

**Regional Inspector General for Audit
Singapore**

**AUDIT OF
FRIENDS OF WOMEN'S WORLD BANKING
ASSOCIATION IN
THAILAND**

**Audit Report No. 5-493-93-03-N
December 7, 1992**





U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

December 7, 1992

TO: Thomas H. Reese III, Mission Director
USAID/Thailand

FROM: *A. M. Clavelli*
Alfred M. Clavelli, Acting RIG/A/Singapore

SUBJECT: Audit of Friends of Women's World Banking Association in Thailand
Audit Report No. 5-493-93-03-N

The accounting firm of Ernst & Young, Thailand, performed a financial audit of USAID/Thailand's grant (Grant No. 493-0342-G-SS-5085-00) with the Friends of Women's World Banking Association in Thailand (FWWBT). Five copies of the audit report are enclosed for your action.

In 1985, USAID/Thailand awarded a grant to FWWBT under the Private Voluntary Organization Co-financing II Project to implement the Accelerated Development Program for Women in Small Business. The goals of the program were to assist women entrepreneurs in developing their economic and agricultural ventures by helping them gain access to institutional credit facilities. Activities covered under the program included identifying and introducing women entrepreneurs to loan guarantee credit programs, expanding and strengthening the network of women who make financial decisions, and providing support and training for the program. The period covered by the audit was from August 19, 1985 through April 15, 1990. During this period, FWWBT reported that they expended the \$483,522 received under the grant.

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

The auditors reported that FWWBT's Fund Accountability Statement presents fairly the receipts and expenditures under the USAID/Thailand grant, except for \$25,075 in questioned costs. Several material internal control weaknesses were noted and, the auditors identified some instances of noncompliance which resulted in the above mentioned questioned costs. Other than these matters, FWWBT complied, in all material respects, with applicable laws, regulations, and agreement terms.

FWWBT officials generally agreed with the auditors' findings and recommendations on the internal control weaknesses, and provided explanations for the questioned costs identified. Their comments are summarized under each individual finding in the report and are set out in full as Appendix B.

The Ernst & Young report contains seven findings and recommendations on which USAID/Thailand should ensure that necessary action is taken. We are making two recommendations to be included in the Inspector General's recommendation follow-up system.

Recommendation No. 1: We recommend that USAID/Thailand resolve the \$25,075 in questioned costs (\$24,392 unsupported and \$683 ineligible costs), and recover from the Friends of Women's World Banking Association in Thailand any costs not allowable under the grant.

Recommendation No. 2: Before awarding any future grants to the Friends of Women's World Banking Association in Thailand, we recommend that USAID/Thailand require the organization to establish and implement adequate internal control procedures to: (a) maintain supporting documentation for all costs incurred including salaries; (b) reconcile payroll and financial reports prepared with the accounting records; (c) label and properly record all non-expendable property; and (d) liquidate advances received in a timely manner.

We appreciate the courtesies and cooperation USAID/Thailand and FWWBT extended to the auditors and our staff during the course of this audit.

Please advise me within 30 days of any actions planned or taken to close the above recommendations.

Attachment: a/s

**NON-FEDERAL AUDIT OF USAID/THAILAND'S GRANT TO
FRIENDS OF WOMEN'S WORLD BANKING ASSOCIATION IN THAILAND
A.I.D. GRANT NO. GR-493-0342-G-SS-5085-00
TITLED ACCELERATED DEVELOPMENT PROGRAM
FOR WOMEN IN SMALL BUSINESS**

**PREPARED FOR : REGIONAL INSPECTOR GENERAL/AUDIT/SINGAPORE
PREPARED BY : ERNST & YOUNG (BANGKOK)
DATE : SEPTEMBER 18, 1992**

**NON-FEDERAL AUDIT OF USAID/THAILAND'S GRANT TO
FRIENDS OF WOMEN WORLD BANKING ASSOCIATION IN THAILAND
A.I.D. GRANT NO. GR-493-0342-G-SS-5085-00
TITLED ACCELERATED DEVELOPMENT PROGRAM
FOR WOMEN IN SMALL BUSINESS**

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September 18, 1992

Mr. James B. Durnil,
Regional Inspector General for Audit,
Office of the Regional Inspector General for Audit,
U.S. Agency for International Development,
111 North Bridge Road,
No. 17-03 Peninsula Plaza,
Singapore 0617.

Dear Sir,

This report presents the results of our financial and compliance audit of the A.I.D. grant no. GR-493-0342-G-SS-5085-00 titled "Accelerated Development Program for Women in Small Business" as implemented by Friends of Women's World Banking Association in Thailand (FWWBT). The period covered by our audit was August 19, 1985 through April 15, 1990.

