should the disbursement system revert back to normal procedures as per the grant provisions whereby advance payments are made available to the recipient, the management should maintain a separate bank account for USAID funds as required by the grant.

EXHIBIT I

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
 GRANT NO. 623-0435-G-SS-7005-00
 INTERNATIONAL INSTITUTE OF TROPICAL AGRICULTURE/
 EAST AND SOUTHERN AFRICA ROOT CROP RESEARCH NETWORK

FUND ACCOUNTABILITY STATEMENT
 FOR THE PERIOD MARCH 27, 1987 TO SEPTEMBER 30, 1991

	FY1987 US\$	FY1988 US\$	FY1989 US\$	FY1990 US\$	FY1991 US\$	TOTAL US\$
REVENUE	33,630	243,399	347,599	0	644,706	1,269,334(A)
EXPENDITURE						
Salary, Wages, Allowances	9,516	82,114	103,431	184,531	158,934	538,526
Office Space, Equipment	232	3,278	20,922	23,738	4,754	52,924
Vehicles	15,723	18,287	6,281	6,424	8,203	54,918
Research Expenses, Consultants	1,128	52,102	48,070	(2,386)	19,450	118,364
Travel	2,715	21,505	34,284	19,091	29,337	106,932
Communication, Newsletter	196	2,384	3,207	14,353	10,385	30,525
Training, Workshop	32,147	18,963	45,229	86,155	19,081	201,575
Audit, Evaluation	0	9,080	31	0	13,184	22,295
Regional support	0	58,930	14,324	0	33,839	107,093
Central services costs	11,098	29,842	51,358	62,398	77,136	231,832
Total Expenditure	72,755	296,485	327,137	394,304	374,303	1,464,984(B)

The following is a reconciliation of the Grant Fund.

Funds received by IITA (see (A) above)	1,269,334
Reimbursement for the quarter ended December 31, 1989 not received by IITA	71,749
Disbursements per USAID	1,341,083
Expenditure for the quarter ended September 30, 1991 not yet reimbursed	123,901
Total expenditure (see (B) above)	1,464,984

EXHIBIT II

INTERNATIONAL INSTITUTE OF TROPICAL AGRICULTURE
 GRANT NO. 623-0435-G-SS-7005-00
 EXPENDITURE FOR THE PERIOD MARCH 27, 1987
 THROUGH SEPTEMBER 30, 1991

	Budget	Claimed	Amount Recommended To Be		Un- supported
			Accepted	Questioned	
	\$	\$	\$	\$	\$
Salaries, Wages, Allowances	623,400	538,526	529,212	8,964	350
Office Space, Equipment	65,590	52,924	52,924		
Vehicles	60,000	54,918	54,918		
Research Expenses, Consultants	207,100	118,364	118,364		
Travel	95,470	106,932	106,782	150	
Communication, Newsletter	55,580	30,525	30,525		
Training, Workshop	188,860	201,575	195,858		5,717
Audit, Evaluation	73,880	22,295	22,295		
Regional Support	212,170	107,093	107,093		
Central Services Costs	360,850	231,832	231,832		
Total Expenditure	1,942,900	1,464,984	1,449,803	9,114	6,067



UNITED STATES OF AMERICA
AGENCY FOR INTERNATIONAL DEVELOPMENT
U.S.A.I.D. MISSION TO KENYA

UNITED STATES POSTAL ADDRESS
US AID MISSION TO KENYA
BOX 201
APO NEW YORK, NEW YORK 09675

INTERNATIONAL POSTAL ADDRESS
POST OFFICE BOX 30261
NAIROBI KENYA

July 24, 1992

Bellhouse Mwangi Ernst & Young
Certified Public Accountants
Alico House, Mamlaka Rd.
P. O. Box 44286
Nairobi, Kenya.

