

Financial Audits

**AUDIT OF MIDAMERICA
INTERNATIONAL AGRICULTURAL CONSORTIUM
A.I.D. Contract No. ANE-0136-C-00-8019-00
September 29, 1988 to April 30, 1993**

**Report No. 0-000-94-02-N
October 29, 1993**



U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

October 29, 1993

MEMORANDUM FOR USAID/Morocco, Martin V. Dagata

FROM: IG/A/FA, *B. Howard* Reginald Howard

SUBJECT: Audit of MidAmerica International Agricultural Consortium

The accounting firm of Clifton, Gunderson & Co. performed a financial-related audit of Contract No. ANE-0136-C-00-8019-00 between the MidAmerica International Agricultural Consortium (MIAC) and A.I.D. Five copies of the report are enclosed for your action.

MIAC, a consortium of five universities operating as a not-for-profit organization, assists in alleviating world hunger by helping developing countries attain greater food productivity. Under the contract, MIAC provided technical services to assist the Government of Morocco in developing and implementing an applied research and production program to improve agriculture in southern Morocco.

Clifton, Gunderson & Co. audited approximately \$14.5 million in expenditures incurred by MIAC under contract ANE-0136-C-00-8019-00 during the period September 29, 1988 to September 28, 1991. In addition, the auditors performed limited audit procedures on an additional \$5.8 million in expenditures incurred on the contract during the period from September 29, 1991 to April 30, 1993.

The audit objectives were to determine whether: the Statement of Contract Expenditures, for the period September 29, 1988 to September 28, 1991, was presented fairly in accordance with the contract's terms; MIAC had complied with the applicable laws, regulations, and terms of the contract; and MIAC's internal control structure was adequate for the purposes of the contract.

Clifton, Gunderson, & Co. determined that, except for changes that might result from the resolution of questioned costs, MIAC's Statement of Contract Expenditures was presented fairly in all material respects. However, the audit disclosed \$496,004 in questioned costs consisting of \$210,627 in potentially ineligible costs and \$285,377 in costs considered unsupported.

Of the questioned costs, \$458,636 was based on the auditors' determination that MIAC had not complied with a contract provision limiting personnel compensation. The questioned costs were in two categories:

- The auditors questioned as potentially ineligible \$173,259 in salaries paid to 6 MIAC employees. The \$173,259 was considered ineligible because, according to the auditors, MIAC paid the six employees starting salaries in excess of what they earned in their previous employment, without getting specific approval from the project officer.
- The auditors questioned as unsupported an additional \$285,377 in salary costs because MIAC did not have sufficient documentation to show that the starting salaries for 5 other employees were within the contract limitation.

MIAC disagreed with both parts of the auditors' finding, stating that: (1) its contract stated that it could exceed the employee's current salary or wage if it obtained approval from the project officer, and (2) that the project officer had approved the hiring of all individuals cited in the audit report. MIAC's comments are summarized following each finding and are attached in their entirety as Appendix A to this report.

Although agreeing that the project officer had approved the hiring of the employees, the auditors believed the approval did not include permission to pay starting salaries exceeding the contract limitation. The auditors held this belief because MIAC did not inform the project officer that the proposed salaries exceeded the limitation when it requested permission to hire these individuals.

Further, although the auditors classified the full \$285,377 in starting salaries as unsupported costs, they acknowledged that the exact amounts of questioned costs, if any, could not be determined because of lack of documentation. Consequently, USAID/Morocco will need to determine the exact amount of any questioned costs during the audit resolution process.

The auditors considered the above finding to be a material noncompliance with the terms of the contract. Additionally, the auditors reported five other immaterial findings on noncompliance with applicable laws, regulations, and terms of the contract.

The auditors noted two reportable conditions in MIAC's internal control structure. The reportable conditions were that MIAC (1) did not have adequate separation of duties and (2) prepared and processed for payment key accounting documents without independent approval. The auditors did not consider either reportable condition to be a material weakness. As MIAC agreed to correct the noted conditions, we are not making any recommendations about them.

Recommendation No. 1: We recommend that USAID/Morocco resolve the \$496,004 (\$210,627 ineligible and \$285,377 unsupported) in questioned costs identified in the audit report (page 13).

The recommendation will be included in the Inspector General's audit recommendation follow-up system. Within 30 days, please provide this Office with the status of actions planned or taken to resolve and close the recommendation.

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Financial Audits

**AUDIT OF
MIDAMERICA INTERNATIONAL AGRICULTURAL CONSORTIUM
A.I.D. Contract No. ANE-0136-C-00-8019-00
September 29, 1988 to April 30, 1993**

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**"CONTRACTOR 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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**MIDAMERICA INTERNATIONAL
AGRICULTURAL CONSORTIUM**

**REPORT ON AUDIT OF
STATEMENT OF CONTRACT EXPENDITURES
For The Period From September 29, 1988 to
September 28, 1991**

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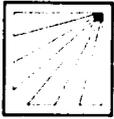
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TABLE OF CONTENTS

TRANSMITTAL LETTER	1
INDEPENDENT AUDITOR'S REPORT	5
FINANCIAL STATEMENT	
Statement of Contract Expenditures	6
Note to the Statement of Contract Expenditures	7
ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES	8
COMPLIANCE WITH THE CONTRACT AND APPLICABLE LAWS AND REGULATIONS	
Independent Auditor's Report on Compliance	11
Schedule of Questioned Costs	13
Schedule of Findings	14
INTERNAL CONTROLS	
Independent Auditor's Report on Internal Control Structure	22
Reportable Conditions	24
SCHEDULES	
Schedule A	26
Schedule B	27





**Clifton,
Gunderson & Co.**
Certified Public Accountants & Consultants

October 4, 1993

Mr. Reginald Howard
Director of Financial Audits
IG/A/FA, SA-16 (RPE)
Room 514
Washington, D.C. 20513-1604

Dear Mr. Howard:

This report presents the results of our audit of contract ANE-0136-C-00-8019-00 between the MidAmerica International Agricultural Consortium (MIAC) and the United States Agency for International Development (AID) for the period September 29, 1988 through September 28, 1991.

BACKGROUND

MIAC (located in Lincoln, Nebraska), a consortium of five universities, operates as a not-for-profit organization, providing administrative assistance to establish various agriculture and research programs on United States college campuses and in foreign countries. The programs are designed to develop new approaches and techniques for conducting research and the attainment of greater food productivity in the world. The organization also coordinates educational services for foreign students in agriculture as a means of attaining greater food productivity. During the time period noted above, MIAC was engaged by AID to provide technical services to assist the Government of Morocco to develop and implement an applied research and production program for the improvement of agriculture in the semi-arid region of southern Morocco.

