

**Regional Inspector General for Audit
Singapore**

**AUDIT OF
USAID/INDONESIA'S GRANT TO
YAYASAN PENDIDIKAN DAN
PEMBINAAN MANAJEMEN**

**Audit Report No. 5-497-93-06-N
February 26, 1993**





U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

February 26, 1993

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

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

SUBJECT: Audit of USAID/Indonesia's Grant to Yayasan Pendidikan dan Pembinaan
Manajemen (YPPM).
Audit Report No. 5-497-93-06-N

The accounting firm of Hans Tuanakotta & Mustofa, the Deloitte Touche Tohmatsu International affiliate in Indonesia, performed a financial audit of USAID/Indonesia's grant with YPPM in Indonesia. Five copies of the audit report are enclosed for your action.

In 1984, USAID/Indonesia awarded a grant to YPPM under the Private Sector Management Development Project to assist YPPM to strengthen institutionally, and to spread its strength to a greater individual and institutional audience. The goal of the project is to expand the capacity to produce private sector/business managers in Indonesia. The basic assumption leading to the goal is that increasing this capacity will increase the number of managers. This should then lead to increased management effectiveness in the private sector and greater employment generation through more efficient resource utilization. The period covered by the audit was from June 7, 1984 through June 30, 1992. During this period, YPPM reported that they received \$3,753,242 and expended \$3,820,256 for grant purposes.

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

The auditors reported that YPPM's Fund Accountability Statement presents fairly the receipts and expenditures under the USAID/Indonesia grant. No material internal control weaknesses were noted and, YPPM complied, in all material respects, with applicable laws, regulations, and agreement terms. However, two minor instances of noncompliance were noted.

YPPM officials generally agreed with the auditors' findings and recommendations. Their comments are summarized under each individual finding in the report and are set out in full as Appendix 1.

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

Recommendation No. 1: We recommend that USAID/Indonesia verify that Yayasan Pendidikan dan Pembinaan Manajemen has established and implemented adequate internal control procedures to account for interest earned from advances provided by USAID/Indonesia, and refund the appropriate amount to USAID/Indonesia on a periodic basis.

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

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

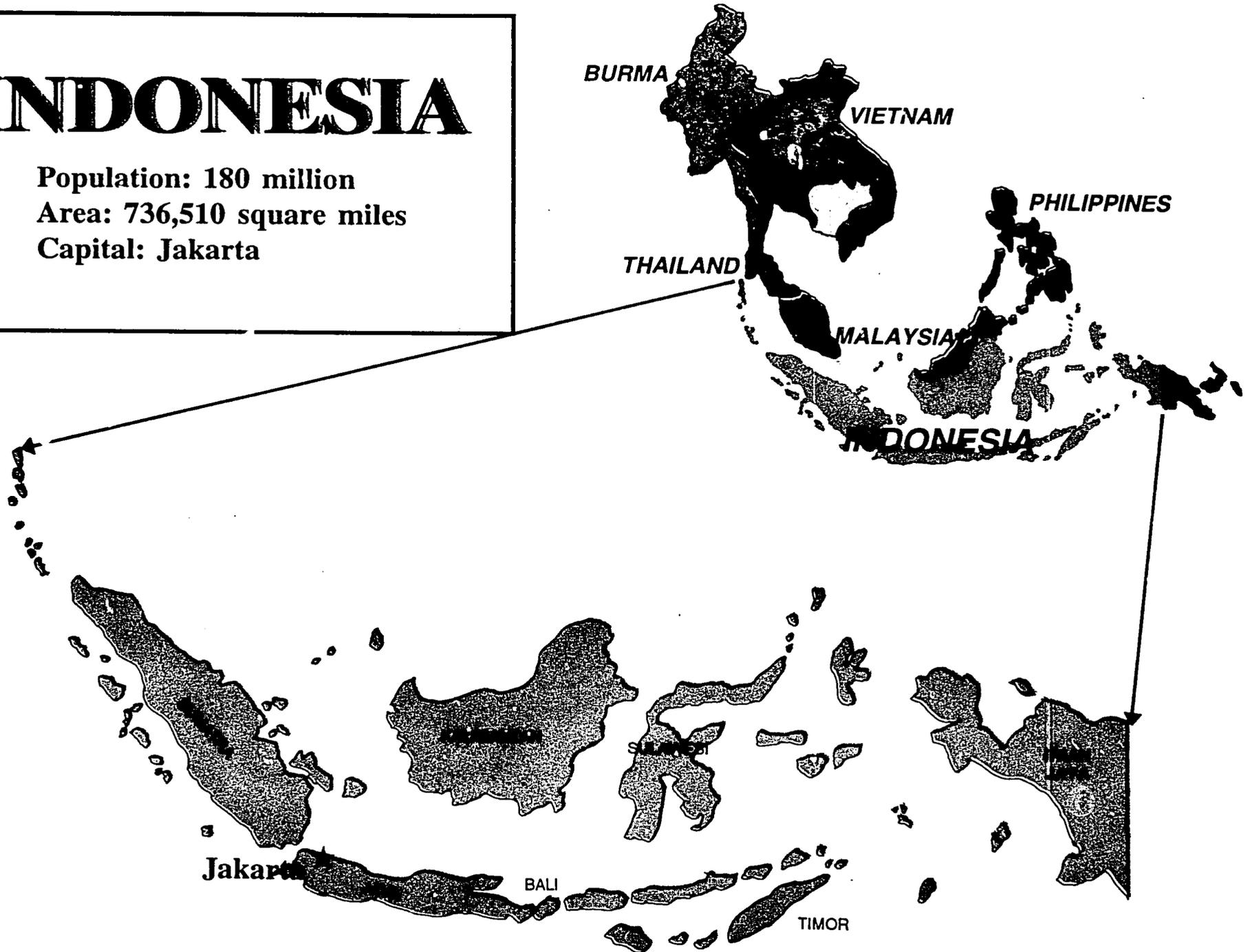
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INDONESIA