Attn: Mr. N. Gathinji

Subject: Non Federal Audit
Grant No. 623-0435-G-22-7005-00
To IITA/ESARRN



REDSO/ESA is in receipt of a copy of your draft audit report on subject grantee dated May 20, 1992. We apologise for the delay in forwarding our response which was meant to give IITA time to respond so that REDSO could take their comments into account in our response.

Attached is our response to points raised in your draft audit report.

Yours faithfully,

Tony L. Cully
Tony L. Cully
Director, RFMC/Nairobi.

cc: RIG/Nairobi, Everett Orr

Below are our comments on issues raised in the Draft Audit.

1.4.1(ii). Disbursement of Dols 71,748.91

RFMC/FSD made the payment to IITA on May 03, 1990 per voucher No. BV 62305629. Check serial No. 06117577 for Dols 71,748.91 was issued by Paris. RFMC has now issued a Stop Payment cable to Treasury for necessary investigation and instruction to Paris to re-issue another check once investigation is completed. RFMC will follow-up with the Treasury on status and keep IITA informed on any progress.

- Quarterly expenditure of Dols 123,901

Voucher for Dols 123,901 has been faxed to REDSO. We have accepted the faxed copy as valid. RFMC/FMB submitted Date1 cable to Paris on July 29, 1992. IITA should expect the check 10 days from that date.

2.2.4. Unsupported Amount

- (i) Expenses from Lilongwe office - Dols 2,194.

IITA should provide the supporting documents for the following payments to avoid offsetting the costs from future claim vouchers:

-	Dr. M. N. Alvarez - Accommodation	133
-	Vehicle Insurance -	1,957
-	Dr. M. N. Alvarez - Airport Tax	104

- (ii) Salaries/Wages/Allowances - Dols 21,050

Documentary evidence for the payments made to National and International Staff and Insurance amounting to Dols 12,086 should be provided. Regarding Dols 13,504 paid to Dr. Alvarez as "prior year costs", REDSO will accept supporting documents justifying amount paid as the correct portion payable by USAID. The justification would substantiate the unsupported difference of Dols 8,964. This recommendation is based on the fact that the Grant only stated that a portion of Regional Coordinator's salary will be paid by IDRC without specifying the exact amount to be paid by A.I.D.

Any of the above payments which IITA cannot substantiate will be recovered from future claim vouchers.

- (iii) & (iv) Direct Disbursement to National Programs:
Dols 1,499; 113; 18,575.

The grantee should provide supporting documents for Dols 20,187 which was paid for Network Advices, and Training. Proper identification of the person or persons paid Dols 18,574.80 through telegraphic transfer from Lilongwe should be provided. This will enable a check on the legitimacy of the expenditure. REDSO/RPMC is in agreement that Returns from NPC should be reviewed for accuracy and proper utilization.

- Regional Support: Dols 41,381

IITA should indicate the nature of payment and provide supporting documents for each cost category detailed per Gathinji to Governey letter in response to IITA fax.

2.2.5. Questioned Amount

- Payment to J. Wilmore of Save the Children Federation.

The SCF payment of Dols 2,525 was for house rent for a new employee following arrangement for lease. IITA however needs to provide payment documents in support of rent payment.

- Exgratia payment: Dols 629

Evidence of approval by the International Cooperation program (ICP) which IITA admit was given should be forwarded to the auditors as supporting document for this payment.

3.3.2. Fixed Asset Register

IITA should maintain an up-to-date asset register listing all the assets bought out of REDSO/grant. Each asset should have an identifying code which will facilitate asset count and ensure adequate assets control.

3.3.4. Imprest Book

All Imprest Advances and disbursements should be recorded in the Imprest book and a regular reconciliation carried out.