Contract ANE-0136-C-00-8019-00 was awarded on September 29, 1988 to MIAC for about \$19.7 million to be spent over a five-year period of time. A one-year extension of the contract was in process at the time of the audit, to extend the contract for another year, bringing the total cost over the six years to \$26.7 million.

AUDIT OBJECTIVES AND SCOPE

The delivery order required the auditors to perform a cost and compliance audit of AID contract ANE-0136-C-00-8019-00 for the period September 29, 1988 through September 28, 1991 as administered by MIAC. In addition to the objective, the Contracting Officer in Morocco, in consideration of extending the contract for another year, requested that other information be

obtained or reviewed in Nebraska by the auditors to assist in the Contracting Officer's evaluation of the proposed one-year extension. Some of the cost related information was outside the three-year scope. Any questionable costs identified while performing the evaluation for the Contracting Officer are also included in the Schedule of Findings, but are identified as being outside the scope. Further, an *Accountant's Report On Applying Agreed-upon Procedures* covering the period September 29, 1991 to April 30, 1993, is included, in response to the Contracting Officer's questions concerning salaries outside the scope, the billing process, excessive advances and procurement.

Relative to the audit period September 29, 1988 to September 28, 1991 for contract ANE-0136-C-00-8019-00, we performed our work in accordance with generally accepted auditing standards and the Comptroller General's *Government Auditing Standards* and, accordingly, included such tests of the accounting records, internal control structure and such other auditing procedures as we considered necessary in the circumstances to determine whether:

1. The Statement of Contract Expenditures presents fairly the expenditures from September 29, 1988 to September 28, 1991, according to the terms of the agreement, Federal Acquisition Regulations, AID Handbook 10 and applicable OMB Circulars, identifying unsupported costs or those not considered appropriately allocable or allowable under the agreement.
2. MIAC's internal control structure was sufficient to capture data under the agreement and was adequate for the purposes of the agreement.
3. MIAC complied with U.S. Government regulations, U.S. laws and the terms of the agreement.

Audit procedures conducted in order to meet the audit objectives included the testing of a sample of transactions and studying and evaluating MIAC's internal control structure relative to the contract in order to assess control risks and as a basis for our auditing procedures.

RESULTS OF THE AUDIT

Statement of Contract Expenditures

We have audited the Statement of Contract Expenditures for MIAC contract number ANE-0136-C-00-8019-00 for the period September 28, 1988 to September 28, 1991. The Statement of Contract Expenditures is the responsibility of MIAC's management. Our responsibility is to express an opinion on the Statement of Contract Expenditures based on our audit. In our opinion the Statement of Contract Expenditures is fairly presented, in all material respects, in conformity with generally accepted accounting principles.

In addition, we have applied certain agreed-upon procedures to the expenditures under MIAC contract ANE-0136-C-00-8019-00 for the period September 29, 1991 to April 30, 1993. A summary of the audit and agreed-upon procedure testing is as follows:

	<u>September 29, 1988 to September 28, 1991</u>	<u>September 29, 1991 to April 30, 1993</u>
Total contract expenditures	\$14,552,913	\$5,781,670
Total expenditures tested	3,722,326	760,586
Ineligible costs	180,383	30,244
Unsupported costs	285,377	0

Total ineligible costs were \$210,627 and total unsupported costs were \$285,377, which combine for total questioned costs of \$496,004.

Compliance with the Terms of the Contract and Applicable Laws and Regulations

As part of our audit, we performed tests of MIAC's compliance with certain provisions of the contract, laws, regulations and binding policies and procedures. We performed those tests of compliance as part of obtaining reasonable assurance about whether the Statement of Contract Expenditures is free of material misstatement. Our objective was not to provide an opinion on compliance with such provisions.

Our tests of compliance disclosed ten instances of non-compliance, which were not considered to be material. The questioned ineligible and unsupported costs were in the five expense categories as follows:

<u>Category</u>	<u>Scope</u>
Salaries	Reviewed 100% of the technical assistants' starting salaries to determine its compliance with the terms of the contract. Reviewed the institutions' invoices for the audit period. Tested the non-technical assistants' salaries and benefits.
Participant Training	Tested transactions of 8 out of 32 participants to determine compliance with certain provisions of AID Handbook 10.
Travel	Reviewed 100% of a designated travel agency's charges to the travel expense accounts to determine if rebates were credited back to the contract.
Other expenses	Selected samples from detailed expense transaction ledgers for testing and review.

General & Administrative (G&A) All G&A expenses for the audit period were selected for review.

We did not question any costs in expense categories other than the above. Our tests of compliance disclosed the following instances of non-compliance.

1. Agreed-upon salary cap of \$60,000 was exceeded.
2. Agreed-upon maximum yearly salary increases of 10 percent were exceeded.
3. Starting salaries were higher than those allowable under the contract.
4. Participant training costs for one participant included \$10,000 in administration or indirect costs.
5. Estimated rebate of \$3,820 for travel costs were not returned to AID.
6. General and Administrative expenditures included unallowable expenses.

Internal Control Structure

We studied and evaluated MIAC's internal control structure in Lincoln, Nebraska relative to AID contract number ANE-0136-C-00-8019-00 to assess the control risks and to determine our auditing procedures for the purpose of expressing an opinion on MIAC's Statement of Contract Expenditures and not to provide assurance on MIAC's internal control structure taken as a whole. We identified certain matters involving the internal control structure and its operations that we consider to be reportable conditions.

1. Duties for purchasing and payment were not adequately separated.
2. Documents such as field purchase requisitions, expense vouchers, invoices, and timesheets were not always approved.

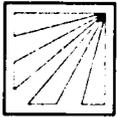
We discussed the findings and recommendations in this report with MIAC management throughout the engagement in Lincoln, Nebraska. At the conclusion of the audit on May 28, 1993, we held a close-out with members of MIAC's management team in Lincoln. Additionally, we discussed the report with AID's Office of the Inspector General. Their comments on the draft report have been considered in finalizing the report while MIAC's comments have been included in the report. We wish to thank the individuals at MIAC for the time and cooperation given to us throughout the engagement.

