

Regional Inspector General for Audit
Nairobi, Kenya

Audit of
The Omani-American Joint Commission
Grant No. 272-0101

Report No. 3-272-93-24-N
June 30, 1993



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U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

June 30, 1993

Memorandum

*Regional
Inspector General
for Audit/Nairobi*

TO: USAID Representative, Oman, Mark S. Matthews
FROM: *for* RIG/A/Nairobi, Everette B. Orr *et al. Patricia L*
SUBJECT: Agency-contracted Audit of the Omani-American Joint Commission
Grant No. 272-0101

Attached are five copies of an Agency-contracted audit of the Omani-American Joint Commission under grant No. 272-0101. The accounting firm of Bellhouse Mwangi Ernst & Young, Kenya, performed the audit.

The Omani-American Joint Commission on Economic and Technical Cooperation (OAJC) was established to promote the economic development of the Sultanate of Oman's fisheries, water and human resources sectors. The grant agreement was signed on September 28, 1980 with a completion date of September 30, 1990. Total funds obligated as of December 31, 1992 totalled \$29.7 million out of which \$29.6 million had been expended. The OAJC is jointly managed with the day to day operations being managed by an Omani Managing Director and the USAID/Representative to Oman. Projects are designed, managed and financed jointly. The audit covered \$20.9 million granted to the OAJC for the period September 28, 1990 to December 31, 1992.

The objectives of the audit were to:

- audit the OAJC'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 the OAJC's internal control structure in order to determine the auditing procedures for the purposes of expressing an opinion on the Fund Accountability Statement and to report on significant internal control deficiencies and material weaknesses; and
- test OAJC's compliance with the terms of the grant agreement as part of obtaining reasonable assurance about whether the Fund Accountability Statement is free of material misstatement, and report on any identified material instances of noncompliance.

The auditors issued an unqualified opinion on the Fund Accountability Statement. The auditors found that out of the total expenditure audited of \$20,890,877 only \$9,105 were ineligible costs while only \$35,238 related to unsupported costs. The ineligible amount related to a shortfall in contributions to the project by the Omani Government. The ineligible amount was later repaid to the project and therefore the auditors did not make a recommendation to address the amount. The auditors recommended that the Mission determine the allowability and, recover as appropriate, the unsupported costs of \$35,238. The auditors noted no matters involving the internal control structure and its operation that were considered to be material internal control weaknesses. In regard to compliance, the auditors reported that there was shortfall of \$9,105 in the Omani Government's contribution to operating expenses over the period 1980 through 1990. Even though the amount was later repaid, the auditors felt that US Government funds were bridged to finance the Omani Governments share.

The draft report was submitted to the OAJC for comments. The comments are incorporated in the final report as Appendix I. In their response, the OAJC stated that the amount questioned relates to very old transactions and that none of the present staff members in the Finance and Administration section were on board when the related transactions were incurred. The OAJC stated that exhaustive efforts were spent to locate the supporting documents but none was found. Therefore based on age and the relative materiality of the amount questioned, the OAJC suggested that the recommendation regarding the questioned amount be closed. In regard to contributions by the Omani Government, the OAJC stated the Omani Government has now been making regular quarterly deposits to the Joint Commission account. The Office of the Inspector General however, closes monetary recommendations only on final determination by the cognizant Missions on the allowability or not of the questioned amounts. Therefore, the Regional Inspector General for audit is including the recommendation regarding the questioned unsupported costs in the Office of the Inspector General audit recommendation follow-up system.

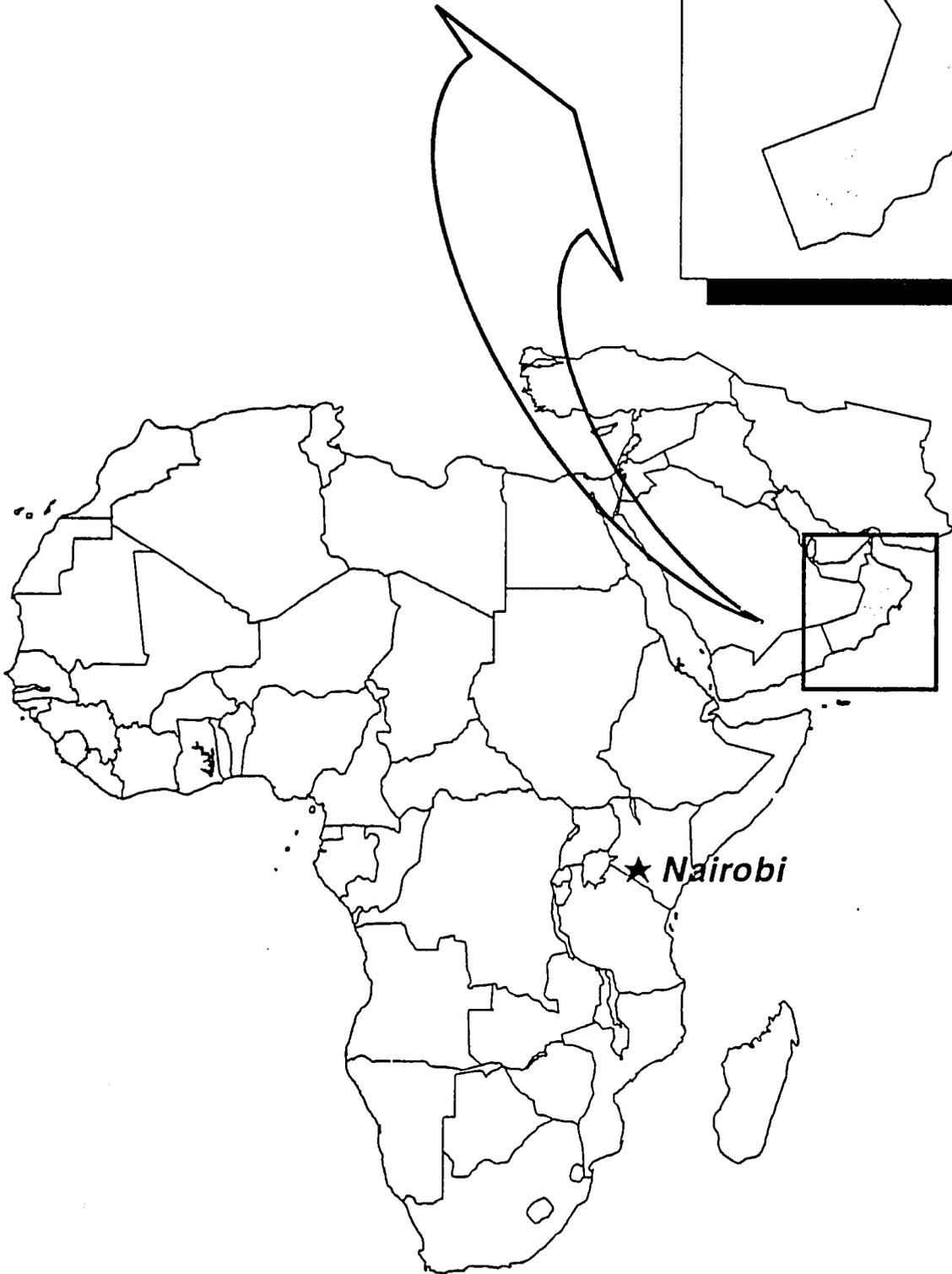
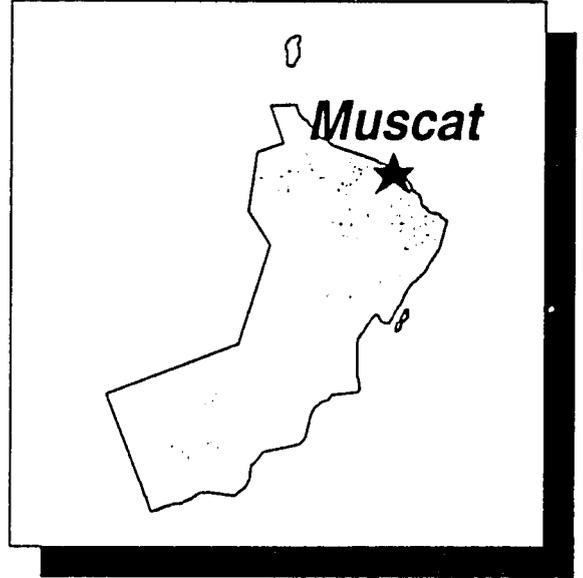
Recommendation No. 1: We recommend that, the Office of USAID/Representative, Oman, determine the allowability, and recover as appropriate, unsupported costs of \$35,238 from the Omani-American Joint Commission.