3.3.5. Incomplete Bank Book

IITA should ensure that all bank transactions are recorded in the bank book. A bank reconciliation should be done every month to allow for timely corrective action if any. With the project closing down in about 3 months time, IITA may be advised to hire a qualified accountant on temporally basis to put the records straight. In the event that IITA would receive other future funding from AID, personnel capabilities should be reviewed during general capability assesment

3.4.3. (ii) Overhead Rate

The audited overhead rate of 18.8% exceeds the negotiated overhead per Grant agreement by 0.8% . The excess seems within limit which has come up as a result of underestimation on the initial negotiated rate . R/DSC/ESA is therefore willing to allow the audited rate of 18.8% as long as expenditure allocated by the GRANT is not exceeded.

- (iii) Budget line items

From the draft Audit Report the budget line item allocation has been overspent by an average of 9%. The Grant Agreement allows the grantee to shift funds among different line items by upto 10% of the value of any given budget line amount, without prior A.I.D. approval. The reported excess therefore is within the provision and IITA need not re-align the budget.



International Institute of Tropical Agriculture

Oyo Road, PMB 5320, Ibadan, Nigeria • Telephone: (234-22) 400-300 to 319 • Fax (INMARSAT): 874-1772276
 Telex: 31417 or 31159 TROPICU NG • EMail: Dialcom 157:CG1072; Internet IITA@CGNET.COM

27 July, 1992

Bellhouse Mwangi Ernst & Young
 Certified Public Accountants,
 Alico House,
 Mamlaka Road,
 P.O. Box 44286,
 Nairobi, Kenya.

Attention - Mr. N. Gathinji

Dear Mr. Gathinji,

Non-Federal Audit of
Grant No. 623-0435-G-22-7005.00
to IITA and ESARRN

The accompanying schedule summarises our response to your draft audit report. We also attached photocopies of supporting documents requested.

As I already indicated, most of the items queried were picked directly from the records kept in Malawi but Mr. Kimoni does not appear to have fully cross checked these to the processed returns in Ibadan. You will observe that many of the payments in question were not billed to USAID. This arises from two reasons:-

- (A) The situation is that if payments made by an outreach station do not have adequate support we either consider it to be a sub-imprest or advance against the payee pending presentation of adequate support;
- (B) At times an imprest holder might make payment to a third party on behalf of another project, this will be recorded in the books of the station but will be charged correctly against the appropriate cost centre.

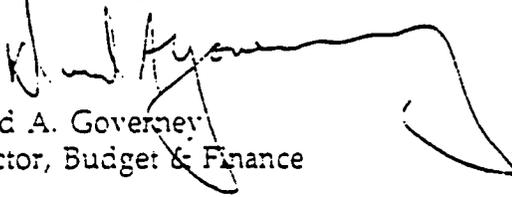
Therefore, only costs charged to USAID/ESARRN Project Cost Centres (9037, 9038 & 9039) in our general ledger are ultimately billed to the donor. I attach IITA Centre summary list and charts of accounts to assist in identifying entries that went against USAID budget in IITA Journal Vouchers.

I hope this information will allow finalisation of your report and remove the

doubts caused by your initial draft.

Many thanks.

Yours faithfully,

A handwritten signature in black ink, appearing to read "David A. Governey". The signature is written in a cursive style with a long, sweeping horizontal stroke at the end.

David A. Governey
Director, Budget & Finance

cc: The Regional Economic Dev. Service Office
for East & Southern Africa,
USAID, Union Tower,
Nairobi.

" Regional Inspector General for Audits,
Nairobi, USAID.

" Dr. J.P. Ekebil.

1. \$54,512 unsupported

A. Salaries, wages, allowances \$21,050
\$8,964 - (\$13,504 - \$4,540) to be charged against IDRC.
\$2,636 - Professional fees; this comprises:

E. Khonye Salary	\$ 283.02
Mrs. Chimbabo (revision of manual)	\$ 104.87
Mrs. Darku & Mr. Domingos- Res. Persons	771.34
Maluwa (film script consultant)	370.37
Hajahanja (lease conveyance fees)	859.68
Nyirenda (accomodation during survey)	48.80
Khonye Salary	<u>197.63</u>

\$ 2,635.71

(Attachment I six documents)

\$7,456 - Insurance; this represents payment for 2 projects vehicles and one personal vehicle for the period 1/9/90-31/8/91
project Toyota Landcruiser & Hilux MK14,828.90
Personal audi 500 E Saloon 5,002.80
MK19,831.70

(Attachment II)

Please note that Dr. Alvarez's contract of employment allows for the payment of his personal vehicle insurance.