BACKGROUND

General information and objectives of the project are as follows :-

General information

Grant no.	GR-493-0342-G-SS-5085-00
Title	Accelerated Development Program for Women in Small Business
Effective dates	August 19, 1985 through April 15, 1990
Implementing agency	Friends of Women's World Banking Association in Thailand
Funds budgeted by A.I.D.	A.I.D.'s budgeted contribution as set out in the respective grant agreement and amendments are Baht 12,656,275 and consisted of the following items. Conversion to US\$ is for memorandum purpose and is based on the exchange rate of US\$ = Baht 25.58 being the average exchange rate throughout the project.

	<u>BAHT</u>	<u>US\$</u> <u>EQUIVALENT</u>
Personnel salaries	3,230,222	126,279
Project activities	4,968,994	194,253
Training, travel and accommodation	2,724,345	106,503
Monitoring and testing	<u>1,732,714</u>	<u>67,737</u>
	<u>12,656,275</u>	<u>494,772</u>

Project Goals

FWWBT received a grant from USAID/Thailand in 1985 under the PVO Co-Financing II Project to help bring women entrepreneurs into the financial system. With access to credit, these women will possess one of the tools they most need to develop their economic and agricultural ventures to the best of their abilities. The objectives of the project are to :

- (1) identify women entrepreneurs who do not have access to credit through the normal financial system,
- (2) introduce them to institutional credit through a loan guarantee program in cooperation with commercial banks and NGOs,
- (3) expand and strengthen the network of women who participate in financial decision making,
- (4) provide field support and training to implement the program,
- (5) strengthen NGOs by giving them access to new funding and by orientating their efforts towards self-help projects as opposed to charity-oriented projects, and
- (6) replicate the loan guarantee program by demonstrating to NGOs and banking institutions the effectiveness of self-help programs which draw on the resources of the private sector and NGOs.

The target areas covered by the project include 14 provinces as follows :

<u>Central</u>	<u>North</u>	<u>Northeast</u>
Bangkok	Chiang Mai	Khon Kaen
Saraburi	Lampang	Loey
Ratchburi	Lamphoon	Ubol Ratchthani
Chachoengsao	Pa-yao	Nongkhai
	Chieng Rai	Udom Thani

AUDIT OBJECTIVES AND SCOPE OF WORK

We have conducted a financial audit of the Fund Accountability Statement of FWWBT pertaining to grant number GR-493-0342-G-SS-5085-00. The period covered by our audit was August 19, 1985 through April 15, 1990.

The Fund Accountability Statement comprises of the receipts and expenditures of the grant as it relates to FWWBT operations for the period outlined above, and the note 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 FWWBT presents fairly the receipts and expenditures of FWWBT in respect of the grant received for the audit period noted above in accordance with generally accepted accounting principles and the terms of the Grant Agreement ;

- (b) Report on FWWBT's internal accounting controls which should provide reasonable assurance that the assets are safeguarded against loss from unauthorized use or disposition and that transactions are properly recorded ; and
- (c) Report on FWWBT's compliance with the applicable laws, regulations and grant terms.

Our audit was conducted in accordance with generally accepted auditing standards and US Government Auditing Standards and, accordingly, included such tests as we considered appropriate to determine whether expenditures charged to the grants were in accordance with the agreement terms, other applicable program documents, and the laws of Thailand.

For this audit, government auditing standards related to an external quality control review program was not met. While our firm does not currently participate in an external review program, we have an excellent internal quality control system in place to ensure audit quality.

The scope of our work primarily included the following general procedures :

- (a) Holding meetings with USAID/Thailand, FWWBT and AID Regional Inspector General for Audit/Singapore ("RIG/S") officials ;
- (b) Reviewing the appropriate grant agreements and amendments, OMB circulars, AID handbook regulations and mandatory standard provisions for US grantees, prior period audit reports on FWWBT financial statements, correspondence and minutes of meetings between USAID/ THAILAND and FWWBT.
- (c) Obtaining an understanding of the accounting, administrative and internal control systems of FWWBT 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 FWWBT's 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 expenditures of FWWBT for the project and period as they pertain to the grant agreement no. GR-493-0342-G-SS-5085-00 titled "Accelerated Development Program for Women in Small Business" as received from USAID/Thailand except for Baht 641,423 (US dollar equivalent : US\$ 25,075) which have been questioned for the adequacy of supporting documentation and compliance under the terms of the grant agreement. These questioned costs are set out in Appendix A - Schedule of Questioned Costs.

(b) System of Internal Controls

In accordance with Paragraph 19 of Chapter 15 of Government Auditing Standards we have limited our reliance on FWWBT's internal control structure as our preliminary review and documentation of the accounting and control systems in operation during the period of our audit indicated that an adequate structure for the purposes of audit reliance was not in existence. As a consequence, in order to maintain the efficiency of our audit, we expanded our substantive testing. Our substantive testing revealed certain weaknesses which in our opinion, result in a relatively high risk that errors or irregularities in amounts that would be material in relation to the fund accountability statement may occur and not be detected within a timely period. These findings which are considered to be material are set out in pages 17 to 23.