We consider recommendation No. 1 as unresolved. The recommendation will be resolved when the Mission makes a final determination on the allowability of the questioned amounts. The recommendation will be closed when the Mission takes action appropriate to the determination made. Please respond to this report within 30 days indicating action planned or already taken to implement the recommendation.

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

Attachments: a/s.

Oman



AUDIT OF
THE OMANI-AMERICAN JOINT COMMISSION
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ATTACHMENTS

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AGENCY CONTRACTED AUDIT
OF THE OMANI-AMERICAN
JOINT COMMISSION ON
ECONOMIC AND TECHNICAL
CO-OPERATION GRANT NO. 272-0101

AGENCY CONTRACTED AUDIT OF THE
OMANI-AMERICAN JOINT COMMISSION
ON ECONOMIC AND TECHNICAL
GRANT NO. 272-0101

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AGENCY CONTRACTED AUDIT OF THE
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ABBREVIATIONS IN THE REPORT

USAID	:	United States Agency for International Development.
OAJC	:	Omani-American Joint Commission
RIG/A/N	:	Regional Inspector General/Audit/Nairobi
MACS	:	Mission Accounting Control System
DATTEL	:	Daily Telegraphic Transfer (to Paris to request for payment)
\$:	US Dollars
R.O.	:	Omani Rials
PACD	:	Project Assistance Completion Date

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**AGENCY CONTRACTED AUDIT OF THE
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1 INTRODUCTION

1.1 BACKGROUND

The Omani-American Joint Commission for Economic and Technical Co-operation (OAJC) was established by a ten year agreement between the Government of the United States and the Government of the Sultanate of Oman, signed on August 19, 1980. A further binational Agreement on Economic and Technical Co-operation was signed on September 4, 1980 with effect for 10 years. It was subsequently renewed on December 1, 1990 to extend the organization for another 10 years.

Pursuant to those agreements, the OAJC project agreement (272-0101) was signed on September 28, 1980 to obligate \$ 5 million with a Project Assistance Completion Date (PACD) of September 30, 1985. Subsequent amendments to the project agreement extended the PACD to September 30, 1990 and increased the cumulative obligation to \$ 45 million. The amount obligated was reduced to \$ 29,656,000 by the eleventh and twelfth amendments, following audit recommendations by the Regional Inspector General Audit/Nairobi (RIG/A/N). the amount expended as at December 31, 1992 was \$ 29,619,120.

The OAJC was formed to promote the economic development of the Sultanate of Oman's fisheries, water and human resource sectors. The OAJC acts as a conduit through which funding of projects by United States Agency for International Development, ("USAID") is channelled. It has a joint Management structure headed by two Co-Chairmen, the Omani Under-Secretary for Political Affairs and the United States Ambassador to Oman. The day to day operations are managed by an Omani Managing Director and the USAID Representative to Oman. Projects are designed, managed and financed jointly.

Three main activities have been funded:

- a) **Sub-agreement No. 272-0101.1- Fisheries Development:** This involved the use of two American consulting firms (Resources Development Association and Oregon State University), to develop the fishing industry of Oman. The amount expended under this activity was \$ 12,149,869
- b) **Sub-agreement No. 272-0101.2 - Wadi-Al-Khalid Sub - Aquifer Recharge project:** This involved the use of an American consultant (Stanley Consultants) to provide technical services and monitor the construction of a dam in Oman. The amount expended on this activity was \$ 361,915.

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- c) Sub agreement No. 272-0101.3 - The Scholarship and Training project.

This is a two part project which involved an American consultant (Checci & Co) who prepared a training program to meet the skills shortage in Oman. The second part of this project was to meet the cost of training Omani, pre and post graduate students attending American Universities and other short term training courses. The amount expended under this sub-agreement was \$ 5,596,908.

1.2 AUDIT OBJECTIVES AND SCOPE

1.2.1 OBJECTIVES

We carried out our audit in accordance with United States generally accepted auditing standards and Government Auditing Standards issued by the United States Comptroller General (1988 Revision). We were required to adhere to guidelines contained in the guide for Financial Related Audits of AID financed agreements and the Guidelines for Audit of Federal Awards to Non-Profit Institutions.

The audit objectives were to:-

- a) Audit the OAJC'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 terms of the grant agreement.
- b) Consider the OAJC internal control structure in order to determine auditing procedures for the purpose of expressing an opinion on the Fund Accountability Statement and to report on significant internal control deficiencies and material weaknesses; and
- c) Test OAJC's compliance with the terms of the grant agreement as part of obtaining reasonable assurance whether the Fund Accountability Statement is free of material misstatement and to report on any identified material instances of non compliance.

1.2.2 SCOPE

Bellhouse Mwangi Ernst & Young were appointed auditors under contract No. 623-0000-I-00-2006-00 to perform an Agency contracted audit of Omani-American Joint Commission on Economic and Technical Co-operation grant No. 272-0101.

USAID funds granted to the OAJC in the period September 28, 1980 through December 31, 1992, were \$29,619,120, of these \$ 8,728,243 were contracted by USAID Washington leaving auditable expenditure of \$ 20,890,877.

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In performing our audit, we did not comply with General Auditing Standards Nos. 3.46 and 3.6 regarding external quality control review and continuing professional education.

Our survey revealed the following scope limitations:-

- a) US Government auditing standards require vouching to original documents. We were unable to comply with this requirement for Program expenses, as the original documents had been sent to Washington, in accordance with USAID standard operating procedures. RIG/A/N issued a letter dated March 1993 instructing us to accept copies as sufficient support of expenditure for the purpose of this audit. This was because the project was being jointly managed by USAID and the Omani Government and AID procedures for record keeping were applied.
- b) The regional accounting centre for the OAJC is in Amman, Jordan. It processes all the accounting information and produces the Mission Accounting Control System Reports ("MACS"). We did not visit Amman and so are unable to comment on the input and processing of this information. Similarly disbursements of the grant are made from Paris, France and thus we are unable to comment on this aspect of OAJC accounting as well.
- c) We noted that certain expenditures for Program expenses had been contracted by USAID Washington. These contracts were determined by RIG/A/N to be outside the scope of our audit.
- d) The Fund Accountability Statement presented to us in the delivery order, covered the period January 1, 1986 to December 31, 1992. However, OAJC management informed us that it should cover the whole grant period and it would be difficult to extract information for five years only; because of this the audit was extended to cover the period September 18, 1980 to December 31, 1992.

1.2.3 AUDIT METHODOLOGY

We performed our audit using Ernst & Young's audit approach as modified by the Public Sector Services audit manual supplement. We conducted an initial survey of the OAJC from February 17, 1993 to February 19, 1993 to determine if the Fund Accountability Statement presented to us in our contract was auditable in Oman. Our findings are set out in paragraph 1.2.2 above.

