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Consultancy Report
Consultancy Report: Assistance to R. Flick's End of Tour

Sri Lanka: Commercial Small Farm Development
383-0101-A-00-0062

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December 1993

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Assistance to R. Flick's End of Tour
at CFSD Project, Sri Lanka

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November 15 - December 11, 1993

January 10, 1993

To: Mr. Jerry Lewis
Vice-President, Asia, Near East and Pacific Region
ACDI, Washington, DC

From: Iskander L. Ibrahim, Consultant

In accordance with my Letter of Assignment dated 11/8/93, the following was achieved during my consultancy assignment in the period November 15 to December 10, 1993 at ACDI's Commercial Small Farm Development (CSFD) project, Colombo, Sri Lanka (S.L.):

1) Per decision reached with you and Mr. Robert Flick (Bob), I prepared drafts for the clause to be inserted in the Sub-Agreement to determine ACDI's obligations and Agri-DEV liabilities and responsibilities after the completion of Bob's role. Three drafts were prepared and forwarded to ACDI/Washington for approval. Meanwhile, it was learned from the AID Regional Contracting Officer (RCO) that such a clause would not be allowed by AID as they consider the prime grantee still responsible ultimately, even when all or part of the activities are sub-granted. Consequently, the said clause was omitted in the Sub-Agreement.

2) Based on general information from Bob on the maintenance of the accounting records and on financial management of Agri-DEV operations, the following was performed:

A) I reviewed the records for ACDI and Agri-DEV accounts. I found they were maintained accurately, adequately and meeting normal accounting standards. In discussing certain related issues with the accountant, Mrs. Neoka Welikala, I was glad to realize that she is really qualified for the job. I found her competent, experienced and reliable. (I understand from Bob that she has graduated from the Chartered Institute of Management Accountants (U.K.), Colombo). I determined, not influenced by her educational qualifications, that she does not require any training in the accounting field and that she will be able to handle easily any possible changes that may be necessary in the maintenance of the accounting records of Agri-DEV.

B) I acquainted the accountant thoroughly with the frequent and normal essential AID procedures and regulations such as:

- 1) Grant Agreement
- 2) Funding
- 3) Sub-Agreement: I reviewed with and explained to her several selected important clauses of the ACDI/Agri-DEV sub-Agreement with regard to funding to and financial reporting.
- 4) Standard Provisions: Mandatory & Optional
- 5) Use of funds and separate bank accounts and accounting records for non-AID funds.

- 6) Procurement
- 7) Travel on U.S. flags
- 8) Audit
- 9) Control of property acquired with AID funds.

I provided her with a copy of the Mandatory and Optional Standard Provisions and also a copy of the draft of the Sub-Agreement.

(C) I explained to the accountant the method by which ACDI will be forwarding the funds to Agri-DEV thru December 31, 1994, i.e. the amounts due to be made available in accordance with the Sub-Agreement and equaling the budget already prepared by Bob. I gave her a copy of this budget as well as of that other budget, also prepared by Bob, for the expenses which will be directly paid by ACDI/Washington.

(D) I advised the accountant that the funds will be deposited by ACDI in the Agri-DEV accounts at the Bank of Ceylon, Colombo, as outlined in the Sub-Agreement after taking into consideration (1) the advances made earlier to Agri-DEV and (2) the undisbursed balance of these advances as of December 31, 1993.

I devised a format for the monthly financial report that Agri-DEV will have to submit to ACDI/Washington. A copy of this format is attached herewith (Annex A). The accountant indicated that she will have no problems in preparing it. The correctness of the financial report will be certified by the Accountant as "preparer", the General Manager as "reviewer" and the Public Accountant as "auditor".