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

Our tests for compliance with agreement terms and applicable laws and regulations of selected transactions and records of FWWBT indicated that FWWBT has complied in all material respect with the terms of agreement as well as applicable laws and regulations for the period under our review except for the amount of Baht 641,423 (US dollar equivalent : US\$ 25,075) as set out in Schedule of Questioned Costs - Appendix A which have been questioned for the adequacy of supporting documentation and compliance under the terms of the grant agreement and the nondeduction of withholding tax on hire of work and certain payroll payments as required by the Revenue Code which are set out on pages 27 to 30.

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

In the course of our work, we noted no findings or recommendations arising from previous audits.

MANAGEMENT COMMENTS

A copy of the draft report was sent to FWWBT on August 24, 1992 and analysed in the exit meeting held on 7th September, 1992. In their formal reply to our report included as Appendix 1 management expressed their agreement with internal control findings but disagreed for the questioned costs. It is our opinion that the disagreement expressed by management is contradictory to the books of account that were made available for and at the conclusion of the audit.

ACKNOWLEDGEMENTS

We would like to take this opportunity to express our gratitude for the assistance given to us by the AID Regional Inspector General for Audit/Singapore, USAID/Thailand and the management and staff of FWWBT during the course of our audit.

Yours faithfully,



RT/kte

**REPORT ON THE
FUND ACCOUNTABILITY STATEMENT**

**FRIENDS OF WOMEN'S WORLD BANKING ASSOCIATION IN THAILAND
PERTAINING TO ITS GRANT AGREEMENT NO. 493-0342-G-SS-5085-00
TITLED ACCELERATED DEVELOPMENT PROGRAM
FOR WOMEN IN SMALL BUSINESS**

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

We have audited the Fund Accountability Statement of the Friends of Women's World Banking Association in Thailand (FWWBT) operations pertaining to its grant agreement no. 493-0342-G-SS-5085-00 titled "Accelerated Development Program for Women in Small Business" with the United States Agency for International Development, Thailand ("USAID/THAILAND"). The period covered by our audit was August 19, 1985 through April 15, 1990.

This Statement, comprising the receipts and expenditures and the note thereon, set out on pages 10 and 11 is the responsibility of FWWBT's management. Our responsibility is to express an opinion on this Statement based on our audit. The Fund Accountability Statement presents only the transactions of FWWBT's operations in Thailand as they pertain to the grant agreement no. 493-0342-G-SS-5085-00 received from USAID/THAILAND, and is not intended to present fairly the receipts and expenditures of FWWBT as a whole.

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

FRIENDS OF WOMEN'S WORLD BANKING ASSOCIATION IN THAILAND
PERTAINING TO ITS GRANT AGREEMENT NO. 493-0342-G-SS-5085-00
TITLED ACCELERATED DEVELOPMENT PROGRAM
FOR WOMEN IN SMALL BUSINESS

INDEPENDENT AUDITORS' REPORT ON THE FUND
ACCOUNTABILITY STATEMENT

In our opinion, except for Baht 641,423 (US Dollar equivalent : US\$ 25,075) which we have questioned for the adequacy of supporting documentation and for compliance with the terms of the grant agreement, the Fund Accountability Statement referred to above presents fairly, in all material respects, the receipts and expenditures of FWWT for the period covered in conformity with generally accepted accounting principles. These questioned costs are set out in Appendix A - Schedule of Questioned Costs.

This report is intended solely for the use of USAID 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 AID Regional Inspector General for Audit, Singapore, is a matter of public record.



BANGKOK : SEPTEMBER 18, 1992

สมาคมส่งเสริมธุรกิจสำหรับสตรีในประเทศไทย

FRIENDS OF WOMEN'S WORLD BANKING ASSOCIATION IN THAILAND

FRIENDS OF WOMEN'S WORLD BANKING ASSOCIATION IN THAILAND FUND ACCOUNTABILITY STATEMENT

FOR USAID/THAILAND'S GRANT NO. 493-0342-G-SS-5085-00

TITLED ACCELERATED DEVELOPMENT PROGRAM

FOR WOMEN IN SMALL BUSINESS

FOR THE PERIOD OF AUGUST 19, 1985 THROUGH APRIL 15, 1990

	<u>BAHT</u>	<u>US\$</u> <u>EQUIVALENT</u>
REVENUE		
Grant received from USAID/Thailand	<u>12,368,500</u>	<u>483,522</u>
TOTAL REVENUE	<u><u>12,368,500</u></u>	<u><u>483,522</u></u>
EXPENDITURES		
Personnel salaries	3,236,222	126,513
Project activities	5,070,532	198,223
Training, travel and accommodation	2,444,269	95,554
Monitoring and testing	<u>1,617,477</u>	<u>63,232</u>
TOTAL EXPENDITURES	<u><u>12,368,500</u></u>	<u><u>483,522</u></u>

FWWBT management is responsible for the statement provided above and certifies that it represents a fair presentation of FWWBT's financial figures.