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The Principal audit steps performed were as follows:-

a) Fund Accountability Statement

We selected a sample as stated in section 2.2.2 and

- vouched to supporting documents
- agreed these to list of disbursements from USAID
- tested these for proper recording and analysis in the Fund Accountability Statement.

We reviewed the correspondence file for disputed amounts, legal disputes or other matters of audit significance.

b) Internal Control Structure

We performed the following:-

i) Obtained and studied the:

- Chart of accounts
- Accounting system documentation
- Organization charts and systems notes
- audit reports by internal, independent and government auditors
- Background booklets, materials and other related studies
- Identified the relevant statements on Auditing standards, US and local laws and regulations.

ii) Determined and documented the adequacy and effectiveness of the internal control system in relation to:

- The control environment
- The accounting system
- The control procedures adopted by the management and

We performed walk through tests to ensure controls identified worked as stated.

iii) Examined the financial management capability of OAJC project staff assigned to the management of the grant funds and the project.

iv) Examined bank statements for all accounts over the period of the grant and tested for performance, accuracy and approval.

c) Compliance with agreement terms and applicable laws and regulations.

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Examined the terms and conditions of the grant, applicable standard provisions, implementation letter, budgets and correspondence noting

- goals and objectives of the project and grants
- activities being financed by USAID noting specifically activities not financed by the grant
- types of costs
- all reporting, accounting and compliance structures required
- results of completed financial reviews
- conditions precedent and whether they were met
- special comments and whether completed

We also examined and identified relevant US and local laws ensuring management compliance therewith.

Examined all relevant statement of accounting standards ensuring management compliance.

1.3 SUMMARY OF AUDIT RESULTS

1.3.1 FUND ACCOUNTABILITY STATEMENT

Our sample covered a total expenditure of \$ 10,974,736 which represents 52% of expenditure recorded in the Fund Accountability Statement. This sample covered 50% of the Program expenses and 57% of Operating expenses.

Our findings:-

	\$
a) Ineligible expenses	9,105
b) Unsupported - no documents	1,567
c) Supported by copies	<u>33,671</u>
	<u>44,343</u>

- a) The ineligible expenses (Operating expenses) resulted from a shortfall in the Omani Government's contribution to the OAJC.
- b) The amounts unsupported - no documents, relate to expenses not approved by the Omani Government as required by the agreement.
- c) Amounts supported - by copies relate to Operating expenses not supported by original documents.

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Unlike other mission offices the General Ledger is maintained separate from the MACS. This is to enable the mission to record operating expenses both Omani Government portion and USAID portion. Only USAID portion is reflected in the MACS.

1.3.2 INTERNAL CONTROL STRUCTURE

Project No. 272-0101 covered the period from September 28, 1980 to December 31, 1992 with most of the activities ending in 1990. The internal control structure improved over the life of the project mainly due to recommendations made by the internal control reviews noted below:-

- a) RIG/A/N audit report dated July 30, 1990.
- b) Overseas Mission Internal Control Assessment - Jordan (October 1989).

In our examination we noted the following:

- a) We were unable to verify the accounting processes conducted at Amman, Jordan and Paris, France as these operations were outside the scope of our audit.
- b) The internal controls over invoices received by OAJC between September 1980 and March 1988 (Program Expenses) and from September 1980 to November 1992 (Operating expenses) were not sufficient to ensure completeness of data.
- c) There was lack of evidence to support the payment of vouchers/invoices from September 1980 to December 1985.
- d) On one occasion authorization regulations were violated.
- e) Reconciliations between MACS balances and General Ledger (US portion) were not carried out.
- f) A General Ledger was not maintained between 1980 and 1984.
- g) A Cash Book was not maintained at all.
- h) There were large variances between actual and budgeted Operating expenses hence the budget did not appear to be used as an effective management tool.
- i) There was no evidence that Bank reconciliations were reviewed by the Finance and Administration Officer for the period 1980 to 1985.

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**1.3.3 COMPLIANCE WITH GRANT PROVISIONS AND APPLICABLE
LAWS AND REGULATIONS.**

We noted the following :-

- a) The Omani Government had not been making its contributions to Operating expenses on a timely basis.
- b) There was a violation of procurement procedures.

1.3.4 SUMMARY OF AUDITEE'S COMMENTS

BACKGROUND

Recommended a rewording of the background paragraph to reflect the correct background surrounding the establishment of the Omani-American Joint Commission and the subsequent creation of the OAJC I project (272-0101).

Fund Accountability Statement:

Recommendation No. 1

1. Unsupported costs of \$ 1,567 due to lack of documents:

Copies submitted of related correspondence to justify the amounts in question and recommended the audit recommendation to be considered closed. The auditee believes that the age of the payment transactions are more than 11 years old, well over the maximum limit set for auditable transactions.

2. Items supported by copies \$ 33,671

The auditee was unable to obtain originals. Due to the age and relative materiality of the transactions, they suggested that the requirements for submission of original invoices be reconsidered and that the audit recommendation be closed.

Recommendation No. 2

Ineligible expenses of \$ 24,622

The auditee disagreed with this figure and recommended the audit finding to be revisited and revised accordingly.

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Internal Control Structure

Recommendation No. 3

Agreed with the recommendation.

Recommendation No. 4

The software problem has been identified and solved as of April 30, 1993.

Recommendation No. 5

The finding refers to cases where employees were away from the office hence unable to sign for acknowledgements. In such cases, employees give instructions to the OAJC to deposit their paychecks to given local bank accounts.

Recommendation No. 6

A budget exercise is normally based on a realistic plan of activities for each specific year, but unforeseen events take place which influence the actual implementation of planned activities.

Recommendation No. 7

From calendar year 1991 to the present time, the Omani Government has been making regular quarterly deposits to the JC account.

Recommendation No. 8

The current procurement practices by the OAJC are consistent with AID procurement regulations, policies and procedures.

BELLHOUSE MWANGI ERNST & YOUNG

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2 FUND ACCOUNTABILITY STATEMENT

2.1 Independent Auditor's Report.

We have audited the Fund Accountability Statement (set out in Appendix II) of the Omani-American Joint Commission Project No. 272-0101 for the period, September 28, 1980 through December 31, 1992. This statement is the responsibility of the Omani-American Joint Commission. 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 (1988 Revision) with the exception that we did not comply with sections 3.46 and 3.6 on External Quality Assurance Review and Continuing Professional Education. 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.

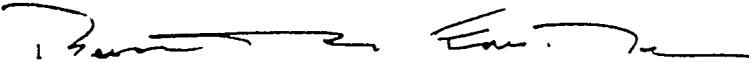
An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

The Fund Accountability Statement was prepared on the basis of cash receipts and disbursements which is a basis of accounting other than generally accepted accounting principles.

In our opinion the Fund Accountability Statement presents fairly, in all material respects the project expenditures incurred by the US Government, in conformity with the basis of accounting described above.

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

This report is intended solely for the use of the Omani-American Joint Commission and the United States Agency for International Development but this is not intended to limit distribution of the report if a matter of public record.


BELLHOUSE MWANGI ERNST & YOUNG
NAIROBI.

June 14 1993.

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2.2 Findings and Recommendations

2.2.1 Introduction

We extracted the Fund Accountability Statement from the MACS report, P07C for the period September 28, 1980 to December 31, 1992 which was presented to us by OAJC as the summary of grant expenditure. The scope of audit included all the expenses which were contracted in Oman for the period September 28, 1980 to December 31, 1992. The audited Fund Accountability Statement is included in this report as Appendix II.

2.2.2 Sample selection criteria

We used a planning materiality of 2.5%, of total expenditure for both Program and Operating expenses and established Key Item sizes of \$ 494,000 and \$ 46,000, for Program and Operating expenses respectively. We tested all items above those levels which gave us a Key Item coverage of 9% and 6% for Program and Operating expenses respectively.