\$1994 - This was for shipment of the Dr Alvarez's personal effects to base. This is permitted by IITA employment policy. This payment was made by IIE on IITA's behalf, therefore we attach copy of relevant page from IIE return to IITA (attachment III).

B. Vehicles \$1,957
\$1,957 - MK4492.13 - This was insurance for project vehicle No. BG8986 a Toyota Hilux for period 24/8/87 to 31/8/88. (attachment IV).

- C. Travel \$ 237
- \$133 - Cost of Dr. Alvarez's accomodation in Nairobi enroute Nigeria for IITA 20th Anniversary celebration. This was charged to IITA anniversary budget not USAID. (attachment V).
- \$ 104 - US Airport department tax paid by Dr. Alvarez while travelling on home leave. (see attachment VI).
- D. Training, Workshop - \$20,187
- \$ 500 - MK1469.13 - This represents travel advance taken by Katsulukuta for trip to Nigeria and Kenya. Justified in October 1989 imprest return.
- \$ 3,000 - MK8744.53 - This represent draft paid to Express Kenya for payment of per diem to participants enroute to collaborators meeting at IITA.
- \$ 24.63 - MK 71.40 - This amount was charged to Travel Advance Code against Dr. Alvarez because of lack of support and not billed to USAID.
- \$ 1,998.26 MK5,904.88 - This was transferred to Dr. Alvarez sub-imprest pending further clarification and was not charged to the project. Miscellaneous claims have been submitted subsequently to clear this from advance.
- \$ 800.00 - MK2364.15 - This was also transferred to Katsulukuta sub-imprest pending justification and not charged to USAID. It represents advance taken for trip to Kenya.
- \$ 84.05 - MK236.99 - This was paid to Swift export for the purchase of Tail lights.
- \$156.88 MK 441.76 - This was a tranfer to sub-imprest not charged to project.
- \$ 1,000 MK3512.96 - This was an advance to Dr. Alvarez and it was

treated as such.

\$2,000	MK5548.53 - This was advance payment to Katsuliukura for Zambia trip. Part of the claim submitted after the trip is attached. <u>The advance was not charged against the project but to sub-impres.</u>
\$120.00	MK337.67 - This represent travellers cheque advanced to Dr. Sauti in March. <u>It was refunded in April and not at anytime charged to the project.</u>
\$ 140 \$ 10	MK392.51 - These two payments represent MK 28.68 - intransit cost to and from Lagos and Malawi of Dr. Mathali.
\$ 707	MK 2105.86 - This was deposit for allowance for Ndamage and Belehu for Steering Committee Meeting in Zambia.
\$ 86.75	MK263.25 - This was transferred to sub-impres <u>not charged against the project.</u>
\$ 50.00 \$ 50.00	MK 154.24 - These represent intransit cost paid to MK 154.24 - G.F. Bakali and I. Beresi enroute to Ibadan for training cause.
\$ 1,995.69	MK5827.43 - This was not charge to this project but transferred to sub-impres pending justification. Enroute expenses for participants. Justification attached.
\$ 350.00 \$ 350.00	MK 1022.02 - These represent payments made MK 1022.02 to Maria J. Darku and Manel Domingo as resource person in Mozambique in training course.
\$513.21	MK 1,498.56 - This was payment of advance to IITA staff Mr. Ajayi and it was appropriately debited to the Travel advance code of Mr. Ajayi.