Certified by : (FOR) KACHAKORN JANLEKHA (Sudchit Bhinyoying)
Director FWWBT

Date : September 18, 1992

สมาคมส่งเสริมธุรกิจสำหรับสตรีในประเทศไทย
FRIENDS OF WOMEN'S WORLD BANKING ASSOCIATION IN THAILAND

FRIENDS OF WOMEN'S WORLD BANKING ASSOCIATION IN THAILAND
NOTE TO FUND ACCOUNTABILITY STATEMENT

1. SIGNIFICANT ACCOUNTING POLICIES

- (a) The Fund Accountability Statement, expressed in Thai Baht and their US dollar equivalent, is prepared in accordance with the historical cost convention.
- (b) Expenditure is accounted for on accrual basis.
- (c) Transactions arising in foreign currencies are translated to US dollars using an average rate for the statement period.

REPORT ON THE SYSTEM OF INTERNAL CONTROLS

**FRIENDS OF WOMEN'S WORLD BANKING ASSOCIATION IN THAILAND
PERTAINING TO ITS GRANT AGREEMENT NO. 493-0342-G-SS-5085-00
TITLED ACCELERATED DEVELOPMENT PROGRAM
FOR WOMEN IN SMALL BUSINESS**

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

We have audited the Fund Accountability Statement of the Friends of Women's World Banking Association in Thailand (FWWBT) pertaining to its grant agreement no. 493-0342-G-SS-5085-00 titled "Accelerated Development Program for Women in Small Business" with the United States Agency for International Development, Thailand (USAID/THAILAND). The period covered by our audit was August 19, 1985 through April 15, 1990. This Statement, comprising the receipts and expenditures for the Grant and the note thereon, is set out on pages 10 and 11 and we have issued our report thereon dated September 18, 1992.

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.

In planning and performing our audit of FWWBT, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the Statement and not to provide assurance on the internal control structure of FWWBT as a whole.

**FRIENDS OF WOMEN'S WORLD BANKING ASSOCIATION IN THAILAND
PERTAINING TO ITS GRANT AGREEMENT NO. 493-0342-G-SS-5085-00
TITLED ACCELERATED DEVELOPMENT PROGRAM
FOR WOMEN IN SMALL BUSINESS**

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

The management of FWWBT is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of internal control structure are to provide management with reasonable, but not absolute assurance that the assets are safe-guarded 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 the 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 the following categories :

Accounting Controls :

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

Administrative Controls :

- Monitoring
- Reporting

**FRIENDS OF WOMEN'S WORLD BANKING ASSOCIATION IN THAILAND
PERTAINING TO ITS GRANT AGREEMENT NO. 493-0342-G-SS-5085-00
TITLED ACCELERATED DEVELOPMENT PROGRAM
FOR WOMEN IN SMALL BUSINESS**

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

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

As a result of these procedures, and in accordance with Government Auditing Standards, we have limited our reliance on the internal control structure as, given the small size of the entity, 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 certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgement, could adversely affect the organization's ability to record, process, summarize and report financial data, consistent with the assertions of management, in the fund accountability statement.

Our audit revealed the following reportable conditions, which are described in detail on pages 17 to 23:

1. All supporting documentation had not been effectively cancelled at the time of payment ;
2. Quarterly financial reports submitted to USAID/Thailand are not reconciled with the project cash book.

**FRIENDS OF WOMEN'S WORLD BANKING ASSOCIATION IN THAILAND
PERTAINING TO ITS GRANT AGREEMENT NO. 493-0342-G-SS-5085-00
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FOR WOMEN IN SMALL BUSINESS**

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

3. Equipment are not tagged nor a register prepared and used on a periodical basis for physical inspection.
4. No payroll reconciliation nor written approval for payroll increases had been prepared. In addition payment voucher and recipient's signature for payroll payments for the period of September through December 1985 had not been maintained.
5. There is no set policy and procedure for the liquidation of advances.

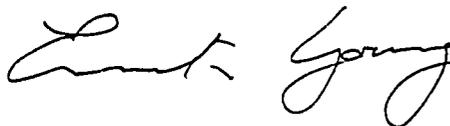
A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce, to relatively low level, the risk that errors or irregularities, in amounts that would be material in relation to the Statement being audited, may occur and not be 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 considered to be material weaknesses as defined above. However, we consider that the reportable conditions annotated as 1 to 5 above are material weaknesses.

FRIENDS OF WOMEN'S WORLD BANKING ASSOCIATION IN THAILAND
PERTAINING TO ITS GRANT AGREEMENT NO. 493-0342-G-SS-5085-00
TITLED ACCELERATED DEVELOPMENT PROGRAM
FOR WOMEN IN SMALL BUSINESS

INDEPENDENT AUDITORS' REPORT ON THE
SYSTEM OF INTERNAL CONTROLS

This report is intended solely for the use of USAID 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 AID Regional Inspector General for Audit, Singapore, is a matter of public record.