We also tested a random sample of vouchers using Monetary Unit Sampling. We computed our sample size taking into account the Key Item coverage and our assessment of control risk.

The above established sample sizes gave us a coverage of 30% and 29% for Program and Operating expenses respectively. Due to the concerns expressed over the Internal Controls at the OAJC we increased our sample coverage to 50% and 57% respectively in order to gain further assurance.

In summary this gave an overall coverage of 52% of the Fund Accountability Statement expenditure which we considered as sufficient to enable us to form our opinion.

2.2.3 Audit Results

The OAJC does not receive funds for Program expenses. Instead it makes requests for payment of expenses incurred through Daily Telegraphic Transfers ("DATEL") to RAMC Paris. Thus receipts and expenditure for Program expenses reported in the Fund Accountability Statement are equal. All receipts for Operating expenses were recorded and properly supported.

Our audit of expenditure resulted in ineligible costs of \$ 9,105 and unsupported costs of \$ 35,238. Those costs may be analyzed as follows:

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	Amounts Claimed	Amounts Accepted	Questioned Ineligible	Unsupported Cost
	\$	\$	\$	\$
Fisheries Development	12,149,869	12,149,869	-	-
Wadi-Al-Khalid	361,915	361,915	-	-
Scholarship & Training	5,596,908	5,596,908	-	-
Other activities	379,209	379,209	-	-
Closed activities	<u>83,684</u>	<u>83,684</u>	<u>-</u>	<u>-</u>
	18,571,585	18,571,585	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Operating expenses	1,874,199	1,829,856	9,105	35,238
Technical assistance	352,695	352,695	-	-
Training	<u>92,398</u>	<u>92,398</u>	<u>-</u>	<u>-</u>
	2,319,292	2,274,949	9,105	35,238
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	20,890,877	20,846,534	9,105	35,238
	=====	=====	===	===

The unsupported expenditure may be further analyzed as follows:-

	Total Unsupported \$	Unsupported No Documents \$	Unsupported Copies \$
Operating expenses	35,238	1,567	33,671

Our findings and recommendations are as follows:-

- a) Advertising cost of \$1,567 incurred on December 1991 were unsupported due to lack of documents.

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b) Our finding for items supported by copies were as follows:

	\$
August 1981 salaries	12,562
December 1981 salaries	2,534
December 1981 office maintenance	170
July 1982 salaries	3,140
December 1983 Telephone expenses	449
December 1983 Newspaper Subscriptions	94
April 1984 Telephone expenses	7,762
August 1984 Telephone expenses	5,279
October 1984 Telephone expenses	713
December 1983 Telephone expenses	<u>968</u>
	33,671
	===

Recommendation No. 1

We recommend that the mission determines the allowability and recover as appropriate, the unsupported costs of \$ 35,238 from the American portion of the OAJC.

OAJC Comments

i) **Items unsupported due to a lack of documents Dec. 1981 Advertising:**

The amount in question pertains to the cost of advertisements for employment vacancies in the OAJC placed by the Oman Embassies in:

	\$
Khartoum, Sudan - Sudanese Pounds 519, equivalent to	1038.60
Amman, Jordan - Jordan Dinar 160, equivalent to	483.38
Exchange rate differential?	<u>45.15</u>
	1,567.13
	=====

The correspondence in the OAJC file indicates that:

- The Oman embassies placed the advertisement in the respective local newspapers in Jan/Feb 1981, had paid the advertising costs in advance and sent the invoices to the Ministry of Foreign Affairs in Muscat, who in turn forwarded the same to the OAJC for reimbursement.

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- The OAJC had received the invoices denominated in foreign currencies and it appeared that reimbursements were delayed due to the problems of exchange rates and of the foreign exchange transfer mechanism. Actual reimbursements were effected in December 1981 by bank drafts. The U.S. Representative and the Omani Managing Director both approved the issuance of the demand drafts.
- While the correspondence related to the reimbursements are in the file, the invoices are not. Considerable time and effort has been exhausted to locate the invoices but to no avail.
- The OAJC herewith submits the copies of the related correspondence to justify the amounts in question. With the submittal of this information we recommend the above audit recommendation be considered closed. In addition, the age of the payment transactions are more than 11 years old, well over the maximum limit set for auditable transactions.

ii) Items supported by copies \$33,671

The expense items pertain to salaries paid in 1981 and 1982, telephone charges paid in 1983 and 1984 and two small expenses paid in December 1981 and December 1983.

These transactions are very old and none of the present staff members in the Finance and Administration Section were on board at that time, or know how the filing system or the document distribution system was done in the early 1980's. Exhaustive efforts were spent to locate from the available files the originals of the above vouchers/disbursements and none was found. During those years the accounting station for Oman was in Syria, and then Jordan. There is a possibility that those missing originals were forwarded to either one of these accounting stations.

The OAJC suggests that, due to the age and relative materiality of the transactions, the requirement for original invoices be reconsidered and that the audit recommendations be closed.

Auditor's Response:

We note the OAJC's response. However its not within our terms of reference to close recommendations where insufficient documentation has been provided.

c) Finding - Ineligible expenses:-

The Omani Government's contribution to Operating expenses over the period 1980 through 1990 had a shortfall of \$ 9,105. Although this amount had been paid by 1992, it implies that US Government funds were used to finance the Omani portion.

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Recommendation No. 2

We recommend that adequate measures be taken to follow up each government's contribution, to ensure that each government makes its agreed contribution promptly. The OAJC finance officer should perform an analysis on monthly basis of government's contributions and expenses following up any short falls. A determination is needed as to whether the agreement allows fluctuation contributions from each party.

OAJC Comments

Our review of the records of deposits and disbursements from inception through December 31, 1990 indicates that the cumulative shortfall as of December 30, 1990 from the Omani Government's contribution was only equivalent to \$ 9,105 not \$ 24,622.

In parallel with the Omani Government, the U.S. Government as well incurred a cumulative shortfall of \$ 7,883 as of December 1988. This does not support the finding that the U.S. Government funds were used to finance the Omani contribution. It was rather that deposits from each government were reciprocally supplementing the JC's operating cash requirements for a given period. It is noted that incurrence of shortages was not perpetual. There were offsetting excesses of contributions in the subsequent years. For instance while the Omani government reflects a shortfall of \$ 9,105 in 1990, there was a cumulative excess of \$ 31,833 as of December 31, 1991. This could be considered similar to a "non-year-appropriation" in the U.S. Government terminology.

From a calendar year 1991 to 1992, the Omani Government had been regularly making deposits on a quarterly basis. On the other hand, the U.S. Government's advances/deposits appeared to have been made when cash balance ran low. From a cash management perspective, it is considered a prudent exercise and is advantageous to the U.S. Government to time the requests for advances/deposits, and the amounts to meet the immediate operating requirements.

Based on the above the OAJC suggests that the above audit finding be revisited and revised accordingly.

Auditor's Comment:

We have received sufficient explanation reconciling our figure of \$ 24,622 with the auditees of \$ 9,105 and we have amended our FAS accordingly.

Fluctuation of contributions by the two governments on either side is not in line with the grant agreement. A determination needs to be made whether this fluctuation should be allowed to continue.

 **BELLHOUSE** MEMBER OF **ERNST & YOUNG**
**AGENCY CONTRACTED AUDIT OF THE
OMANI-AMERICAN JOINT COMMISSION
ON ECONOMIC AND TECHNICAL
GRANT NO. 272-0101**

3. INTERNAL CONTROL STRUCTURE

3.1 Independent Auditor's Report

We have audited the Fund Accountability Statement for the Omani-American Joint Commission Project No. 272-0101 for the period from September 28, 1980 to December 31, 1992 and have issued our report thereon dated June 14 1993

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

In planning and performing our audit of the Fund Accountability Statement for the period from September 28, 1980 to December 31, 1992 we considered the internal control structure of the Omani-American Joint Commission in order to determine our auditing procedures for the purpose of expressing our opinion on the Fund Accountability Statement and to provide assurance on the internal control structure.