- \$ 137.86 MK 371.32 - This was payment for T/C to purchase airticket. It was not charge to USAID but to IDRC.
- \$ 392.21 MK 1056.35 - This represent payment made to Dr. Kumbwenda and charged appropriately to IRTP cost centre (9089). It was not charged to USAID.
- \$194.40 MK505.43 - This represent reimbursement of cost incurred by Mr. T. Rukuni in relation to Zambia workshop.
- \$1076.53 MK 2,798.97 - Deposit to Express Kenya for payment of per diems to Steering Committee members.
- \$2547.45 MK6623.38 - Bank draft payment to Everett & Son Ltd. for periodicals subscriptions for Chitedze Library.
- \$ 56.88 MK 143.91 - These were paid to G.H Thaulo
\$ 55.64 MK140.77 and T. Kapewa as intransit incidental expenses in Nairobi. They were charged to Training cost centre (II71) not USAID.
- \$1,288.51 MK3,607.83 - This was paid in respect of Dr. Sauti during the ISTRC symposium in Ghana charged against (8098)
- \$210.83 MK 590.32 - This was travel allowance paid to Mr. W.A. Kanyika for travel to Abidjan, Cote d'voire. It was charged to IRTP/IRRI liaison's budget (1043) not USAID. (Attachment VII eighteen documents).
- E. Regional Support \$41,381
\$1,615 - MK4681.04 - This amount is not charged against USAID centre, and more over we did not expense it at that stage it was charged to advance code (1320120).
- \$6,000 MK16854.43 was transferred to sub-imprest account and not charged to the project at the time of payment. In December 1989 imprest the original support was brought and it was then charged to IDRC Training Network (centre 9077) and not USAID.

S3,257 MK8772.88 - This payment was charged against IDRC and not USAID (centre 9075).

S4,340 MK11,687.63 - Charged against IDRC budget and not USAID (centre 9075).

S20,969 Mk 52,051.63 - All these were accounted
 S 265 MK 670.21 for in the claim
 S 265 MK 670.21 submitted for Zambia
 S 265 MK 670.21 workshop
 S 265 MK 670.21

S4140 MK 11,592.73 - This was first transferred to the sub-imprest pending submission of expense claim. Expense claim with original support was submitted subsequently in October 1991 imprest.
 (Attachment VIII five documents).

2. S3,154 Questioned

- A. Salaries, wages, allowances S 629
 S629 MK 1,684.84 - The ex-gratia payment for meritorious works by the staff members. This is a normal practice by other employers of IARC's represented in Malawi. There is an understanding to follow the same standard in terms of work conditions for the national staff, it was necessary to comply with our agreement. This payment was initially queried but after adequate explanation by the coordinator it was subsequently approved by ICP. Approval attached.
 (attachment IX).
- B. Regional Support S2,525
 S2525 MK6387.10 - This is payment in respect of house ESARRN project sublet for 2 months and 10 days from save the children Federation at MK2750 per month and MK88.71 per day (see attachment X).

3. Administrative Accountant
The circumstances surrounding the recruitment of Administrative Accountant and the dismissal have been fully explained in my fax of 1st June, 1992.
4. Incomplete Fixed Asset Register
All fixed assets are recorded in files. These will be transferred to the fixed asset register.
5. Overhead recovery rate
18.8% of direct expenses is the rate proposed to USAID for the extension of the project in 1990. And annually we have consistently stated this rate in our work plan. As mentioned in my fax of 1/6/92 the overhead charged to 30/9/91 of \$251,832.20 represents 18.8% of total expenditure of \$1,233,150 (excluding overhead). There could be variation in rate between quarters but in the cumulative we do not normally charge above 18.8% (see attachment XI).