BANGKOK : SEPTEMBER 18, 1992.

FRIENDS OF WOMEN'S WORLD BANKING ASSOCIATION IN THAILAND
SCHEDULE OF REPORTABLE CONDITIONS

**1. ALL PAYMENT SUPPORTING DOCUMENTATION HAD NOT BEEN
EFFECTIVELY CANCELLED AT THE TIME OF PAYMENT**

Condition

There has been no cancellation of supporting documents for payments made.

Criteria

Adequate internal controls and sound accounting practice require that supporting documents be cancelled after payment are made.

Effect

Non-cancellation of payment supporting documents could lead to the possibility of duplicate payments although no evidence of impropriety was, however, noted by us during the course of our audit as a result of this condition.

Cause

Auditing team appeared upon the scene nearly two and a half years after the closure of the USAID-assisted project. The FWWBT operations still go on, at FWWBT's own expense, many changes have taken place during the last two years. The office had to move four times since its inception, thus some of the papers may be misplaced and hard to find, creating the impression that there was no report or documentation to support some expenditure.

Recommendation

All payment supporting documents should be stamped "PAID" or otherwise cancelled after payment had been made.

Management's Comments

Agree.

FRIENDS OF WOMEN'S WORLD BANKING ASSOCIATION IN THAILAND
SCHEDULE OF REPORTABLE CONDITIONS

2. QUARTERLY FINANCIAL REPORTS SUBMITTED TO USAID/THAILAND
ARE NOT RECONCILED WITH THE PROJECT CASH BOOK

Condition

Quarterly financial reports submitted to USAID/Thailand are not reconciled with the project cash book.

Criteria

Adequate internal controls and sound accounting practice require that financial reports are reconciled with the project cash book.

Effect

The lack of reconciliation could lead to erroneous reporting and reimbursement of costs.

Cause

FWWBT's quarterly financial report and the financial request submitted to USAID to released funds for FWWBT forthcoming operations were normally done in order that there was still some balance left in the account for operations during the time when new cheques had not arrived. Most of the time, it took 30 days or more before the new cheque was issued. Should the balance was completely depleted, it would be difficult for the operations to continue.

Recommendation

Quarterly financial reports submitted to USAID/Thailand should be reconciled to the project cash book.

Management's Comments

Agree.

FRIENDS OF WOMEN'S WORLD BANKING ASSOCIATION IN THAILAND
SCHEDULE OF REPORTABLE CONDITIONS

**3. EQUIPMENT ARE NOT TAGGED NOR A REGISTER PREPARED AND
USED ON A PERIODICAL BASIS FOR PHYSICAL INSPECTION**

Condition

A review of controls exercised over fixed assets revealed the following weaknesses :

- (a) Equipment are not tagged.
- (b) A register setting out details of equipment (eg : type, model, location, cost, tag number) are not prepared and utilised for annual physical inspection purpose.

Criteria

Adequate internal controls and sound accounting practice require that equipment be identified, recorded in the books and record and physically inspected on a periodic basis.

Effect

Equipment not controlled by register and subjected to annual physical inspection could be lost or be poorly looked after since the responsibility for its usage by each location is not established. Furthermore, the availability of an up-to-date register would ensure that insurance cover are made for assets still under FWWBT's custody.

Cause

Since our office had moved four times, so at the time of auditing took place. We were unable to locate the register book, but the facilities that are under USAID. We do have a tag number.

**FRIENDS OF WOMEN'S WORLD BANKING ASSOCIATION IN THAILAND
SCHEDULE OF REPORTABLE CONDITIONS**

- 3. EQUIPMENT ARE NOT TAGGED NOR A REGISTER PREPARED AND
USED ON A PERIODICAL BASIS FOR PHYSICAL INSPECTION**
-

Recommendation

It is recommended that equipment be tagged, recorded in a register and be subjected to annual physical inspection.

Management's Comments

Disagree.

**FRIENDS OF WOMEN'S WORLD BANKING ASSOCIATION IN THAILAND
SCHEDULE OF REPORTABLE CONDITIONS**

4. NO PAYROLL RECONCILIATION NOR WRITTEN APPROVAL FOR PAYROLL INCREASES HAD BEEN PREPARED IN ADDITION PAYMENT VOUCHER AND RECIPIENT'S SIGNATURE FOR PAYROLL PAYMENTS FOR THE PERIOD OF SEPTEMBER THROUGH DECEMBER 1985 HAD NOT BEEN MAINTAINED
-

Condition

A review of payroll reveals the following shortcomings :

- (a) Payroll increases are not evidenced by written approval.
- (b) Payroll reconciliation is not prepared and submitted to senior staff for review.

Criteria

The above deficiencies do not constitute the requirements of adequate internal control and sound accounting practice.