The management of the Omani-American Joint Commission is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgement are required to assess the expected benefits and related costs of internal control 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 Omani-American Joint Commission's authorization procedures 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, 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

Accounting System

- Accounting records and Omani-American Joint Commission reporting
- Reconciliation to independently generated information



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Control Procedures

- Disbursements
- Cash management

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

We noted certain matters involving the control structure and its operations that we consider to be reportable conditions under the standards established by the American Institute of Certified Public Accountants. We noted instances where payment were made under the Fisheries Development Sub-agreement without the certificate of compliance/non-compliance being issued by the Director general of Fisheries, in the Ministry of Agriculture and Fisheries, of the Government of Oman. A cash book is not maintained. Cash balances are recorded on check stubs, which are not reliable records. The General Ledger balance does not agree with the MACS report and no reconciliation is done to agree the two.

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.

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 Fund Accountability Statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we believe there were no material weaknesses.

The internal control procedures relating to input, processing and output controls of the data, and the processing of disbursements are performed by USAID Jordan and Paris respectively. We are unable to form an opinion on the effectiveness of these operation as they were outside the scope of our audit.

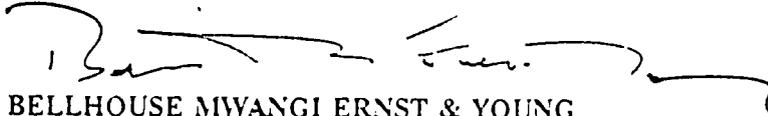
Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined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

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

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AGENCY CONTRACTED AUDIT OF THE
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GRANT NO. 272-0101

This report is intended solely for the use of the Omani-American Joint Commission and the United States Agency for International Development but this is not intended to limit the distribution of the report if it is a matter of public record.

A handwritten signature in black ink, appearing to read 'Bellhouse Mwangi Ernst & Young', is written over the printed name.

BELLHOUSE MWANGI ERNST & YOUNG
NAIROBI

June 14 1993

**AGENCY CONTRACTED AUDIT OF THE
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3.2 Work performed

We reviewed the Internal Control Structure of the OAJC in relation to those elements which concerned the receipt of grant funds and the disbursement of the funds and operating expenses. 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

Accounting System

- Accounting records and Omani-American Joint Commission reporting
- Reconciliation to independently generated information

Control Procedures

- Disbursements
- Cash management

3.3 Findings and Recommendations

3.3.1 Control Environment

Our review indicated that established written procedures exist for the management of US Government funds. Accounting records are maintained in the MACS and general ledger (though the management does not accept the general ledger as a formal record). In the General Ledger all operating expense transactions are recorded for both Omani and US governments. Only US portion of these expenses is recorded in the MACS.

We consider the size of the accounts department to be small in relation to the volume of transactions it handles. This is likely to have two short-comings:

- An increasing work load could lead to errors by the staff involved.
- Segregation of duties is likely to be minimal.

Our review resulted in the following findings.

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a) Finding:

We noted certain instances where payments were made under the Fisheries Development sub-agreement without the certificate of compliance/non-compliance being issued by the Director-General of Fisheries, in the Ministry of Agriculture and Fisheries, of the Government of Oman. We appreciate that Government departments are slow in processing records. Further to this, the sub-contractor's agreement contained a clause that allowed the OAJC to make payment if Government approval was not received within three months. However, we consider that the Government Certificate of compliance/non-compliance is an important control.

Recommendation No. 3

We recommend that the Omani-American Joint Commission should attempt to gain some comfort by other means eg. telephone clearance before the payment is made; in any event these certificates should be eventually obtained.

OAJC Comment

We agree with the above recommendation. the instances cited above were already resolved. The current payment procedure is in place to ensure that all documentation required for payment are submitted to the OAJC before certification of payment is made.

b) Finding:

Bank reconciliations were not reviewed by the Finance and Administrative Officer for the years 1981 through 1985. However, the procedure was adopted from 1986 and therefore we have not made any recommendation.

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c) Finding:

Invoices for Operating expenses were not numbered for the years 1981 and 1982; instead they were arranged in date order. Thus the control over completeness of information was weak. The procedure adopted from 1983 onwards was to file invoice by payment cheque numbers. This in conjunction with the log-in system introduced in December 1992, is considered to be sufficient control to ensure completeness of information. Thus we have no recommendation on this finding.

3.3.2 Accounting System

The accounting operations of the OAJC are conducted in Oman, Jordan and France. In Oman the expenditure is initiated and disbursed and then details of transactions are sent to Jordan on a monthly basis, who then input and process this data to produce the MACS. Program expenses are paid using USAID standard disbursement procedures which entail raising of requests for disbursements and sending them to Paris through the Daily Telegraphic Transfer ("DATEL") system after approval a check is sent to OAJC for transmission to the recipient. Whilst we have been able to verify the DATEL requests for disbursements, we are unable to comment on the processing of information in Paris. US Government regulations state that non-federal auditors are not allowed to audit or comment upon US Government organizations and procedures. We are therefore unable to comment on the areas of OAJC accounting that take place in Jordan and France which are outside the scope of our audit.

Findings from our examination of the accounting system are set out below.

a) Finding:

A General Ledger was not maintained for the years 1981 through 1984. This implies that there was no reliable summary of Operating expenses during that period. However, we did not find material misstatement of expenditure during this period. The general ledger was introduced in 1985, and was operational at the time of audit hence we have not made any recommendation.

b) Finding:

A cash book is not maintained. Cash balance are recorded on the check stubs, which are not reliable records. The OAJC has established a Cash Book record with retroactive effective to January 1, 1993, as the JC Operating Expenses accounting is on a calendar year basis, hence we have not made any recommendation.

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OMANI-AMERICAN JOINT COMMISSION
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c) Finding:

The General Ledger balance does not agree with the MACS report. We were informed that the General Ledger software has a bug that prevents it from allocating costs correctly between the US and Omani Government's contributions. The General Ledger is necessary to enable OAJC reflect the true operating expense position for the joint commission.

Recommendation No. 4

We recommend that the software problem be solved and the balances reconciled to determine if the correct contributions have been received from each side. Also, we recommend that the General ledger and the MACS be reconciled monthly.

OAJC Comment

The software problem has been identified and solved as of April 30, 1993. All JC Operating Expense transactions beginning January 1993 will be recorded and reconciled as recommended.

d) Finding:

For the period September 1980 to March 1988 a voucher log was maintained for Program expenses. A similar log for Operating expenses was not maintained until December 1992. Without this log completeness of information is not assured. The Omani-American Joint Commission introduced a voucher log from March 1988 for Program expenses and from December 1992 for Operating expenses, we therefore make no recommendation.

3.3.3 Control Procedures

Our findings on control procedures:

a) Finding:

Invoices were not stamped "PAID" when paid for the period 1981 through 1985. This could have lead to duplicated payment of invoices. However, the procedure was introduced by OAJC in 1986, and we therefore make no recommendation.

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ON ECONOMIC AND TECHNICAL
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b) Finding:

Some employees were paid their salaries without signing to acknowledge receipt of the check. This has a potential danger of checks being paid to the wrong.

Recommendation No. 5

We recommend that employees paid by check sign the payment vouchers to acknowledge receipt of salary.