Population: 180 million

Area: 736,510 square miles

Capital: Jakarta



FINANCIAL AUDIT OF

USAID/INDONESIA'S GRANT TO

YAYASAN PENDIDIKAN DAN PEMBINAAN MANAJEMEN

UNDER THE PRIVATE SECTOR MANAGEMENT DEVELOPMENT

USAID GRANT NO. OPG 84-1, 497-0345

FOR THE PERIOD FROM JUNE 7, 1984 TO JUNE 30, 1992

YAYASAN PENDIDIKAN DAN PEMBINAAN MANAJEMEN (YPPM)

USAID GRANT NO. OPG 84-1, 497-0345

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No. 06.11.92 IR AID YPPM SR1

November 6, 1992

Mr. James B. Durnil
Regional Inspector General
for Audit/Singapore
United States Agency for International
Development (USAID)
111, North Bridge Road
No. 17-03, Peninsula Plaza
Singapore 0617.

Dear Mr. Durnil,

This report presents the results of our audit of USAID Grant No. OPG 84-1, 497-0345 (the Grant) extended to Yayasan Pendidikan dan Pembinaan Manajemen (Foundation for Management Education and Development or YPPM) under the Private Sector Management Development (PSMD) project. Our audit covers total receipts and expenditures of funds from USAID and other non-USAID contributions specified in the Grant Agreement, incurred since the inception of the Grant (June 7, 1984) through June 30, 1992.

BACKGROUND

YPPM was founded to provide learning opportunities for all people who need to improve their management capabilities for better performance. Its clientele is found all over the country and includes government and military organizations, cooperatives, state and privately owned companies, and non profit and religious organizations. Some are large scale organizations, but hundreds are medium and small scale enterprises. For the past twenty three years, more than 100,000 have attended YPPM's management training programs and more than 800 have graduated from the post graduate management programs. YPPM has become an established institution in Indonesia, hence its future is strongly coupled to Indonesia's national development.

USAID's Involvement in the Project

In June 1984, USAID/Indonesia implemented the PSMD grant to support the development and expansion of YPPM, in order to assist it to strengthen institutionally and to spread its strengths to a greater individual and institutional audience.