Sincerely,

CLIFTON, GUNDERSON & CO.



William H. Oliver
Partner



**Clifton,
Gunderson & Co.**
Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statement of contract expenditures (statement) of the MidAmerica International Agricultural Consortium (MIAC), for the period from September 28, 1988 to September 29, 1991, under the terms of contract ANE-0136-C-00-8019-00 between MIAC and the United States Agency for International Development. The statement is the responsibility of MIAC'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 auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts in the statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall representation of the statement. We believe that our audit provides a reasonable basis for our opinion.

There is a total of \$465,760 ineligible and unsupported costs. In our opinion, except for the effects of any adjustments and additional disclosures that might have resulted upon resolution of the questioned costs of \$465,760, the statement referred to above presents fairly, in all material respects, the contract expenditures of MIAC for the period from September 29, 1988 to September 28, 1991, in accordance with the terms of the contract referred to above. As described in Note 1, the accompanying schedules only include MIAC's expenditures and are not intended to present MIAC's financial position, results of operations or changes in its fund balance in accordance with generally accepted accounting principles.

This report is intended for the information of MIAC's management and the U.S. Agency for International Development. This restriction is not intended to limit the distribution of this report if a matter of public record.

Clifton, Gunderson & Co.

Baltimore, Maryland
May 28, 1993

**MIDAMERICA INTERNATIONAL AGRICULTURAL CONSORTIUM
 CONTRACT NUMBER ANE-0136-C-00-8019-00
 STATEMENT OF CONTRACT EXPENDITURES
 For the Period September 29, 1988 to September 28, 1991**

<u>Budget Category</u>	<u>Budget</u>	<u>Expenditures</u>
U.S. Tech Assistance	\$5,813,560	\$6,464,626
Training	1,353,554	1,432,151
Commodities	2,704,017	2,494,507
Operations	1,139,000	1,214,919
Indirect Costs	<u>2,758,446</u>	<u>2,192,240</u>
Sub-Total	13,828,587	13,798,443
MIAC General & Administrative	<u>692,978</u>	<u>754,470</u>
Grand Total	14,521,565	14,552,913
Not Allocated by line item	<u>1,488,435</u>	<u>-----</u>
Total Funded	<u>\$16,010,000</u>	<u>\$14,552,913</u>

This financial statement should be read only in connection with the accompanying note to the statement of contract expenditures.

**MIDAMERICA INTERNATIONAL AGRICULTURAL CONSORTIUM
NOTE TO THE STATEMENT OF CONTRACT EXPENDITURES**

For the Period from September 29, 1988 to September 28, 1991

**NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES**

- A. MidAmerica International Agricultural Consortium (MIAC) was founded in 1977, as a not-for-profit consortium that provides administrative assistance to establish various agriculture and research programs on United States college campuses and in foreign countries and, also, coordinates educational services for foreign students in agriculture. MIAC received funding from AID under contract number ANE-0136-C-00-8019-00, administered by the Morocco Mission for the purpose of providing the assistance described above.
- B. Expenditures are considered as being related to the disbursing of funds provided by U.S. AID to accomplish the objectives identified in AID contract number ANE-0136-C-00-8019-00. Expenditures are recognized as incurred in accordance with generally accepted accounting principles.
- C. The Statement of Contract Expenditures is not intended to be a presentation of MIAC's financial position, results of operations or changes in fund balances. Rather, the statement presents the expenditures during the period September 29, 1988 to September 28, 1991, in accordance with the financial reporting requirements of the contract.
- D. AID contract number ANE-0136-C-00-8019-00 contains an itemized budget for administrative performance costs. The contract considers the itemized budget as estimates, thereby, not requiring the contractor to get written approval from the Contracting Officer to exceed the individual line items.

ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

We have applied certain agreed-upon procedures, as discussed below, to expenditures of the MidAmerica International Agricultural Consortium (MIAC) for the period September 29, 1991 to April 30, 1993. Our procedures and findings are as follows:

FUND ACCOUNTING

SF-1034, Public Voucher for Purchases and Services Other Than Personal, is submitted by MIAC to the AID office in Washington, D.C., which in turn forwards a copy to the AID Project Officer in Morocco for administrative review and approval. SF-1034 reports the amount of the month's actual expenditures. The funds to cover the expenditures are drawn, usually monthly, in advance under a Letter of Credit based on the estimated expenditures. We were asked to review the October 1991 SF-1034 and the Expenditure Report to verify the validity of the reported amounts. The October expenditure was originally reported as \$627,508.48. Revised reports were subsequently prepared in December 1991, changing the amount to \$275,193.84. The desired amount of advance for the following month was erroneously included in the original report. MIAC's accounting office recognized the error, and decided to delay the correction until the following month, otherwise, governmental financial reporting requirements would not have been met for the current month. The error in reporting the actual expenditures did not affect the funds advanced to MIAC. All funds received could be accounted for and there were no excessive funds received. We concluded that the inadvertent action was an isolated case.

ADVANCES

A review to verify any requests for excessive advances revealed that MIAC's requests to AID have been reasonable. A review of the transactions for the period September 29, 1991 through April 30, 1993 disclosed that in 11 of 19 cases the amount of funds requested were lower than the actual expenditures. During the earlier period September 29, 1988 through September 28, 1991, in 24 of 32 cases, the amount of funds requested was lower than the actual expenditures. Further, Expenditure Reports submitted by MIAC to AID were agreed to the financial statements. Also, the Expenditure Reports' direct and indirect costs were agreed to the University of Nebraska's books and records and a computation using the audited financial statements was performed to verify that the total General and Administrative costs collected by MIAC for all contracts did not exceed the General and Administrative revenues. Since there were no exceptions, it was concluded that the advances requested by MIAC were reasonable.

SALARIES

All starting salary bases for technical assistants (TAs) working over the life of the contract were reviewed. However, we did not review the starting salaries of TAs who were already with the project when this contract was executed. Since this is a second contract for the same project, some TAs hired under the first contract continued to work under the second contract when the first contract ended. In many cases it was not possible to determine how MIAC determined the starting salaries for the technical assistants because MIAC files did not always contain the employee's on campus salary nor the consulting income earned during the year preceding employment under the contract. The instances where the starting salary bases are not supported are broken out in the Schedule of Findings in two parts: one part covering salaries within our scope, and the other covering salaries outside the scope of the audit.