OAJC Comment

It has been always a part of the OAJC control procedure that payees are required to sign on the copies of the checks or vouchers as acknowledgement of their receipts of the payments. In the case of payroll checks, there are instances where the employees are away from the office, such as when they are away for training, on leave status, or on TDY, therefore, unable to sign for acknowledgement. In those cases, the employees give instructions to the OAJC to deposit their paychecks to the given local bank accounts.

c) Finding:

The budgeted Operating expenses are consistently higher than the actual expenditure by significant amounts. This was the case throughout the period of audit with such a variance, budget loses its function as an effective management tool.

Recommendation No. 6

We recommend the setting up of realistic budgets that can serve as an effective management tool for the control of expenditure.

OAJC Comment

In the prior years, the budget surpluses were consistently higher for local salaries/allowances, and procurement of office equipment/furnishings. There were plans for hiring additional staff and appropriate provisions for office furnishings/equipment. Apparently, for various reasons, these plans did not materialize in the form of procurement.

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A budget exercise is normally based on a realistic plan of activities for that specific year, but unforeseen events take place which influence the actual implementation of planned activities.

Auditor's Response.

Whilst we accept that budgets are estimates and that actual results will be different due to unforeseen circumstances, it is also part of the budgetary process to revisit estimates during the year to ensure they are still relevant. Thus we have not changed our recommendation.

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ON ECONOMIC AND TECHNICAL
GRANT NO. 272-0101

4. COMPLIANCE WITH GRANT AGREEMENT AND APPLICABLE
LAWS AND REGULATIONS.

4.1 Independent Auditor's Report.

We have audited the Fund Accountability Statement of Omani-American Joint Commission Project No.272-0101 for the period September 28, 1980 to December 31, 1992, and issued our report thereon dated June 14 1993.

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

Compliance with the terms of the agreement and applicable laws and regulations is the responsibility of the Omani-American Joint Commission. As part of obtaining reasonable assurance about whether the Fund Accountability Statement is free of material misstatement we performed tests of the Omani-American Joint Commission's compliance with certain provisions of agreement terms applicable laws and regulations. However, our objective was not to provide an opinion on overall compliance with such provisions.

Material instances of noncompliance are failures to follow requirements, violations of agreement terms and applicable laws and regulations that cause us to conclude that the aggregation of misstatements resulting from those failures or violations are material to the Fund Accountability Statement.

The results of our tests of compliance disclosed the following material instance of noncompliance.

The Omani Government's contribution to Operating expenses over the period 1980 through 1990 had a shortfall of \$ 9,105, which implied that US Government funds were bridged to finance the Omani Government's share. However, this amount was paid in 1992.

Except as described above, the result of our tests of compliance indicate that, with respect to the items tested the Omani-American Joint Commission 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 Omani-American Joint Commission had not complied, in all material respects, with those provisions.

**AGENCY CONTRACTED AUDIT OF THE
OMANI-AMERICAN JOINT COMMISSION
ON ECONOMIC AND TECHNICAL
GRANT NO. 272-0101**

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

This report is intended for the information of the Omani-American Joint Commission and the United States Agency for International Development but this is not intended to limit the distribution of the report if it is a matter of public record.



**BELLHOUSE MWANGI ERNST & YOUNG
NAIROBI.**

June 14 1993.

**AGENCY CONTRACTED AUDIT OF THE
OMANI-AMERICAN JOINT COMMISSION
ON ECONOMIC AND TECHNICAL
GRANT NO. 272-0101**

4.2 Work Performed

Our audit of Omani-American Joint Commission Project No. 272-0101 included obtaining assurances that the Omani-American Joint Commission complied with grant agreements and applicable laws and regulations. We also ensured that they complied with contract and sub-contract agreements.

Procedures performed to test such compliance included:

- a) A review of the grant agreement and related regulations to identify those provisions and regulations which could have material effects on the Fund Accountability Statement; and
- b) Detailed testing to confirm Omani-American Joint Commission's compliance with those provisions.

Procedures performed are detailed in section 1.2.3 of this report.

4.3 Findings and Recommendations

Our findings and recommendations on compliance are set out below:-

a) Finding:

The Omani Government had not been making its contributions to Operating expenses on a timely basis; an amount of \$ 9,105 is outstanding at December 31, 1990. This means that US Government money was used to meet Omani Government expenses, a violation of the grant agreement.

Recommendation No. 7

We recommend that efforts be made to ensure that the Omani Government makes the appropriate contributions on a timely basis. We make no recommendation on \$ 9,105 because the shortfall was recovered in the following period.

OAJC Comment

The Omani Government, from calendar year 1991 to the present, has been making the regular quarterly deposits to the JC account.

AGENCY CONTRACTED AUDIT OF THE
OMANI-AMERICAN JOINT COMMISSION
ON ECONOMIC AND TECHNICAL
GRANT NO. 272-0101

b) Finding:

A calculator costing R.O 70 (\$ 182) was purchased by the Finance and Administration Officer in October 1985 without utilizing USAID procurement procedures, in that neither were three quotations obtained prior to purchase nor was there prior approval of the purchase. This procurement was approved retroactively by the US Representative and the Omani Managing Director.

Recommendation No. 8

We recommend that USAID procurement procedures be followed for all purchases.

OAJC Comment

The record indicates that the above procurement was an exceptional case. A written justification is on file. The U.S. Representative approved the payment with reservation, acknowledging that the specific action violated the OAJC's procurement procedures.

The current procurement practices by the OAJC are consistent with AID procurement regulations, policies and procedures.

Auditor's Response:

Accepted.

Omani-American Joint Commission
for Economic & Technical Cooperation

1993
السلطنة
لجنة التعاون الاقتصادي والتقني
عمان

FACSIMILE TRANSMISSION

COVER SHEET

FAX ref. no. : 277/93	Date: May 19, 1993
To: C. A. Otoio	From: Mark S. Matthews
Address: Ernst & Young Nairobi, Kenya	Address: P.O. Box. 6001 Ruwi, Sultanate of Oman
Fax : 00-254-2-716271	Fax : (968)-797778
Clearance: (initials) 1. BMS <i>AM</i> 2. MSG 3.	Official: <input checked="" type="checkbox"/> Non-Official: <input type="checkbox"/>
Approval: MSN <i>[Signature]</i>	No. of pages (inc. cover): 15

FAX MESSAGE

Subject: Non-Federal Audit of the Omani-American Joint Commission for Economic and
Technical Cooperation

Re: Your Ref. No. 21022/25/awn/254 dated 19 April 1993

Herewith is the advance copy of our comments to the audit findings per your draft audit report.
The originals will be mailed to you.

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Omani-American Joint Commission
for Economic & Technical Cooperation

P.O. Box 6001 Ruwi
Muscat

Sultanate of Oman

Tel. : 703-000

Fax : (968) 797778

Telex : 3785 AMEMBUS ON

اللجنة العمانية الأمريكية المشتركة
للتعاون الاقتصادي والفني

ص.ب : ٦٠٠١ روي

مسقط

سلطنة عمان

تليفون : ٧٠٣٠٠٠

فاكس : (٩٦٨) ٧٩٧٧٧٨

No 250/93 _____ الرقم

Date May 19, 1993 _____ التاريخ

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

Attn: C. A. Otolo

SUBJECT: NON FEDERAL AUDIT OF THE OMANI-AMERICAN JOINT COMMISSION FOR
ECONOMIC AND TECHNICAL DEVELOPMENT

Dear Sirs:

Ref: Your Letter Ref. 21022/25/awn/254 dated 19 April 1993

We have reviewed your draft audit report and as requested, we are pleased to
submit our comments.

We have addressed each of the recommendations which require action. We hope
that after your review of the OAJC comments, you will be in agreement that the
majority of the audit recommendations should be considered closed.

We thank you for your services which we believe have been constructive to our
organization.

Sincerely,



Mark S. Matthews
U.S. Representative

Encls.