Effect

The lack of written documentation of increases in payroll could lead to the use of unauthorised rates. This is compounded by the fact that payroll reconciliation are not prepared and thus reducing the possibility of detecting errors or irregularities in payroll payments.

Cause

With the relocation of the office it is difficult to locate documents.

FRIENDS OF WOMEN'S WORLD BANKING ASSOCIATION IN THAILAND
SCHEDULE OF REPORTABLE CONDITIONS

4. NO PAYROLL RECONCILIATION NOR WRITTEN APPROVAL FOR PAYROLL INCREASES HAD BEEN PREPARED IN ADDITION PAYMENT VOUCHER AND RECIPIENT'S SIGNATURE FOR PAYROLL PAYMENTS FOR THE PERIOD OF SEPTEMBER THROUGH DECEMBER 1985 HAD NOT BEEN MAINTAINED
-

Recommendation

The following are recommended :

- (a) Written approval for all increases in payroll be prepared and maintained.
- (b) Payroll reconciliation in term of number of staff and Baht value should be prepared and submitted to senior staff for review and approval.

Management's Comments

Agree.

FRIENDS OF WOMEN'S WORLD BANKING ASSOCIATION IN THAILAND
SCHEDULE OF REPORTABLE CONDITIONS

**5. THERE IS NO SET POLICY AND PROCEDURE FOR THE LIQUIDATION
OF ADVANCES**

Condition

Advances are not liquidated at a specified time interval.

Criteria

Adequate internal control and sound accounting practice would require advances to be liquidated in a timely manner.

Effect

The liquidation of advances on a timely basis would facilitate cash flow and ensure that appropriate source documents are obtained.

Cause

Most of the time, when there's a need of advances, they would request, make feasibility and estimating costs. Then send the requesting form in and wait for approval. Decision and approval are made by the head office only.

Recommendation

Policy and procedure be established for liquidation and follow-up of unliquidated advances.

Management's Comments

Agree.

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

**FRIENDS OF WOMEN'S WORLD BANKING ASSOCIATION IN THAILAND
PERTAINING TO ITS GRANT AGREEMENT NO. 493-0342-G-SS-5085-00
TITLED ACCELERATED DEVELOPMENT PROGRAM FOR WOMEN IN SMALL
BUSINESS**

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

We have audited the Fund Accountability Statement of the Friends of Women's World Banking Association in Thailand (FWWBT) pertaining to its grant agreement no. 493-0342-G-SS-5085-00 titled "Accelerated Development Program for Women in Small Business" with the United States Agency for International Development, Thailand (USAID/THAILAND). The period covered by our audit was August 19, 1985 through April 15, 1990.

This Statement, comprising the receipts and expenditures for the Grant and the note thereon, is set out on pages 10 and 11 and we have issued our report thereon dated September 18, 1992.

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.

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

**FRIENDS OF WOMEN'S WORLD BANKING ASSOCIATION IN THAILAND
PERTAINING TO ITS GRANT AGREEMENT NO. 493-0342-G-SS-5085-00
TITLED ACCELERATED DEVELOPMENT PROGRAM FOR WOMEN IN SMALL
BUSINESS**

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

Material instances of noncompliance are failures to follow requirements or violations of agreement terms and laws and regulations that cause us to conclude that the aggregation of misstatements resulting from those failures or violations is material to the fund accountability statements. The results of our tests of compliance disclosed the following material instances of noncompliance, the effects of which have not been corrected in FWWTB fund accountability statement as set out on pages 10 and 11.

1. Withholding tax deduction had not been made for payments of hire of work (eg : publication) and payroll to provincial co-ordinator as required by the Revenue Code.
2. Costs amounting to Baht 641,423 (US Dollar equivalent : US\$ 25,075) have been questioned for the adequacy of supporting documentation and for compliance with the terms of the grant agreement.

The aforementioned instances of noncompliance are set out in summary on pages 27 to 29, and in detail in Appendix A.

**FRIENDS OF WOMEN'S WORLD BANKING ASSOCIATION IN THAILAND
PERTAINING TO ITS GRANT AGREEMENT NO. 493-0342-G-SS-5085-00
TITLED ACCELERATED DEVELOPMENT PROGRAM FOR WOMEN IN SMALL
BUSINESS**

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

We considered these material instances of noncompliance in forming our opinion on whether FWWBT fund accountability statement as set out in pages 10 and 11 is presented fairly, in all material respects, in conformity with the basis of accounting described in note 1 to the fund accountability statement and this report does not affect our report on the fund accountability statement dated September 18, 1992.

Except as described above, the results of our tests of compliance indicate that, with respect to the items tested, FWWBT complied, in all material respects, with the provisions referred to in the third paragraph of this report, and with respect to items not tested, nothing came to our attention that caused us to believe that FWWBT had not complied, in all material respects, with those provisions.