PROCUREMENTS

Procurements are made for MIAC by the University of Nebraska in Lincoln by the Purchasing Department in accordance with procedures established by the University which are the same procedures used by the State of Nebraska. Items costing more than \$15,000 must be bid competitively unless there is documented reason not to allow a sole source purchase. Reasons for sole source are instances where the product can only be purchased through one vendor or the purchase of other makes would create compatibility or maintenance problems. The following large items which were outside the audit scope, and the procurement process of these items, were reviewed by the auditors.

- Pick-up trucks
- Ion analyzer
- Digestion and distillation system

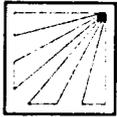
Adequate procurement methods were used to purchase each item.

Because the above procedures do not constitute an audit conducted in accordance with generally accepted auditing standards, we do not express an opinion on the expenditures referred to above. In connection with the procedures referred to above, no matters came to our attention, that caused us to believe that any expenditures, other than those identified in the schedule of findings and questioned costs, should be questioned. Had we performed additional procedures or had we conducted an audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States, matters might have come to our attention that would have been reported to you. This report relates only to the expenditures specified above and does not extend any financial statements of MIAC taken as a whole.

This report is intended for the information of MIAC's management and the U.S. Agency for International Development. This restriction is not intended to limit the distribution of this report if a matter of public record.

Clifton, Henderson & Co.

**Baltimore, Maryland
May 28, 1993**



**Clifton,
Gunderson & Co.**
Certified Public Accountants & Consultants

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH THE TERMS OF THE CONTRACT AND
APPLICABLE LAWS AND REGULATIONS**

We have audited the statement of contract expenditures of the MidAmerica International Agricultural Consortium (MIAC) for the period September 29, 1988 to September 28, 1991, and have issued our report thereon dated May 28, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations and contracts applicable to MIAC is the responsibility of MIAC's management. As part of obtaining reasonable assurance about whether the statement of contract expenditures is free of material misstatement, we performed tests of MIAC's compliance with certain provisions of laws, regulations and contracts. However, the objective of our audit of the statement of contract expenditures was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

Material instances of noncompliance are failures to follow requirements, or violations of prohibitions, contained in statutes, regulations, contracts, or grants that cause us to conclude that the aggregation of the misstatements resulting from those failures or violations is material to the financial statements. The results of our tests of compliance disclosed the following material instance of noncompliance, the effects of which have not been corrected in MIAC's statement of contract expenditures for the period September 28, 1988 to September 29, 1991. MIAC has not fully complied with Section H.4.a.1 of the contract.

We considered these material instances of noncompliance in forming our opinion, in our report dated May 28, 1993, on whether MIAC's statement of contract expenditures for the period September 28, 1988 to September 29, 1991 is presented fairly, in all material respects, in conformity with the terms of the contract between MIAC and the U.S. Agency for International Development.

Except as described above, the results of our tests of compliance indicate that, with respect to the items tested, MIAC complied, in all material respects, with the provisions referred to in the third paragraph of this report, and, with respect to items not tested, nothing came to our attention that caused us to believe that MIAC had not complied, in all material respects, with those provisions. We also noted certain immaterial instances of noncompliance which are reported in the schedules of findings and questioned costs.

This report is intended for the information of MIAC's management and the U.S. Agency for International Development. This restriction is not intended to limit the distribution of this report if a matter of public record.

**Baltimore, Maryland
May 28, 1993**

Clifton, Henderson & Co.

**MIDAMERICA INTERNATIONAL AGRICULTURAL CONSORTIUM
COMPLIANCE WITH THE TERMS OF THE CONTRACT AND
APPLICABLE LAWS AND REGULATIONS**

**SCHEDULE OF QUESTIONED COSTS
FOR THE THREE YEAR AUDIT PERIOD ENDED SEPTEMBER 29,1991**

According to AID applicable regulations, costs charged to a project must meet the following general criteria:

- I. Be reasonable, for the performance of the project. A cost is reasonable if, in its nature or amount, it does not exceed that which would be incurred by a prudent person under the same circumstances.
- II. Be allocable to the project. A cost is allocable in accordance with the relative benefits received.
- III. Conform to any limitations or exclusions set forth in the agreement in which the project is based.
- IV. Be adequately documented.

Ineligible costs are all those costs unallocable and or unallowable in accordance with the terms of the contract, applicable laws and regulations. Unsupported costs are costs not properly supported by the recipient.

The following costs, which are described in the schedule of findings, were questioned because they were not adequately supported or were not in compliance with the contract, applicable laws or regulations:

Expenses	Findings	Ineligible Costs	Unsupported Costs	Total
Salaries	1,2,3	\$183,954*	\$285,377	\$469,331
Participant training	4	10,000	--	10,000
Travel	5	3,820	--	3,820
General & Administrative	6	12,853	--	12,853
TOTAL		\$210,627	\$285,377	\$496,004

*The amount includes ineligible costs for the period September 29, 1991 through April 30, 1993 of \$30,244.

**MIDAMERICA INTERNATIONAL AGRICULTURAL CONSORTIUM
COMPLIANCE WITH THE TERMS OF THE CONTRACT AND
APPLICABLE LAWS AND REGULATIONS**

SCHEDULE OF FINDINGS

FINDING:

1. Agreed upon salary cap of \$60,000 was exceeded.

CONDITION:

As of November 1, 1991 the team leader on the MIAC project in Morocco received an annual compensation package of about \$ 84,700, including fringe benefits. An applied indirect cost percentage of 26 percent brought the total cost to \$ 106,722. On November 1, 1992 the team leader received a pay increase bringing the two-year compensation package to about \$ 217,977, including fringe benefits and indirect costs.

Following is a breakdown of the two-year compensation package. The University paid \$20,000 of the team leader's two year compensation package.

	<u>Year Ended</u>		<u>TOTAL</u>
	<u>Nov. 1992</u>	<u>Nov. 1993</u>	
Salary	\$ 70,000	\$ 74,200	\$144,200
Fringe Benefits (21%/19%)	<u>14,700</u>	<u>14,098</u>	<u>28,798</u>
	84,700	88,298	172,998
Indirect Cost (26%)	<u>22,022</u>	<u>22,957</u>	<u>44,979</u>
TOTAL	<u>\$106,722</u>	<u>\$111,255</u>	<u>\$217,977</u>

CRITERIA:

A September 18, 1991 letter from the Contracting Officer to MIAC limited AID's contribution to no more than \$60,000 per year or \$120,000 over a two year period towards the individual occupying the position at that time. The University of Nebraska agreed to pay the portion exceeding the salary cap and the salary related fringe benefits.