AUDITEE RESPONSE

EXHIBIT IV

International Institute of Tropical Agriculture

Oyo Road, PMB 5320, Ibadan, Nigeria • Telephone: (234-22) 400-300 to 319 • Fax (DNMARSAT): 874-1772276
Telex: 31417 or 31159 TROPB NG • EMail: Dialcom 157:CGI072; Internet: IITA@CGNET.COM

27th August, 1992.

Ernst & Young
Certified Public Accountant,
Alico House,
Mamlaka Raod,
P.O. Box 44286,
Nairobi, Kenya.

Attention - Mr. N. Gathinji

Dear Mr. Gathinji

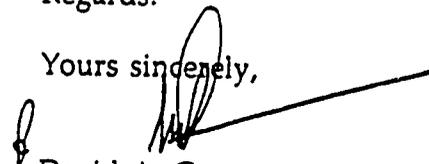
Re: Audit of USAID Grant No. 623-0435-G-227-7005-0060

Please find attached explanation and photocopies of documents in reply to your fax dated 7th August, 1992.

We hope you will find them in order.

Regards.

Yours sincerely,


David A. Governey
Director, Budget & Finance

cc Dr. A.P. Uriyo

25 YEARS

Taming Hunger: Food from Thought

Ikeja (Lagos) Office: 531-532 WEMCO Road, Ogba Estate, PO Box 145, Ikeja, Nigeria • Telephone: (234-1) 921-147 • Cable: TROPFOUND IKEJA
International Mailing Address: IITA, c/o L.W. Lambourn & Co., Carolyn House, 26 Dingwall Road, Croydon CR9 3EE, England
Fax: (44-81) 681-8583 • Telex: 946979 LWL G • Telephone: (44-81) 686-9031

34

1. Unsupported
- A. Salaries, wages, allowances
Attachment 1 - The combined cost of Darku and Domingos is highlighted on page 2 of our J.V 07738 (attachment A).
- C. Travel \$ 237.
The list containing valid budget codes for special projects and valid object code on USAID/ESARRN cost centres are attached.
- D. Training, Workshop \$200 - Photocopies of all the voucher requested are attached and I'm sure that they were contained in the initial parcel as well.
- \$149 - MK392.51 These payments should be charged against
\$ 10 - MK 28.68 IDRC budget.
- \$1,995.69 - MK5827.43 As earlier explained, at the point of payment this was transferred to sub-imprest and not charged to the project. However, we can provide explanation on the query of US\$1098.15 for miscellaneous expenses if you can forward copy of summary of justification we sent to you for easy retrieval of the document from our archives.
- \$ 350 - MK1022.02 These payments represent the
\$ 350 - MK1022.02 same thing as those queried in A above and the same justification was provided for the two since they were queried twice.
- For \$707 - MK2105.86
\$1,076.53 - MK2,798.97
\$2,547.45 - MK6,623.38

Other justification received in respect of the above are with the Project Coordinator in Malawi. We shall provide these when he returns from leave on the 7th of September, 1992.

ATTACHMENT II

REPORT DISTRIBUTION

U.S. Ambassador to Kenya	1
U.S. Ambassador to Malawi	1
Director, REDSO/ESA	5
A/AID	2
AA/AFR	2
AFR/SA/ZSSM	1
AFR/CONT	1
XA/PR	1
LEG	1
GC	1
AA/FA	1
AA/OPS	1
FA/FM	1
POL/CDIE/DI	1
FA/MCS	2
RCO/REDSO/ESA	1
REDSO/ESA	1
REDSO/RFMC	1
REDSO/Library	1
IG	1
AIG/A	1
D/AIG/A	1
IG/A/PPO	2
IG/LC	1
IG/RM/C&R	5
IG/RM/GS (Unbound)	1
AIG/I	1
RIG/I/N	1
IG/A/PSA	1
IG/A/FA	1
RIG/A/Cairo	1
RIG/A/Dakar	1
RIG/EUR/W	1
RAO/Manila	1
RIG/A/Singapore	1
RIG/A/Tegucigalpa	1
RIG/A/Vienna	1