NON-FEDERAL AUDIT OF OAJC I PROJECT (272-0101)
September 29, 1980 through December 31, 1992
By Bellhouse Mwangi Ernst & Young

OAJC Comments

1.1 Background

The first paragraph should be reworded to reflect the correct background surrounding the establishment of the Omani-American Joint Commission, and the subsequent creation of the OAJC I project (272-0101). The following is provided for your consideration:

The Omani-American Joint Commission for Economic and Technical Cooperation was established by a ten-year Agreement between the Government of the United States and the Government of the Sultanate of Oman, signed on August 19, 1980. A further binational Agreement on Economic and Technical Cooperation was signed on September 4, 1980 with effect for 10 years. It was subsequently renewed on Dec. 1, 1990 to extend the organization for another 10 years.

Pursuant to those agreements, the OAJC I Project Grant Agreement (272-0101) was signed on September 29, 1980 to obligate \$5 million, with a Project Assistance Completion Date (PACD) of 9/30/83. Subsequent amendments to the project agreement extended the PACD to 9/30/90 and increased the cumulative obligation to \$45 million.

c) Sub agreement No. 272-0103.3 should be corrected to 272-0101.3.

2. Fund Accountability Statement

2.2 Findings and Recommendations

2.2.3. Audit Results

"USAID Paris" should be corrected to read "RAMC Paris".

a) Items unsupported due to a lack of documents -
Dec. 1981 Advertising -

\$1,567

Recommendation - Documents to be submitted to justify this expenditure.

OAJC COMMENTS:

The amount in question pertains to the cost of advertisements for employment vacancies in the OAJC placed by the Oman Embassies in:

Khartoum, Sudan - Sudanese Pounds 519, equivalent to -	\$1,038.06
Amman, Jordan - Jordan Dinar 160, equivalent to -	483.38
Exchange rate differential ? -	45.15

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The correspondence in the OAJC file indicates that:

- The Oman embassies placed the advertisement in the respective local newspapers in Jan/Feb 1981, had paid the advertising costs in advance and sent the invoices to the Ministry of Foreign Affairs in Muscat, who in turn forwarded the same to the OAJC for reimbursement.

- The OAJC had received the invoices denominated in foreign currencies and it appeared that reimbursements were delayed due to the problems of exchange rates and of the foreign exchange transfer mechanism. Actual reimbursements were effected in December 1981 by bank drafts. The U.S. Representative and the Omani Managing Director both approved the issuance of the demand drafts.

- While the correspondence related to the reimbursements are in the file, the invoices are not. Considerable time and effort has been exhausted to locate the invoices but to no avail.

- The OAJC herewith submits the copies of the related correspondence to justify the amounts in question. With the submittal of this information we recommend the above audit recommendation be considered closed. In addition, the age of the payment transactions are more than 11 years old, well over the maximum limit set for auditable transactions.

b) Items supported by copies - \$33,671

Recommendation - Original documentation be obtained to support the expenses.

OAJC COMMENTS:

The expense items pertain to salaries paid in 1981 and 1982, telephone charges paid in 1983 and 1984 and two small expenses paid in December 1981 and December 1983.

These transactions are very old and none of the present staff members in the Finance and Administration Section were on board at that time, or know how the filing system or the document distribution system was done in the early 1980's. Exhaustive efforts were spent to locate from the available files the originals of the above vouchers/disbursements and none was found. During those years the accounting station for Oman was in Syria, and then Jordan. There is a possibility that those missing originals were forwarded to either one of the these accounting stations.

The OAJC suggests that, due to the age and relative materiality of the transactions, the requirement for original invoices be reconsidered and that the audit recommendation be closed.

c) Ineligible expenses owing to a shortfall of the Omani Government's contribution to the Operating Expenses over the period 1980 through 1990 - \$24,622

Audit Recommendation

Adequate measures should be taken to ensure that each government makes its agreed contribution promptly.

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OAJC Comments:

Our review of the records of deposits and disbursements from inception through December 31, 1990 indicates that the cumulative shortfall as of December 30, 1990 from the Omani government's contribution was only equivalent to \$9,105 not \$24,522.

In parallel with the Omani government, the U.S. government as well incurred a cumulative shortfall of \$7,883 as of December 1988. This does not support the finding that the U.S. government funds were used to finance the Omani contribution. It was rather that deposits from each government were reciprocally supplementing the JC's operating cash requirements for a given period. It is noted that incurrence of shortages was not perpetual. There were offsetting excesses of contributions in the subsequent years. For instance while the Omani government reflects a shortfall of \$9,105 in 1990, there was a cumulative excess of \$ 31,853 as of December 31, 1991. This could be considered similar to a "no-year-appropriation" in the U.S. Government terminology.

From calendar year 1991 to 1992, the Omani government had been regularly making deposits on a quarterly basis. On the other hand, the U.S. government's advances/deposits appeared to have been made when cash balance ran low. From a cash management perspective, it is considered a prudent exercise and is advantageous to the U.S. government to time the requests for advances/deposits, and the amounts to meet the immediate operating requirements.

Based on the above the OAJC suggests that the above audit finding be revisited and revised accordingly.

3. Internal Control Structure

3.3.1 Control Environment

3.3 Finding and Recommendation

a) Certain instances where payments were made under the Fisheries Development sub-agreement without the certificate of compliance/non-compliance being issued by the Director-General of Fisheries, Ministry of Agriculture and Fisheries.

Recommendation

OAJC should attempt to get another form of clearance from the Ministry before payment is made, and in any event those certificates should be eventually obtained.

OAJC Comment

We agree with the above recommendation. The instances cited above were already resolved. The current payment procedure is in place to ensure that all documentation required for payment are submitted to the OAJC before certification for payment is made.

3.3.2 Accounting System

b) A cash book is not maintained. The cash balance is recorded on the check stubs, which are not a reliable record.

Recommendation

A cash book should be maintained and it should be reconciled to the bank balance on a monthly basis.

OAJC Comment

The OAJC has established a Cash Book record with retroactive effect to January 1, 1993, as the JC Operating Expense accounting is on a calendar year basis.

c) The General Ledger Balance does not agree with the MACS report due to software problem.

Recommendation

The software problem should be resolved and balances be reconciled to determine if the correct contributions have been received from each government.

OAJC Comment

The software problem has been identified and solved as of April 30, 1993. All JC Operating Expense transactions beginning January 1993 will be recorded and reconciled as recommended.

d) The accounting departments in Jordan and Oman use different codes for the same documents.

Recommendation

The same codes should be used by the accounting departments from both offices.

OAJC Comment

The above relates to the coding of earmarking documents for input to MACS. The coding and input of accounting data from the source documents provided by the OAJC are done by the accounting station in Jordan. In the coding process some of the source document numbers were coded with some changes.

To ensure the integrity of the MACS data, the OAJC since October 1992 has been closely coordinating with the accounting staff of the Controller's Office in Amman the funds control process and the up-to-date and accurate input of data from source documents. Through this process, the above recommendation has been implemented.

3.3.3 Control Procedures

b) Some employees were paid their salaries without signing to acknowledge receipt of the check.

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Recommendation

Employees who are paid by check should sign the payment vouchers to acknowledge receipt of salary.

OAJC Comment

It has been always a part of the OAJC control procedure that payees are required to sign on the copies of the checks or vouchers as acknowledgement of their receipts of the payments. In the case of payroll checks, there are instances where the employees are away from the office, such as when they are away for training, on leave status, or on TDY, therefore, unable to sign for acknowledgment. In those cases, the employees give instructions to the OAJC to deposit their paychecks to the given local bank accounts.

c) The budgeted Operating Expenses are consistently higher than the actual expenditure by significant amounts.