CAUSE:

Management interpreted the contract agreement to mean that the \$60,000 was a one time starting salary cap and increases to the amount could be made at a later time during the two-year term of the contract.

EFFECT:

For the period November 1, 1991 through February 28, 1993 (outside of audit period) unallowable costs of \$9,010 were paid in excess of the contract letter of agreement. The schedule below shows the breakdown of the unallowable costs.

	<u>11/1/91-10/30/92</u>	<u>11/1/92-2/28/93</u>	<u>TOTAL</u>
Actual salary paid	\$70,000	\$24,733	\$94,733
Should be salary payment	<u>(60,000)</u>	<u>(20,000)*</u>	<u>(80,000)</u>
Salary in excess of cap	10,000	4,733	14,733
UNL's contribution	<u>(10,000)</u>	<u>(3,333)*</u>	<u>(13,333)</u>
Net excess salary paid	<u>\$ -0-</u>	<u>\$ 1,400</u>	<u>\$1,400</u>
Fringe Benefits paid	\$ 14,700	\$4,700	\$19,400
Should be fringe benefit payment	<u>(12,600)</u>	<u>(3,800)</u>	<u>(16,400)</u>
Net excess fringe benefit paid	<u>\$ 2,100</u>	<u>\$ 900</u>	<u>\$ 3,000</u>
Indirect costs applied on excess salary and fringe benefit costs		(\$17,733 x 26%)	<u>\$ 4,610</u>

*Proportionate amount.

RECOMMENDATION:

We recommend that MIAC pay AID \$9,010 and notify staff to compute salaries in compliance with the contract letter of agreement.

MANAGEMENT RESPONSE:

No comment at this time.

FINDING:

2. Agreed-upon maximum yearly salary increases of ten percent were exceeded.

CONDITION:

In two cases the yearly pay raises exceeded more than ten percent of the employee's prior year annual salary. The following employees exceeded the allowable ten percent.

Employee	Year Ended	Percent	Unallowable Costs
RC	1988-89	11.00%	580
JR	1990-91	11.77%	1,105
TOTAL			\$1,685

CRITERIA:

The contract states that in no year should a pay raise for an employee performing work overseas under the contract be greater than ten percent of the employees prior year's gross salary or wages.

CAUSE:

Management was not aware of the provision in the contract limiting pay increases to ten percent annually.

EFFECT:

Unallowable costs of \$ 1,685 were paid in excess of the allowable amount for salaries.

RECOMMENDATION:

We recommend that MIAC pay AID \$ 1,685 and notify staff to compute the salaries in compliance with the terms of the contract.

MANAGEMENT RESPONSE:

Management did not comment on the two employees cited above.

FINDING:

3. Starting Salaries were higher than those allowable under the contract.

CONDITION:

USAID/Morocco approved salaries that were higher than the salaries allowed under the terms of the contract, and other salaries were submitted for approval without the necessary documentation. Schedule A provides a listing of all employees that started at salaries in excess of the allowed amount and those whose salaries (base salaries) prior to joining the project were not documented, thus, USAID/Morocco did not know that they were approving salaries that were higher than those allowed under the terms of the contract.

CRITERIA:

A review of the contract disclosed that MIAC should have brought to the attention of AID those cases where an individual salary or wage exceeded the employee's current salary or wage or the highest rate of annual salary or wage received during a full year of the immediately preceding three years. (See Section H.4.a.1. of the contract).

CAUSE:

Management was not aware of the requirement to bring to the attention of USAID/Morocco those cases where the salaries or wages exceeded the terms of the contract.

EFFECT:

Ineligible costs of \$173,259, including computed amounts of fringe benefits and indirect costs, were paid for project salaries. Also, project salaries of \$285,377, excluding fringe benefits and indirect costs, may be unallowable for TAs whose base salaries were undocumented. In addition, some related fringe benefits and direct costs may not be allowable. The amounts of these costs could not be determined without documents showing the amounts of the base salaries.

RECOMMENDATION:

We recommend that USAID/Morocco determine and collect from MIAC all salary costs, including fringe benefits and indirect costs, that exceed the terms of the contract.

MANAGEMENT RESPONSE:

MIAC referred to Section 14, 4.a.1., stating, "...nor may any individual salary or wage, without approval of the Project Officer, exceed the employee's current salary or wage..."

MIAC has on file memorandums from USAID/Rabat approving the hiring of all individuals cited in the audit report. Conditions of employment, including starting salary, were stated in the request for proposal.

AUDITOR'S RESPONSE:

The auditor agreed that all personnel were individually approved by USAID P/CO prior to assignment to the project as required under Section F.3.b. We believed, however, that the documents submitted to the P/CO did not have sufficient disclosures, such as the employee's current salary or wage or the highest rate of annual wage received during any full year of the immediately preceding three years, or a specified request, to alert the P/CO that approval on personal compensation was being requested in compliance with Section H.4.a.1. of the contract.

FINDING:

- 4. Participant training costs for one participant included \$10,000 in administrative or indirect costs.

CONDITION:

Expenses for one participant to attend specialized custom tailored training and get hands-on experience for the maintenance of electronic laboratory instrumentation and air conditioning/refrigeration equipment for nine months at the Lincoln University in Jefferson City, Missouri, cost about \$52,000. The expenses included the following:

Instructional materials and fees	\$33,500.00
Maintenance, travel and miscellaneous	8,900.00
Administrative or indirect costs	<u>10,000.00</u>
Total	<u>\$52,400.00</u>

The Administrative or indirect costs of \$10,000 was excessive considering the administrative costs charged other various PIO/P's reviewed at MIAC.

CRITERIA:

OMB Circular A-122 requires that contract expenditures be reasonable. A cost is considered reasonable if in its nature or amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the costs.

CAUSE:

Personnel working for MIAC when the training was proposed and approved were no longer working with MIAC. Consequently, it was not possible to determine why the administrative or indirect costs were approved.

EFFECT:

AID was charged for costs disproportionate to the benefits received, resulting in excessive contract costs of \$10,000.

RECOMMENDATION:

We recommend MIAC recover from Lincoln University unwarranted administrative costs of \$10,000 and instruct its staff to approve only tuition related costs.

