USAID/Lesotho Status Report on
Recommendations Contained in Audit Report No. 3-632-83-11

Southern Perimeter Road

September 1983

RECOMMENDATION NO. 1: GC/LE determine whether AID can recover for non-performance the $650,000 paid PRC Harris under Title III of the contract; and if so, initiate appropriate action to obtain recovery.

STATUS: Although this recommendation is addressed to GC/LE and not to this Mission a comment on that status is believed appropriate. The GOL and PRC Harris have concluded negotiations for final payment as a result of termination of Title III services under the GOL/PRC Harris Contract. An agreement has been drafted and informally agreed to by both parties. USAID, GC/LE and the RLA/SA have also concurred with the agreement and formal notification has been sent to the GOL that AID concurs in the agreement. At this writing the agreement has been mailed to PRC Harris for execution with GOL signature to follow. Upon completion of these two actions the GC/LE will be notified and then can respond to Recommendation 1.

RECOMMENDATION NO. 2: USAID/Lesotho (a) continue to follow-up with the GOL on settlement of unallowable costs with Harris, and (b) recover from the GOL all amounts improperly expended by either Harris or the GOL.

STATUS: Concerns addressed in (a) of this recommendation were considered during the settlement negotiations between the GOL and PRC Harris as discussed in Recommendation 1 and agreed to by USAID, GC/LE and the RLA/SA.

Unallowable expenses directly attributable to Harris were included in the negotiations relating to the final payment. Any other irregular expenditures (b) made by the SPRPA during the Harris management will be addressed as follows:

a) As part of the Title III close out agreement Harris will provide, at their cost, a qualified and competent specialist who will examine the records which are available with the SPRPA in regard to overpayments, double payments and unvouchered expenditures.

b) The report prepared by the specialist will be reviewed by the USAID Controller and any expenditures improperly made will be recovered from the GOL.

USAID is satisfied that appropriate action is being taken to close out this recommendation.

RECOMMENDATION NO. 3: USAID/Lesotho (a) determine the extent of SPRPA purchases from the Republic of South Africa and other ineligible sources, and (b) ensure that such purchases not covered by source/origin waivers are reimbursed by the GOL.

STATUS: In regard to this recommendation and also in regard to recommendation No. 5 the financial manager has completed the reconstruction of a journal of all historical expenditures made from the SPRPA separate project account.

A joint USAID/GOL review of these records is expected to be completed in October with appropriate actions to be taken in consultation with RLA/SA soon thereafter.

RECOMMENDATION NO. 4: USAID/Lesotho ensure that strict control over petty cash operations are established through written guidelines which (a) require limits for purchases, (b) define what types of purchases may be made from petty cash, (c) provide instructions of what is an acceptable receipt, and (d) require periodic audits of fund operations.

FINAL RESPONSE: Written guidelines have been published and formally approved by the Southern Perimeter Road Project Authority. Recent USAID/GOL reviews of the operating procedures showed these guidelines to be fully implemented and operating effectively. This was verified by site visits and surprise audits by MOW financial controller. USAID is fully satisfied that this recommendation has been complied with and can be closed.

RECOMMENDATION NO. 5: USAID/Lesotho follow through to ensure that the value of missing equipment and commodities is absorbed by the GOL.

RESPONSE: If the detailed analysis mentioned under response to Recommendation No. 3 identifies further missing equipment and commodities originally purchased with USAID funds these items will be reviewed by the USAID Controller in consultation with RLA/SA, and if amounts are determined to be due from GOL, appropriate action will be taken.

SPRPA PETTY CASH FUND GUIDELINES

The following list of guidelines has been developed to govern the use of SPRPA Title III Petty Cash Funds. Additional limitations can be added to this policy by the Project Manager, as circumstances dictate:

1. The Petty Cash Funds at all times have Petty Cash Custodians who are appointed by the Project Manager or the Financial Comptroller of SPRPA Title III. The Financial Comptroller will be responsible for seeing that the Petty Cash Custodians properly follow the Petty Cash procedures. There will be two Petty Cash Custodians and two Procedures. Procedure number one will be Maseru, and number two, Mount Moorosi.

Procedure No. 1, Maseru:

1. A Petty Cash of Maloti One Thousand (M1000.00) was established 3rd February, 1983.

2. Petty Cash Custodian must, at all times, have in his custody the amount equivalent to Maloti One Thousand (M1000.00) whether it be cash on hand and/or valid cash receipts for Petty Cash disbursements.

3. With an approved requisition from the SPRPA Project Manager, Petty Cash can be disbursed to purchase items by the Purchasing Agent, provided the total cost of the item or items in the purchase requisition does not exceed Fifty Maloti (M50.00).

4. On a purchase requisition reflecting one or more items to be purchased with a total cost exceeding Fifty Maloti (M 50.00), but not over One Hundred and Fifty Maloti (M150.00), the Purchasing Agent should get prior approval from either one of the following SPRPA officials: Project Manager, Comptroller or the SPR Engineer

5. Petty Cash purchases under items one (1) and two (2) above must be supported by cash receipts from the vendors.

6. Petty Cash Vouchers should be numbered consecutively.

7. No disbursement, will be made for the following:

   A - If the cost of the item(s) requisitioned exceeds One Hundred and Fifty Maloti (M150.00).

   B - Personal Cash Advance.

   C - To purchase materials, supplies or services for the personal use of any SPRPA employee.

8. Surprise audits will be made from time to time by any of the following officials: Financial Controller - Roads Department, Financial Controller - SPRPA and members of the General Auditing Office.

9. When applying for reimbursement for the Petty Cash Fund, the custodian will fill out a Petty Cash Position Report and submit this along with his Petty Cash Vouchers and vendors receipts to the SPRPA Mount Moorosi office. Upon proper receipt and audit of the Petty Cash information, the fund will be reimbursed.

The Maseru Petty Cash Custodian must not wait until the Fund is nearly depleted before requesting reimbursement.

5

Procedure No. 2, Mount Moorosi:

1. The Petty Cash Custodian's accountability is Maloti Two Thousand (M2000.00).

2. No disbursements will be made from this Fund without prior approval of the Project Manager or the Financial Comptroller of SPRPA Title III.

3. Petty Cash Vouchers will be numbered consecutively.

4. All disbursements must be supported by receipts or "paid" invoices.

5. A Petty Cash Voucher will be completed before a a payment is made. The voucher must be signed by the payee.

6. No personal cash advances will be drawn from the Petty Cash Fund.

7. No purchases of materials, supplies or services will be made from this fund for the personal use of any SPRPA employee.

8. Should a temporary cash float be required, a Petty Cash Voucher must be completed and approved by the Financial Comptroller. When receipts and or money are returned the Petty Cash Voucher will be returned to the signee.

9. All Petty Cash Voucher payments will be recorded in the Petty Cash Journal.

6

10. Before the end of the month, or when the fund is almost exhausted, a Petty Cash replenishment will be prepared. The Petty Cash Position Report form must show the Petty Cash Vouchers, together with receipts in order to be replenished. The total amount of the replenishment, plus the actual amount of the cash on hand, should equal M 2000.00.

11. The actual cash on hand must at all times equal the balance shown in the Petty Cash Journal.

12. Everyday before quitting time, the Custodian must see that cash or money is locked in the office safe.

13. Surprise audits will be done from time to time by any of the following officials: Financial Controller - Roads Department, Financial Controller - SPRPA and members of the General Auditing Office.