Project's Goal and Purpose

The goal of the PSMD project is to expand the capacity to produce private sector/business managers in Indonesia. The basic assumption leading to this goal is that increased capacity will result in increased production of managers which will in turn result in increased management effectiveness in the private sector because of the more efficient ratio of managers to workers. This greater effectiveness will, in the long term, result in greater employment generation through more efficient resource utilization. Specific objectives include :

1. Strengthening YPPM's strategic planning process.
2. Overseas and in-country training of its staff.
3. Strengthening YPPM's consulting services.
4. Creation of an outreach capacity.
5. Strengthening YPPM's research program and library acquisition.

AUDIT OBJECTIVES AND SCOPE

We conducted a financial audit of YPPM's Fund Accountability Statement under USAID Grant No. OPG 84-1, 497-0345 for the period from inception (June 7, 1984) to June 30, 1992.

The Fund Accountability Statement comprises the statement of receipts and expenditures of funds from USAID and other non-USAID contributions specified in the Grant, and the notes for this statement.

The results of our work are reflected in the following accompanying Independent Auditors' Reports :

1. Fund Accountability Statement
2. Internal Control Structure
3. Compliance with Terms of the Agreement, Applicable Laws and Regulations

The objectives of our audit were to:

- a. Determine whether the Fund Accountability Statement for YPPM presents fairly the receipts and expenditures for the period from inception (June 7, 1984) to June 30, 1992 in accordance with the terms of the Grant Agreement with USAID and to identify costs which were not fully supported with adequate records or which were not allocable, reasonable or allowable under the terms of the Agreement.

- b. Report on YPPM's internal control structure. An adequate internal control structure should exist to provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed and properly recorded to permit the preparation of vouchers or invoices in accordance with the Agreement.
- c. Report on YPPM's compliance with the applicable laws, regulations and terms of the Agreement.

The audit was conducted in accordance with generally accepted US Government Auditing Standards and, accordingly, included such tests to determine whether funds were being properly accounted for and used as directed by the Agreement and other applicable program documents and the laws of Indonesia.

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

- a. Holding meetings with USAID/I, YPPM and RIG/A/S officials.
- b. Reviewing Agreements, Office of Management and Budget (OMB) circulars, AID Handbook 13 (including Mandatory Standard Provisions for grantees), grant proposals, USAID/I grant files, specific grantee's work programs and budget, grant files and annual and quarterly reports submitted to USAID/I and to YPPM office.
- c. Reviewing YPPM's internal control structure, accounting records, and control procedures.
- d. Assessing YPPM's compliance with terms of the Agreement, applicable laws and regulations.
- e. In performing some of the above procedures, compliance and substantive testing procedures were devised and performed. These include confirming balances with depository bank and USAID/I offices.
- f. Designing appropriate audit steps and procedures to provide reasonable assurance of detecting errors, irregularities, and illegal acts that could have a direct and material effect on the results of our audit. We were also aware of the possibility of illegal acts that could have an indirect and material effect on the results of our audit.

SUMMARY OF RESULTS OF THE AUDIT

Opinion on Fund Accountability Statement

In our opinion, the Statement of Receipts and Expenditures presents fairly the receipts and expenditures of YPPM for the period from inception (June 7, 1984) to June 30, 1992.

Internal Control Structure

Our study and evaluation of the internal control structure was considered in determining the nature, timing and extent of the audit tests applied by us in the examination of the related Fund Accountability Statement.

Since our study and evaluation of the system of internal control was made for limited purposes, it would not necessarily disclose all weaknesses in the system, and therefore, we do not express an opinion on the system of YPPM's internal control taken as a whole. The results of our tests on YPPM's internal control revealed no material weaknesses nor reportable conditions. However, we noted certain minor matters relating to the internal control structure that we have reported to the management of YPPM in a separate letter dated November 6, 1992.

Compliance with Terms of the Agreement, Applicable Laws and Regulations

Our tests for compliance with the terms of the Agreement, applicable laws and regulations of selected transactions and records indicate that, for the items tested, YPPM complied in all material respects with those provisions of the Agreement, applicable laws and regulations. Minor instances of noncompliance are presented in pages 15 to 17 of this report.

With respect to transactions and records not tested by us, nothing came to our attention to cause us to believe that YPPM has not complied with the terms of the Agreement, applicable laws and regulations.