MANAGEMENT RESPONSE:

USAID/Rabat approved the participant's PIO/P, with a budget which showed \$11,628 for Administrative Costs. AID Handbook 10, page 6-3, states, "... The non-funded PIO/P also indicates the estimated per month administrative cost..." Other educational institutions routinely charge an administrative cost, along with their bills for tuition.

AUDITOR'S RESPONSE

AID Handbook 10, Chapter 6, page 6-7 states that an estimated administrative cost to cover the development and management of the program is to be reported by participant. We believed that \$10,000 administrative cost was excessive based on our review of the administrative costs (mostly \$675 per year) for various other PIO/Ps.

FINDING:

5. Estimated rebate of \$3,820 for travel costs were not returned to AID.

CONDITION:

Cash refunds (rebates) from the sale of domestic transportation tickets were provided by travel agencies to the University of Nebraska, rather than reducing the price of the tickets. During the three-year period, MIAC earned at least \$3,820 in rebates that went to the University of Nebraska, rather than to travel under the contract.

CRITERIA:

OMB Circular A-122 requires that credits such as purchase discounts, rebates or allowances be credited to the Government either as a cost reduction or cash refund.

CAUSE:

University of Nebraska policy allows rebates only if the numbered account in their system is identified as an eligible account and if more than \$2,000 in travel costs have been recorded in the account. Further, in error, since the Moroccan participants were not employees of the University, such rebates were not returned to the contract.

RECOMMENDATION:

We recommend that MIAC require the University of Nebraska to provide at least \$3,820 in rebates (cash) for use on the contract and inform appropriate University of Nebraska employees on how to properly handle refunds that are generated from transportation tickets purchased under the AID contract.

MANAGEMENT RESPONSE:

During the period of this audit, tickets were purchased from a local travel agency for participant travel within the U.S. The travel agency returned to the University a rebate of 4% of the purchase price on annual basis. The University made a distribution of this revenue to the cost centers incurring the cost based upon a criteria of employee travel using a provided American Express Credit Card. During the period of the audit, expenditures subject to this rebate were:

9/1/88 to 6/30/89	\$ 8,333.32
7/1/89 to 6/30/90	21,496.83
7/1/90 to 6/30/91	24,624.85
7/1/91 to 9/30/91	<u>5,812.98</u>
Total	<u>\$60,270.98</u>

The amount of rebate not credited back to this contract fund for the period of the audit is (60,270.98 x .04) \$2,410.84.

AUDITOR'S RESPONSE

Section 5, Revenue Sharing, of the Contract Agreement for Corporate Travel Services stated that "the designated travel agency agrees to return ..., 4% of net domestic airfare purchases. This amount will be determined from two sources: ... charge card transactions and from other agency records for any non-charge card transactions."

Due to different audit and accounting periods, we used the University's accounting period and did not adjust for the first and the last three months of the audit period. The following is a schedule of the expenditures subject to the rebate:

<u>UNL Acct#</u>	<u>YEAR ENDED</u>			<u>TOTAL</u>
	<u>6/30/89</u>	<u>6/30/90</u>	<u>6/30/91</u>	
LWT/68-345-3502 #554120	\$ -	\$ 468.00	\$ -	\$ 468.00
LWT/68-345-3501 #554120	1,313.34	1,060.00	3,767.79	6,141.13
LWT/68-345-3503 #552810	4,042.00	14,049.69	17,686.80	35,778.49
LWT/68-345-3505 #552810	8,333.32	20,167.50	24,625.75	<u>53,126.57</u>
				<u>\$95,514.19</u>

The amount of rebate not credited back is \$3,820 (\$95,514.19 x 4%).

FINDING:

6. General and Administrative (G&A) expenses included unallowable expenses.

CONDITION:

MIAC G&A expenses in total for a year's period of time were used as the base for determining the G&A rate applied to the contract. Some of the G&A expenses included in the base were questionable, as detailed in Schedule B.

CRITERIA:

By reference, the contract requires that all G&A expenses, in order to be included in the base, be allowable, allocable and reasonable (by Federal Standards).

CAUSE:

MIAC was not aware of this requirement.

EFFECT:

An overstated rate was used as the base to determine the G&A rate for the contract, thus, overstating the rate applied to direct and indirect contract costs and, in turn, overstating the contract G&A expenses by \$37,416, resulting in questioned costs of \$12,853. The recomputed G&A rate and the resulting questioned cost of \$12,853 does not include any adjustments for the costs questioned in the report.

RECOMMENDATION:

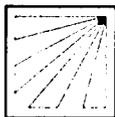
We recommend that MIAC should return at least \$12,853, as shown on Schedule B, that were paid by AID for G&A expenses, in fiscal years 1989 through 1991. Further, MIAC should review the G&A expenses for subsequent fiscal years and correct the G&A rates.

MANAGEMENT RESPONSE:

Management believed G&A expenses for fiscal year 1988-89 were allowable, allocable, and reasonable. During their trip to Kenya, MIAC Board members met with Kenyan officials and reviewed the progress of on-going host country USAID contracts. They traveled to each agricultural research station to meet with MIAC long-term faculty working as technical assistants, and their Kenyan colleagues. MIAC stated that this clear commitment by MIAC Board members to the project in Kenya was certainly a factor in the selection of MIAC by the Kenyans to implement a multiple year extension to the project.

AUDITOR'S RESPONSE

As explained in Schedule B, the auditor believed that the disallowed costs were unreasonable.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE

We have audited the statement of contract expenditures of the MidAmerica International Agricultural Consortium (MIAC) for the period from September 29, 1988 to September 28, 1991, and have issued our report thereon dated May 28, 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. Those standards required that we plan and perform the audit to obtain reasonable assurance about whether the statement of contract expenditures is free of material misstatement.

In planning and performing our audit of MIAC, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the statement of contract expenditures and not to provide assurance on the internal control structure.

The management of MIAC is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that the assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with the terms of contracts between MIAC and the U.S. Agency for International Development. 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 of MIAC applicable to the expenditures for the period September 29, 1988 to September 28, 1991 in the following categories:

- Accounting processes
- Payroll procedures
- Receipts/revenues
- Allowances
- Purchases/disbursements
- Travel and transportation
- Financial reporting

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

We noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants and the United States Comptroller General's Government Auditing Standards. 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 entity's ability to record, process, summarize and report financial data consistent with the assertions of management in the Statement of Contract Expenditures. We noted the following reportable conditions:

1. Duties for purchasing and payment were not adequately separated.
2. Documents such as field purchase requisitions, expense vouchers, invoices, and timesheets were not always approved.