This report is intended solely for the use of USAID 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 AID Regional Inspector General for Audit, Singapore, is a matter of public record.



BANGKOK : SEPTEMBER 18, 1992.

FRIENDS OF WOMEN'S WORLD BANKING ASSOCIATION IN THAILAND

SUMMARY OF AUDIT FINDINGS ON NON-COMPLIANCE

1. Withholding tax deduction had not been made for payments of hire of work (eg : publication) and payroll to provincial co-ordinator as required by the Revenue Code.
2. Costs amounting to Baht 641,423 (US dollar equivalent : US\$ 25,075) have been questioned for the adequacy of supporting documentation and for compliance with the terms of the grant agreement.

**FRIENDS OF WOMEN'S WORLD BANKING ASSOCIATION IN THAILAND
SCHEDULE OF FINDINGS ON NON-COMPLIANCE**

- (1) WITHHOLDING TAX DEDUCTION HAD NOT BEEN MADE FOR
PAYMENTS OF HIRE OF WORK (EG : PUBLICATION) AND
PAYROLL TO PROVINCIAL COORDINATOR AS REQUIRED
BY THE REVENUE CODE.**
-

Condition

No withholding tax deduction had been made for payments of hire of work (eg : book publication, pre-development survey) and payroll paid to provincial coordinator.

Criteria

The above deficiency do not constitute the requirement of adequate internal control and sound accounting practice.

Effect

Failure to withholding tax as required by the Revenue Code would render FWWBT to be jointly liable for the tax shortfall and related surcharge/penalty.

Cause

It was felt that Friends of Women's World Banking Association in Thailand is exempted from withholding tax requirements.

Recommendation

Withholding tax deduction should be made as required by the Revenue Code.

Management's Comments

Disagree.

**FRIENDS OF WOMEN'S WORLD BANKING ASSOCIATION IN THAILAND
SCHEDULE OF FINDINGS ON NON-COMPLIANCE**

- (2) COSTS AMOUNTING TO BAHT 641,423 (US DOLLAR EQUIVALENT : US\$ 25,075) HAVE BEEN QUESTIONED FOR THE ADEQUACY OF SUPPORTING DOCUMENTATION AND FOR COMPLIANCE WITH THE TERMS OF THE GRANT AGREEMENT**
-

Condition

During the course of our audit we noted costs amounting to Baht 641,423 (US dollar equivalent : US\$ 25,075) which have been questioned for the adequacy of supporting documentation and for compliance with the terms of the grant agreement. These costs are set out in Appendix A.

Criteria

FWWBT should ensure that funds are disbursed in accordance with the grant requirements and USAID guidelines.

Effect

FWWBT have claimed costs totalling Baht 641,423 (US dollar equivalent : US\$ 25,075) which may be questionable.

Cause

Due to move of office, some of the papers may be misplaced and hard to find.

FRIENDS OF WOMEN'S WORLD BANKING ASSOCIATION IN THAILAND
SCHEDULE OF FINDINGS ON NON-COMPLIANCE

- (2) COSTS AMOUNTING TO BAHT 641,423 (US DOLLAR EQUIVALENT : US\$ 25,075) HAVE BEEN QUESTIONED FOR THE ADEQUACY OF SUPPORTING DOCUMENTATION AND FOR COMPLIANCE WITH THE TERMS OF THE GRANT AGREEMENT
-

Recommendation

It is recommended that FWWBT review the amounts set out in Appendix A with USAID/Thailand and institute appropriate action to resolve these items. Appropriate procedure should also be adopted for future projects.

Management's Comments

Agree.

APPENDIX A

**QUESTIONED COSTS AS TO
REASONABLENESS, ALLOWABILITY AND ALLOCABILITY**

FRIENDS OF WOMEN'S WORLD BANKING ASSOCIATION IN THAILAND
APPENDIX A
QUESTIONED COSTS AS TO
REASONABLENESS, ALLOWABILITY AND ALLOCABILITY

<u>Finding and Condition</u>	<u>Basis of Questionability</u>	<u>Amount Baht</u>	<u>US\$ Equivalent</u>
1. Funds advanced by FWWT for the project had not been liquidated by documentation of actual expenditures (ie : official receipts)	Allowability - unsupported costs.	334,143	13,063
2. Travel expenses incurred by personnel of the Bangkok Office for monitoring purpose are not supported by travel reports as to time and date of departure/ arrival, locations visited, details of costs incurred, purpose of trip and approved by responsible staff. Furthermore, such travel expenses are supported by dubious petrol receipts from petrol stations in Bangkok despite the fact that normal expenditures are for food, accommodation and travel in provinces outside of Bangkok.	Allocability - unsupported costs.	247,451	9,674

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FRIENDS OF WOMEN'S WORLD BANKING ASSOCIATION IN THAILAND
APPENDIX A
QUESTIONED COSTS AS TO
REASONABLENESS, ALLOWABILITY AND ALLOCABILITY