SUMMARY OF MANAGEMENT COMMENTS

YPPM generally agreed with our findings and recommendations on the compliance issues. The management comments on the related findings and recommendations and issues are summarized under the individual findings. The full text of the comments is attached as Appendix 1 to this report.

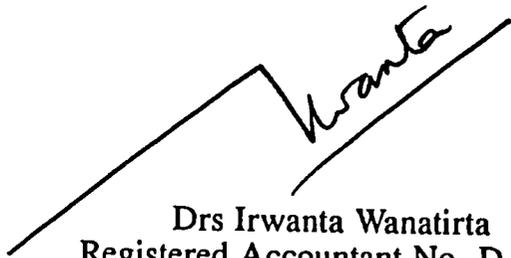
FOLLOW-UP ON PRIOR AUDITS

Prior findings and recommendations were noted by the external auditors, Darmawan & Rekan, through its letter to the management dated May 19, 1992 No. C/1227/91 9420/DR/LEA. There were two internal control issues and one compliance issue commented upon. Internal control issues have no impact to the USAID funded grant. The compliance issue relates to management's exclusion of in-kind allowances in the computation of taxable personal income of the employees of the organization for purposes of withholding their personal income tax. Commencing in 1992, management included in-kind allowances as part of personal income subject to withholding tax.

ACKNOWLEDGEMENT

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

HANS TUANAKOTTA & MUSTOFA

A handwritten signature in black ink, appearing to read 'Irwanta', is written over a diagonal line that slopes upwards from left to right.

Drs Irwanta Wanatirta
Registered Accountant No. D-4118

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



- 6 -

No. 06.11.92 IR AID YPPM SR2

Mr. James B. Durnil
Regional Inspector General
for Audit/Singapore
United States Agency for International
Development (USAID)
111, North Bridge Road
No. 17-03, Peninsula Plaza
Singapore 0617

Dear Mr. Durnil,

FINANCIAL AUDIT OF USAID'S GRANT TO
YAYASAN PENDIDIKAN DAN PEMBINAAN MANAJEMEN (YPPM)
USAID GRANT NO. OPG 84-1, 497-0345
FOR THE PERIOD FROM INCEPTION (JUNE 7, 1984) TO JUNE 30, 1992

INDEPENDENT AUDITORS' REPORT
ON THE FUND ACCOUNTABILITY STATEMENT

We have audited the accompanying Fund Accountability Statement of YPPM's receipts and expenditures pertaining to USAID Grant No. OPG 84-1, 497-0345, for the Private Sector Management Development project for the period from inception (June 7, 1984) to June 30, 1992.

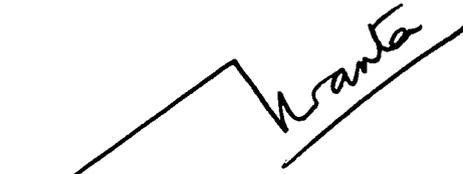
The Statement and the notes thereon, set out on pages 8 to 9, are the responsibility of YPPM's management. Our responsibility is to express an opinion on the Statement based on our audit.

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

In our opinion, the Fund Accountability Statement presents fairly the receipts and expenditures of YPPM for the period from inception (June 7, 1984) to June 30, 1992 in conformity with generally accepted accounting principles.

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

HANS TUANAKOTTA & MUSTOFA



Drs Irwanta Wanatirta
Registered Accountant No. D-4118

November 6, 1992



Yayasan Pendidikan dan Pembinaan Manajemen

(FOUNDATION FOR MANAGEMENT EDUCATION AND DEVELOPMENT)

Gedung BINA MANAJEMEN
• Jalan Menteng Raya 9, Jakarta 10340
• P.O. Box 3027/JKP, Jakarta 10030
• Telp. (021) 3909401 • Tlx. 69134 PEPEEM IA
• Fax. (021) 3909351 • Cable: BINAMANAGEMENT

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YAYASAN PENDIDIKAN DAN PEMBINAAN MANAJEMEN (YPPM)
UNDER USAID GRANT NO. OPG 84-1, 497-0345

FUND ACCOUNTABILITY STATEMENT
FOR THE PERIOD FROM INCEPTION (JUNE 7, 1984)
TO JUNE 30, 1992

(Amounts in United States Dollars)