A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that none of the matters described above are material weaknesses.

This report is intended for the information of MIAC's management and the U.S. Agency for International Development. This restriction is not intended to limit the distribution of this report if a matter of public record.

Clifton, Henderson & Co.

Baltimore, Maryland
May 28, 1993

**MIDAMERICA INTERNATIONAL AGRICULTURAL CONSORTIUM
REPORTABLE CONDITIONS**

FINDING:

1. Duties for purchasing and payment were not adequately separated.

CONDITION:

MIAC did not segregate duties within the project office in Lincoln, Nebraska, nor at the project site in Morocco to ensure that one individual did not have access to all parts of the cash disbursement cycle. In the project office in Lincoln, three of the authorized signatories could initiate purchase orders and also could write checks up to \$500, without a second signature, from a \$365,000 revolving fund. Similar conditions may exist in Morocco, where in one case the team leader wrote a check to himself for \$3,750 and it appeared that the money was given to his wife, who used the money to pay for semester tuition fees for a participant. Duties in Morocco were not verified during this audit.

CRITERIA:

To prevent the misuse of funds, duties should be adequately segregated within the offices.

CAUSE:

The offices are small and MIAC believes other compensating internal control policies reduce the risk of any major losses.

EFFECTS:

Lack of adequate segregation of duties within the departments increases the risk of the misappropriation of funds.

RECOMMENDATION:

We recommend that MIAC should closely review the cash disbursement cycles in Lincoln and Morocco, including the internal controls, and where appropriate, segregate the duties of the staff so that one individual does not have the ability to control all key aspects of a transaction.

MANAGEMENT RESPONSE:

Staffing and work load assignments are being reviewed to insure that adequate separation of duties will be achieved.

FINDING:

2. Documents, such as field purchase requisitions, expense vouchers, invoices and timesheets were not always approved.

CONDITION:

Key accounting documents were prepared, processed and paid in the Morocco office without being approved by an independent person, supervisor or other responsible person in the department.

CRITERIA:

To prevent errors and the possible misuse of funds, purchase requisitions, expense vouchers, invoices and timesheets should be reviewed and approved before processing the order or making payment, whichever is appropriate.

CAUSE:

Not determinable because the documents were processed in the Morocco office.

EFFECT:

Lack of approval by an independent staff member increases the risk of abuse and also the possibility of mistakes in the financial records.

RECOMMENDATIONS:

We recommend that MIAC should prepare and implement a written policy and ensure the implementation of requiring all key accounting documents to be approved by a designated responsible staff member prior to the time the documents are processed.

MANAGEMENT RESPONSE:

MIAC is reviewing policies relative to document handling in the MIAC office in Morocco to determine what improvements can be implemented to correct any problems that are identified.

SCHEDULE A

**MIDAMERICA INTERNATIONAL AGRICULTURAL CONSORTIUM
CONTRACT NUMBER: ANE-0136-C-00-8019-00**

Salaries In Excess of the Allowed Amount

Period 9/29/88 - 9/28/91				
Name	Date of Hire	Base Salary (On campus and consulting income)	Starting Salary	Questioned Costs*
1. TGB	7/90	\$46,920	\$60,000	\$23,768
2. GM	7/90	58,300	65,000	11,359
3. JT	7/90	37,272	60,000	42,212
4. LB	6/89	39,500	49,000	39,450
5. JK	8/90	51,060	65,000	<u>35,236</u>
Sub-total				152,025
Period 9/29/91 - 9/30/93				
6. TW	11/91	41,370	53,000	<u>21,234</u>
Total				<u>\$173,259</u>

Undocumented Base Salary

Period 9/29/88 - 9/28/91		
Name	Date of Hire	Starting Salary
7. RB	1/89	\$42,000
8. OM	12/88	65,000
9. KM	7/89	40,000
10. AT	8/90	67,000
11. RZ	6/89	<u>71,377</u>
		<u>\$285,377</u>

* Includes fringe benefits and indirect costs.

SCHEDULE B

**MIDAMERICA INTERNATIONAL AGRICULTURAL CONSORTIUM
CONTRACT NUMBER: ANE-0136-C-00-8019-00**

Unallowed General and Administrative Expenses¹

<u>Expense</u>	<u>1988-1989</u>	<u>1989-1990</u>	<u>Reason for Unallowed Costs</u>
Board meeting in Kenya	\$35,027	\$ -	Unreasonable to pay for the transportation (including first class airfare) and living expenses of all board members for meeting overseas.
Air-fare Egypt trip (Check No. 1403)	-	1,059	Estimated difference between business and coach class.
Executive & Associate Director's Travel (Voucher nos. 1316,1574, 1133)	-	1,200	Estimated difference between first class, business class, and coach class.
Meeting expenses liquor, beer (Voucher nos. 1316,1574)	-	15	Unallowed under A-122.
	-	<u>110</u>	Unallowed under A-122.
Total Unallowed G&A expenses	<u>\$35,027</u>	<u>\$2,384</u>	
Audited G&A expenses	552,422	696,574	
Less: Unallowable expenses	<u>35,027</u>	<u>2,384</u>	
Net allowable expenses	<u>517,395</u>	<u>694,190</u>	
Net contract expenses	<u>7,727,559</u>	<u>9,648,116</u>	
Recomputed G&A rate	<u>6.70%</u>	<u>7.20%</u>	
Negotiated G&A rate	<u>7.10%</u>	<u>7.22%</u>	
Total direct & indirect cost	<u>2,976,084</u>	<u>4,742,994</u>	
Difference in G&A rate	<u>0.40%</u>	<u>0.02%</u>	
Questioned costs	<u>\$11,904</u>	<u>\$949</u>	
Grand total - Questioned Costs G&A expenses unallowed			<u>\$12,853²</u>

¹All 1990-91 G&A expenses reviewed were allowed.

²The recomputed G&A rate and the resulting questioned cost of \$12,853 did not include any adjustments for the costs questioned in the report.



A Consortium of
Iowa State University
Kansas State University
University of Missouri
University of Nebraska
Oklahoma State University

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August 27, 1993

Larry Hoover
Irving Burton Associates, Inc.
5201 Leesburg Pike, Suite 700
Falls Church, VA 22041

Dear Larry,

Thank you for forwarding a draft copy of the audit report which your firm prepared on the MIAC-Morocco Project.