<u>Finding and Condition</u>	<u>Basis of Questionability</u>	<u>Amount Baht</u>	<u>US\$ Equivalent</u>
3. Total advances and reimbursements received from USAID/Thailand exceeded the FWWT's project cash book and supporting documents.	Allowability - funding exceeded actual disbursements	37,351	1,460
4. Expense for follow up at Chiengrai during September 8-10, 1989 had been reimbursed twice.	Allowability - erroneous overcharge	8,143	318
5. Air tickets and accommodation for southern Thailand on 23rd September, 1986 was not provided for in the grant agreement.	Allowability - grant does not authorise for activities in southern Thailand.	8,075	316
6. Expenses incurred during February 1-2, 1987 in conjunction with seminar for borrowers are neither supported by official receipts nor details of actual expenses.	Allowability - unsupported costs.	5,000	195

**FRIENDS OF WOMEN'S WORLD BANKING ASSOCIATION IN THAILAND
APPENDIX A
QUESTIONED COSTS AS TO
REASONABLENESS, ALLOWABILITY AND ALLOCABILITY**

<u>Finding and Condition</u>	<u>Basis of Questionability</u>	<u>Amount Baht</u>	<u>US\$ Equivalent</u>
7. Entertainment had been charged to the project.	Allowability - entertainment are unallowable costs	1,260	49
		<u>641,423</u>	<u>25.075</u>

APPENDIX B
AUDITEE MANAGEMENT'S COMMENTS

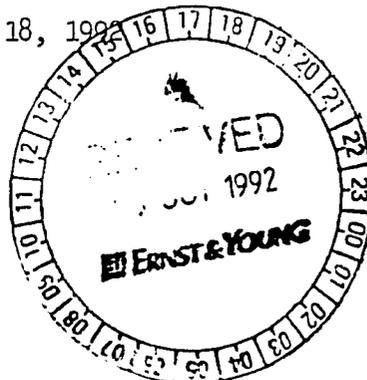
สมาคมส่งเสริมธุรกิจสำหรับสตรีแห่งประเทศไทย

FRIEND OF WOMEN'S WORLD BANKING ASSOCIATION IN THAILAND

Ref. 036/1992

September 18, 1992

Ralph Robert Tye
Ernst & Young
Sinthon Building, 9th Fl.
132 Withayu Road
Bangkok 10330



Dear Sir,

We have noted with interest the draft of the report of the findings of our financial activities during the years FWWBT was under USAID grant.

In this connection, may we point out some of the important factors that may be relevant to the situation:

1. The auditing team from Ernst and Young appeared upon the scene nearly two and a half years after the closure of the USAID-assisted project. Although FWWBT operations still go on, at FWWBT's own expense, many changes have taken place during the last two years. First, a number of staff members including the financial director, the accountant and the operation officer, have left FWWBT to work elsewhere. A few staff are now working on part-time basis instead of full-time as before. Secondly, the office had to move four times since its inception, thus some of the papers may be misplaced and hard to find, creating the impression that there was no report or documentation to support some expenditure.

Also we would like to point out, every year, FWWBT has outside auditors to come to verify our financial movement and status. This is done as it is a requirement by the Thai law and as an obligation to WWB, our main office in New York. The auditors went thoroughly through all our papers before a certified report was issued. During the life of our USAID-assisted project, USAID also received copies of our annual financial report.

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2. FWWBT's quarterly financial report and the financial request submitted to USAID to release funds for FWWBT forthcoming operations were normally done in order that there was still some balance left in the account for operations during the time when new cheques had not arrived. Most of the time, it took 30 days or more before the new cheque was issued. Should the balance was completely depleted, it would be difficult for the operations to continue.
3. The following are what we would like to point out regarding some items on your list:
 - 3.1 Transportation for monitoring (item 2) for centrally-based staff members. The works involved were routine ones and as staff members saw each other every day in the office under close supervision of the executive director and the president, reports and discussion in connection with the monitoring trip were done verbally in order to minimize paperwork and to concentrate more on important matters.
 - 3.2 Expense for trip to the south marked by the auditor as itme 5. This was held in accordance with FWWBT objective as programs in designated regions, i.e. North, Northeast and Central, had been proved successful and our board members had received requests to explore the possibility of expending assistance down to the South. Also because of heavy typhoon and flood which caused havoc among Southern families, FWWBT deemed it appropriate to find out if there could be ways to assist the women there.
 - 3.3 Findings in item 1 refer to lack of documentation. The reasons for the unavailability of documents may be found in No. 1.
 - 3.4 Early every year, FWWBT holds a meeting for board members to review past performance and to make plan for the new year operations. A little expense was needed for such a meeting. Hence the reason for the expenditure in item 7.

Thank you.

Yours sincerely,

(FOR) KACHAKORN JANLEICHA

(Sudchit Bhinyoying)

Director FWWBT

**APPENDIX C
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