USAID'S CONTRIBUTION

RECEIPTS

Funds received 3,753,242

EXPENDITURES

Training program 1,401,728
Technical assistance 617,812
Commodities 488,231
Outreach program 1,287,774
Evaluation and audit reserve 20,655
Contingency 4,056

Total 3,820,256

EXCESS (SHORTFALL) OF RECEIPTS
OVER EXPENDITURES

(67,014)

YPPM'S CONTRIBUTION

EXPENDITURES

Training program 1,787,156
Commodities 78,071
Administration activities 76,801
Contribution for management trainee program 337,435
Total 2,279,463

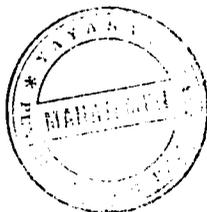
The accompanying notes form an integral part of
the Fund Accountability Statement.

PREPARED BY :

Djoko Rebowo
Internal Auditor

REVIEWED BY :

Fahmi Mu'thi
Vice President Institute PPM



YAYASAN PENDIDIKAN DAN PEMBINAAN MANAJEMEN (YPPM)

UNDER USAID GRANT NO. OPG 84-1, 497-0345

**NOTES TO THE FUND ACCOUNTABILITY STATEMENT
FOR THE PERIOD FROM INCEPTION (JUNE 7 1984) TO JUNE 30, 1992**

1. SIGNIFICANT ACCOUNTING POLICIES

The statement of receipts and expenditures is prepared in accordance with the historical cost concept. The records are maintained in United States dollars. Transactions during the period involving the Rupiah currency are recorded at the approximate rate of exchange prevailing at the time the transactions are made.

Project scholarship loans for management trainees and furniture and equipment purchases are included as part of expenditures.

2. COMPONENT UNIT OF THE ORGANIZATION

The Fund Accountability Statement presents transactions and balances of the fund under Grant No. OPG 84-1, 497-0345 as funded by USAID and other non-USAID contributions.

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



- 10 -

No. 06.11.92 IR AID YPPM SR3

Mr. James B. Durnil
Regional Inspector General
for Audit/Singapore
United States Agency for International
Development (USAID)
111, North Bridge Road
No. 17-03, Peninsula Plaza
Singapore 0617

Dear Mr. Durnil,

**FINANCIAL AUDIT OF USAID'S GRANT TO
YAYASAN PENDIDIKAN DAN PEMBINAAN MANAJEMENT (YPPM)
USAID GRANT NO. OPG 84-1, 497-0345
FOR THE PERIOD FROM INCEPTION (JUNE 7, 1984) TO JUNE 30, 1992**

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

We have audited the Fund Accountability Statement of YPPM in relation to the grant funded by USAID/I and other non-USAID contributions under Grant No. OPG 84-1, 497-0345 and have issued our report thereon dated November 6, 1992.

We conducted our audit in accordance with generally accepted US Government Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Fund Accountability Statement is free of material misstatement.

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

The management of YPPM is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related cost of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that the assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the fund accountability statement in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories:

- Accounting system and record keeping
- Payroll
- Cash disbursements
- Cash receipts
- Cost allocation and allowability
- Reimbursement request
- Financial reporting
- Monitoring

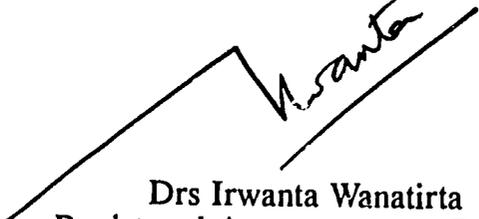
For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the Fund Accountability Statement 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 to the management of YPPM in a separate letter dated November 6, 1992.

This report is intended solely for the use of YPPM and USAID/I. This restriction is not intended to limit the distribution of this report which, upon acceptance by AID Regional Inspector General for Audit/Singapore, is a matter of public record.

HANS TUANAKOTTA & MUSTOFA

A handwritten signature in black ink, appearing to read 'Irwanta', is written over a diagonal line that slopes upwards from left to right.