The specific comments we have relative to each finding are included in our attached response.

In those cases where we have not included a specific response to a finding, we reserve the right to provide that at a later date.

If you have any questions I will be happy to respond to them.

Sincerely,

A handwritten signature in cursive script that reads 'William L. Miller'.

William L. Miller
Executive Director

cc: Mark Norman

MIAC Response to the Report on Audit of Contract Expenditures
MIAC/Morocco Project
September 29, 1988 to September 28, 1991

Finding No. 1 (p. 13) Salary cap of \$60,000 exceeded

No comment at this time.

Finding No. 2 (p. 15) Yearly salary increases exceeded 10%

Two of the four employees cited in the audit report were employees on the UNL campus in Nebraska. These employees are identified as LE and PN in the table on page 16 of the audit report. The contract, Section H, 4.a.4, states that the 10% salary increase applies only to "employees performing work overseas under the contract".

Finding No. 3 (p. 16) Starting salaries for TA's

The MIAC contract with USAID for this project, Section H, 4.a.1, states, "...nor may any individual salary or wage without approval of the Project Officer, exceed the employee's current salary or wage..."

We have on file memorandums from USAID/Rabat approving the hiring of all individuals cited in the audit report. The conditions of employment, including starting salary, were stated in the request for approval.

In addition, the MIAC/USAID contract for this project does not list AIDAR 731.371 as one of the clauses incorporated by reference as part of the contract.

Finding No. 4 (p. 17) Project Implementation Order/Participants (PIO/P)

We have PIO/P's on file for all participants identified in schedule B of the audit report.

There are two types of PIO/P's - funded and non-funded. AID Handbook 10, page 6-3, states "The funded PIO/P may be processed as a sub-obligating document committing funds to sponsor a participant training program. When training funds are not included in a Project Agreement (PROAG), the PIO/P is processed as an obligation document.

The non-funded PIO/P, although not actually obligating or sub-obligating funds, indicates the funds that the contractor or other programming entity estimates will be spent on training. The non-funded PIO/P also indicates the estimated per month administrative cost of arranging and managing the participant's program."

The MIAC/Morocco project utilizes non-funded PIO/P's. The funds for training are included in each year's plan of work, which is subsequently approved by USAID/Rabat. The budget in each PIO/P is only an estimate.

94

Finding No. 5 (p. 18) Training costs for one participant included \$10,000 in admin. costs

USAID/Rabat approved the participant's PIO/P, with a budget which showed \$11,628 for Administrative Costs.

AID Handbook 10, page 6-3, states, "... The non-funded PIO/P also indicates the estimated per month administrative cost..."

Other educational institutions routinely charge an administrative cost, along with their bills for tuition.

Finding No. 6 (p. 19) Participants not receiving maintenance advance until arrival

The UNL MIAC/Morocco office makes every effort to have a check for the participant waiting at their point of arrival. We have had no crises nor complaints from participants about this procedure. We feel that when time deadlines are tight, it is safer to send the check to their U.S. destination than to send it to Morocco, hoping it will get there before they leave.

There is a provision in AID Handbook 10, page 11-6 which states "If for any reason the appropriate Advance Maintenance Allowance is not provided or only partially prior to the participant's departure,..." Thus, this is not a rule without exceptions.

In addition, a Moroccan could not cash a check in dollars in Morocco. There is a question as to how many dollars a Moroccan can carry when departing Morocco.

Finding No. 7 (p. 20) Actual travel costs were not charged

During the period of this audit tickets were purchased from a local travel agency for participant travel within the U.S.. The travel agency returned to the University a rebate of 4% of the purchase price on an annual basis. The University made a distribution of this revenue to the cost centers incurring the cost based upon a criteria of employee travel using a provided American Express Credit Card. During the period of this audit expenditures subject to this rebate were:

9/1/88 to 6/30/89	\$ 8,333.32
7/1/89 to 6/30/90	21,496.83
7/1/90 to 6/30/91	24,624.85
7/1/91 to 9/30/91	<u>5,812.98</u>
Total	\$60,270.98

The amount of rebate not credited back to this contract fund for the period of the audit is (60,270.98 x .04) \$2,410.84.

30

Finding No. 8 (p. 21) Medical examination for a participant was not documented

A PIO/P would not be issued without a evidence of medical examination. A copy of the medical examination for the student in question was on file in the MIAC office in Morocco. Evidence of that medical examination is now on file in the MIAC/Morocco project office in Lincoln.

Finding No. 9 (p. 22) General and Administrative Expenses

1988 - 1989

1. An incorrect "negotiated G&A Rate" is shown for 1988-1989. The MIAC NICRA was 7.1% for the year, not 7.22% as shown on the report.
2. Voucher #1133 for \$3,920 was a "board meeting in Kenya expense". It appears on the "Executive & Associate Director's Travel" line.

The audit report indicates the expenditures for travel by the MIAC Board of Directors to Kenya in the 1988-89 fiscal year should not be allowed a part of the basis for calculating the G&A rate for that year. But, those expenses were allowable, allocable, and reasonable expenses for MIAC during that fiscal year.

The Board met with Kenyan officials and reviewed the progress of our on-going host country USAID contract with them. Board members traveled to each agricultural research station to meet with MIAC long term faculty working as technical assistants, and their Kenyan colleagues. This clear commitment by MIAC Board members to the project in Kenya was certainly a factor in the selection of MIAC by the Kenyans to implement a multiple year extension to our project.

1989 - 1990

1. An incorrect "Negotiated G&A Rate" is shown for 1989-1990. The MIAC NICRA was 7.22% not 7.44% as shown on the report.

Finding No. 10 (p. 23) Documentation unavailable for two checks

Check numbers 479 (incorrectly stated as number 439 in the audit report) and 480 were paid to each of two technical assistants for their daughters' tuition at the Rabat American School. Each check was for \$3,750. We have on file receipts that the individuals paid tuition of \$3,750 each to the Rabat American School.

Finding No. 1 (p. 26) Duties not adequately reported

Staffing and work load assignments are being reviewed to insure that adequate separation of duties will be achieved.

Finding No. 2 (p. 27) Documents not approved

We are reviewing policies relative to document handling in the MIAC office in Morocco to determine what improvements can be implemented to correct any problems that are identified.

REPORT DISTRIBUTION LIST**APPENDIX B**
Page 1 of 1

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RAO/M	1
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