Recommendation

To set up realistic budgets that can serve as an effective management tool for the control of expenditure.

OAJC Comment

In the prior years, the budget surpluses were consistently higher for local salaries/allowances and procurement of office equipment/furnishings. There were plans for hiring additional staff and appropriate provisions for office furnishings/equipment. Apparently, for various reasons, these plans did not materialize in the form of procurements.

A budget exercise is normally based on a realistic plan of activities for that specific year, but unforeseen events take place which influence the actual implementation of planned activities.

4. Compliance

4.3 Findings and Recommendations

a) The Omani Government had not been making its contributions to Operating Expenses on a timely basis.

Recommendation

Efforts should be made to ensure that the Omani Government makes the appropriate contributions on a timely basis.

OAJC Comment

As discussed under 2.2.3.c., the Omani Government, from calendar year 1991 to the present, has been making the regular quarterly deposits to the JC account.

b) A purchase of a calculator for \$132 in 1985 was made without prior approval or without utilizing USAID procurement procedures.

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Recommendation

USAID procurement procedures should be followed for all purchases.

OAJC Comment

The record indicates that the above procurement was an exceptional case. A written justification is on file. The U.S. Representative approved the payment with reservation, acknowledging that the specific action violated the OAJC's procurement procedures.

The current procurement practices by the OAJC are consistent with AID procurement regulations, policies and procedures.

Translated by Hour Elzein A. Rankin
January , 1982

Sultanate of Oman
Ministry of Foreign Affairs
Muscat

Date: 13/1/1982
No: 10/22/425/264

The Managing Director
Omani-American Joint Commission
for Economic & Technical Cooperation
P.O. Box 6001
Ruwi

Dear Sir:

With reference to your letter no. 367, dated 20/12/1981, with which you enclosed the demand draft number 881767754 amounting to U.S. \$483.38 as an equivalent for Jordanian Dinars 160.00, being the cost of advertising for a secretary and a financial and administrative employee for your commission; we would like to inform you that we have sent the said draft to our Embassy but it was returned since it is difficult to exchange the amount for J.D. 160.00.

Therefore, you are kindly requested to change the said draft to a Jordanian Dinars Draft and send it to us to be forwarded to the Embassy.

Mohammed Alawi Mugaibel
Director of Finance & Personnel
Affairs

cc: Office of H.E. The Minister
Office of H.E. the Undersecretary
H.E. The Head of Administrative Affairs
Financial Administration

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

Sultanate of Oman
Ministry of Foreign Affairs
Muscat



سلطنة عُمان
وزارة الخارجية
مسقط

Date :

١٩٨٢/١/١٣

No. :

٢٦٤ / ١٤٢٥/٢٢/١٠

الفاضل / المدير البندب للجنة العمانية الامريكه المشتركه
للتعاون الاقتصادي والفني المحترم
ص ٠ ب ٦٠٠١ روى (سلطنة عمان)

تحية طيبه وبعد ،،،

اشاره الى خطابكم رقم ٣٦٢ العومخ في ١٩٨١/١٢/٢٠ المرفق
بطيه الحواله المصرفيه رقم ٨٨١٢٦٢٢٥٤ ببلغ ٤٨٣/٣٨ دولار امريكى
ما يعادل -/١٦٠ دينار اردني عن قيمه نشر اعلان طلب سكرتيره
وموظف مالي واداري لصالح لجنتم الموقته

نفيدكم بان هذه الوزاره قد قامت بارسال الحواله المذكوره
الى السفاره التي اعدتها نظرا لمصعوبه تحويل المبلغ بالدولار بما يعادل
-/١٦٠ دينار اردني

لذا ، يرجى التكرم باجراء اللازم نحو استبدال الحواله بالدينار
الاردني واعادتها اليها لارسالها للمفاره

وتفضلوا بقبول فائق الاحترام ،،،

المستشار / محمد غوثي مقييل
مدير دائره شؤن العاليمه والموظفين



Omani American Joint Commission
for Economic & Technical Cooperation

P. O. Box 6001

Ruwi

Sultanate of Oman

Tel: 701 357 702-498

٠٠١ ٧٠ ٧٧ ٥١

اللجنة العمانية الأمريكية المشتركة
للتعاون الاقتصادي والتقني

ص.ب. ٦٠٠١

روني

سلطنة عمان

تلفون ٧٠٢-٤٩٨ ٧٠١-٣٥٧

No. 350 الرقم

Date 12 December 1981 التاريخ

Mr. Richard Bertkau
Vice President
Ruwi Branch
Citibank, N.A.
P.O. Box 913
Muscat, Sultanate of Oman

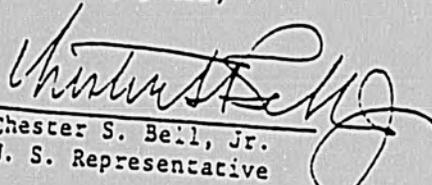
Dear Mr. Bertkau:

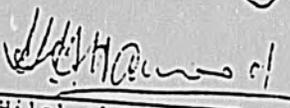
We would like to request you to issue two demand drafts in the following manner, debiting our C/A No. 009648-2.

1. U.S. \$1,038.06 in the name of the Embassy of the Sultanate of Oman in Khartoum.
2. U.S. dollars equivalent to Jordanian dinars 160.00 in the name of the Embassy of the Sultanate of Oman in Amman.

Please call us when the demand drafts are ready. We will make arrangements to collect them from your bank.

Sincerely yours,


Chester S. Bell, Jr.
U. S. Representative


Hamood Hilal al-Habsi
Managing Director

CITIBANK+

CITIBANK N.A. MUSCAT BRANCH

881767754

Muscat, Sultanate of Oman DECEMBER 15, 1981

Pay against this Check US \$ 483.38

To EMBASSY OF THE SULTANATE OF OMAN IN AMMAN.

The Sum of FOUR HUNDRED EIGHTY THREE AND CENTS THIRTY EIGHT ONLY.

[Handwritten Signature]

AQHA SHUJAAT ALI

⑆0223⑆⑆1042⑆⑆8⑆922467 881767754

CITIBANK+

CITIBANK N.A. MUSCAT BRANCH

881767753

Muscat, Sultanate of Oman DECEMBER 15, 1981

Pay against this Check U.S. \$ 1,038.06

EMBASSY OF THE SULTANATE OF OMAN IN KHARTOUM.

The Sum of ONE THOUSAND THIRTY EIGHT AND CENTS SIX ONLY.

[Handwritten Signature]

AQHA SHUJAAT ALI

⑆0223⑆⑆1042⑆⑆8⑆922467 881767753

AGENCY CONTRACTED AUDIT OF THE
OMANI-AMERICAN JOINT COMMISSION
ON ECONOMIC AND TECHNICAL
GRANT NO. 272-0101

APPENDIX II

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
GRANT TO THE SULTANATE OF OMAN THROUGH
THE OMANI-AMERICAN JOINT COMMISSION ON
ECONOMIC AND TECHNICAL CO-OPERATION.
PROJECT NO. 272-0101

FUND ACCOUNTABILITY STATEMENT
SEPTEMBER 28, 1980 TO DECEMBER 31, 1992

Program Fund:	\$
Fisheries Development	12,149,869
Wadi-Al-Khalid	361,915
Scholarship & Training	5,596,908
Other activities	379,209
Closed activities	<u>83,684</u>
Subtotal	18,571,585
	<hr/>
Operating expenses	1,874,199
Technical assistance	352,695
Training	<u>92,398</u>
Subtotal	2,319,292
Total	<u>20,890,877</u>

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REPORT DISTRIBUTION

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AA/OPS	1
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POL/CDIE/DI	1
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IG	1
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RIG/A/EUR/W	1
RIG/A/Singapore	1
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RIG/A/Bonn	1