Drs Irwanta Wanatirta
Registered Accountant No. D-4118

November 6, 1992

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



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No. 06.11.92 IR AID HKI SR4

Mr. James B. Durnil
Regional Inspector General
for Audit/Singapore
United States Agency for International
Development (USAID)
111, North Bridge Road
No. 17-03, Peninsula Plaza
Singapore 0617

Dear Mr. Durnil,

**FINANCIAL AUDIT OF USAID GRANT TO
YAYASAN PENDIDIKAN DAN PEMBINAAN MANAJEMEN (YPPM)
USAID GRANT NO. OPG 84-1, 497-0345
FOR THE PERIOD FROM INCEPTION (JUNE 7, 1984) TO JUNE 30, 1992**

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

We have audited the Fund Accountability Statement of YPPM in relation to the grant funded by USAID/I and other non-USAID contributions under Grant No. OPG 84-1, 497-0345 and have issued our report thereon dated November 6, 1992.

We conducted our audit in accordance with generally accepted US Government Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Fund Accountability Statement is free of material misstatement.

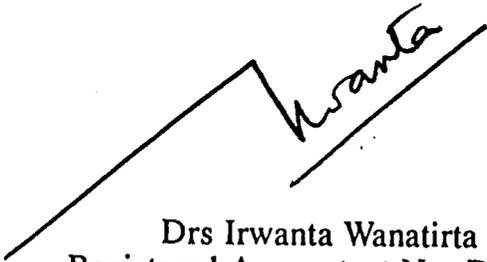
Compliance with laws, regulations, grants, and binding policies and procedures applicable to YPPM is the responsibility of YPPM management. As part of our audit, we performed tests of YPPM's compliance with applicable laws, regulations, grants, and binding policies and procedures. However, it should be noted that we performed those tests of compliance as part of obtaining reasonable assurance about whether the Fund Accountability Statement is free of material misstatements; our objective was not to provide an opinion on compliance with such provisions.

Our tests of selected transactions and records disclosed minor instances of noncompliance with the terms of the Agreement and regulations. All minor instances of noncompliance that we found and the programs to which they relate, are identified on pages 15 to 16 of this report.

The result of our tests indicates that, with respect to the items tested, YPPM complied, in all material respects, with the provisions referred to in the third paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that YPPM had not complied, in all material respects, with those provisions.

This report is intended solely for the use of YPPM and USAID/I. This restriction is not intended to limit the distribution of this report which, upon acceptance by AID Regional Inspector General for Audit/Singapore, is a matter of public record.

HANS TUANAKOTTA & MUSTOFA

A handwritten signature in black ink, appearing to read 'Irwanta', is written over a diagonal line that extends from the bottom left towards the top right.

Drs Irwanta Wanatirta
Registered Accountant No. D-4118

November 6, 1992

YAYASAN PENDIDIKAN DAN PEMBINAAN MANAJEMEN (YPPM)

USAID GRANT NO. OPG 84-1, 497-0345

AUDIT FINDINGS AND RECOMMENDATIONS

COMPLIANCE ISSUE

1. NO POST TRAINING EMPLOYMENT CONTRACT BETWEEN EMPLOYEES AND YPPM

Condition

YPPM did not require its long-term overseas training participants, prior to the initiation of training, to sign a five year post training employment contract. This requirement was implemented commencing only in 1991.

Criteria

Pursuant to Section F, Special Provision No. 3 (a) (ii) of the Grant Agreement, prior to the initiation of training, the Grantee agrees to require that each participant sign a five year post training employment contract with YPPM.

Effect

Since there were no post training contracts signed between the participants and YPPM, some participants left YPPM prior to the expected five years.

Cause

The participants sent overseas for degree programs were the loyal staff who had worked with YPPM for several years. They had contributed their knowledge, time and capabilities to YPPM prior to their departure. Before January 1991, YPPM had the conviction that the participants had the moral obligation to return to YPPM after training. YPPM, therefore, did not impose on them to sign the contract. Starting January 1991, all participants, including those not covered by the USAID fund, had to sign a post training employment contract with YPPM.

Recommendation

We recommend that YPPM establish and implement appropriate formal policies to require participants to sign the post training employment contracts to avoid any potential misunderstanding between employees and YPPM, and to enhance YPPM's staff development plan.

Management Response

YPPM (or the Institute, for that matter) did not require long-term overseas training participants to sign post-training employment contracts in good faiths. The participants in the overseas degree programs were all loyal personnel who had dedicated the best part of their life time and their expertise to the cause of the Institute and, therefore, it was the Management's conviction that having them sign legally binding contracts would be ethically inappropriate. Those leaving after 1990, however, are obliged to sign post-training employment contracts.

The departure of some 14 returnees to set up a new management development institute (IMMI) was certainly a loss to IPPM but not to the management development effort of the nation as a whole. As such, the USAID money spent on their training overseas still served the purpose of contributing to the management development in Indonesia. This issue has been thoughtfully addressed in the USAID evaluation.

2. INTEREST INCOME ON ADVANCES OF AGENCY FUND WAS NOT REMITTED TO AID

Condition

Interest earned on advances of agency funds were not remitted, however, the accumulated amount has always been reported to AID Jakarta. Total interest earned up to June 30, 1992 was US\$ 1,458.45.

Criteria

Based on AID Handbook No. 13, Chapter 1, 1J No. 2 and Office of Management and Budget Circular A-110 Attachment I paragraph 8, "...Interest earned on Federal advances ...shall be remitted promptly, but at least quarterly, to the Federal agencies that provided the funds...".

Effect

Holding interest earned on advances of agency funds would mean unauthorized holding of USAID's cash resources.

Cause

According to management, since the amount of interest earned was immaterial while the cost of transfer is expensive, it will be more favorable to retain the amount in the bank account and treat it as cash prefunded by USAID/I. Management has reported this to AID and received no response from them.

The monthly "Statement of Certified Cash Needs Report" submitted by YPPM to USAID/I shows the interest as an addition to the total advance or cash receipt. The same report shows the total interest earned on the fund from inception.

Recommendation

We recommend that management discuss and resolve this issue with USAID/I - Finance and refund all interest due to USAID.

Management Response

Interest earned on advances of Agency Funds amounting to US\$ 1,458.45 up to June 30, 1992 was not remitted to USAID but accumulated to the same bank account. Thus, in essence, the sum adds up to the advances of Agency Funds accounted for in the monthly reports.



Institut Pendidikan dan Pembinaan Manajemen

(INSTITUTE FOR MANAGEMENT EDUCATION AND DEVELOPMENT)

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 • P.O. Box 3027/JKP, Jakarta 10030
 • Telp. (021) 3909401 • Tlx. 69134 PEPEEM IA
 • Fax. (021) 3909351 • Cable: BINAMANAGEMENT

Januari 11, 1993

No. : 006/M/WDU/I/93
 Ref. : **Financial Audit of USAID/Indonesian Grant**
 No. OPG 84-1, 497-0345

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

Dear Mr. Wanatirta,

The purpose of this letter is to formally respond to the audit findings in the above referenced audit report dated November 6, 1992.

Our comments that should be incorporated into the Audit Findings and Recommendations, Compliance Issue as "Management Response" are :

Finding No. 1

YPPM (or the Institute, for that matter) did not require long-term overseas training participants to sign post-training employment contracts in good faiths. The participants in the overseas degree programs were all loyal personnel who had dedicated the best part of their life time and their expertise to the cause of the Institute and, therefore, it was the Management's conviction that having them sign legally binding contracts would be ethically inappropriate. Those leaving after 1990, however, are obliged to sign post-training employment contracts.

The departure of some 14 returnees to set up a new management institute (IMMI) was certainly a loss to IPPM but not to the management development effort of the nation as a whole. As such, the USAID money spent on their training overseas still served the purpose of contributing to the management development in Indonesia. This issue has been thoroughly addressed in the USAID evaluation.

Finding No. 2

Interest earned on advances of Agency Funds amounting to US\$ 1,458.45 up to June 30, 1992 was not remitted to USAID but accumulated to the same bank account. Thus, in essence, the sum adds up to the advances of Agency Funds accounted for in the monthly reports.

Very truly yours,

Fahmi Mu'thi

Fahmi Mu'thi
 Vice President



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

APPENDIX 2

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