3) With the accountant, I visited the office of Public Accountants B. R. de Silva and Co., (listed on USAID/Sri Lanka's list of approved local Public Accountants firms), the officially appointed auditors of Agri-DEV. The audit of the monthly financial report was discussed with Mr. Nihal de Silva, a partner in the auditing firm and responsible for the audit of Agri-DEV accounts. Agreement was reached on the method of auditing and certification of the monthly financial report to ACDI/Washington. A monthly fee of Rs. 4,000/- (U.S. dollars 80.00 approximately) was agreed upon, subject to increase if the volume of work is higher than discussed.

4) I visited the Citibank, Colombo to discuss the eventual closing of ACDI Dollars and Rupees accounts at this bank. I was informed that the accounts can be closed without problems. Still, I was notified that, if maintained, these accounts should have a minimum of U.S. \$3,000 and Rupees 50,000 respectively. I also learned that this account is operated by means of "letters of transaction" for withdrawals and not by checks and the bank does not pay interest on any checking account.

5) I did not perform any audit for Agri-DEV records in accordance with your directives. Your decision was based on the fact that past periods as of December 31, 1992 and as of March 31, 1993 were audited respectively by Ernst & Young (E & Y) in Washington D.C. and by de Silva and Co.(S & Co.), Public Accountants, Colombo. You were satisfied that the

aforesaid audits and my selective review of the expenditures of Agri-DEV for the months of May and August 1993 did not reveal any material findings and, also, in consideration of the forthcoming audits of Calendar Year 1993 in Washington by E & Y and Fiscal Year Ending 3/31/94 in Colombo by S & Co.. I concurred with your decision.

For the record, Agri-DEV's unaudited financial operations for the period April 1 to October 31, 1993 are summarized hereunder:

	S.L. Rupees	=	U.S. \$ (approx.)
Cash at Banks at 3/31/93 (Per S & Co. audit report)	196,702		3,395
<u>ADD: UNAUDITED</u>			
Advances from ACDI, including Indirect Costs (Management Fees as called by S & Co. and Agri-DEV)	5,690,132		113,802
Income from Tender Fees	16,000		320
			<hr style="width: 100%; border: 0.5px solid black;"/>
			118,057
<u>LESS: UNAUDITED</u>			
Expenditures including Overhead and accruals at 3/31/93	(5,662,837)		(113,257)
Balance as of October 31, 1993	<u>239,997</u>		<u>4,800</u>
At Bank of Ceylon, Colombo and Bibile S.L.	236,997		3,740
Petty Cash	<u>3,000</u>		<u>60</u>
	<u>239,997</u>		<u>4,800</u>

6) I obtained the opinion of Mr. Zuhyle, CSFD Program Director on the action to be taken by ACDI to desist itself from the property/title of the duty-free vehicles in its name. He advised any of the following actions:

A) Sell the vehicles to the S.L. Government's organization named "Government Stores" (G.S.) without payment of any duty at a price assessed by G.S. who will provide all necessary release documents to ACDI.

B) Donate or sell the vehicles to organizations exempted from customs duty. In this case, the S.L. Ministry of Foreign Affairs should first approve and other concerned S.L. offices should also be informed of the donation/sale.

C) Transfer the title to Agri-DEV and latter to pay customs duty as assessed by G.S.

D) Sell to private individual(s) / organization(s) and latter(s) to pay duty as assessed by G.S.. Approval of the Ministry of Foreign Affairs should be obtained prior to the sale.

7) Based on lists prepared by Bob of the Office furniture and equipment and of Residential furniture, all acquired with AID's funds, I performed a complete physical inventory of the residential furniture. Under my supervision, a complete physical inventory on the Office furniture and equipment was done by Agri-DEV's accountant was also satisfactory.

Per your instructions, the Residential furniture, clearly identified separately, has been stored at Agri-DEV's office and the Office furniture and equipment remained for use with Agri-DEV.

8) Prior to the arrival in Colombo of the AID Regional Contracting Officer (RCO), I participated in the preparation of a draft reply to his letter requesting from USAID/S.L. clarifications on the proposed Sub-Agreement with Agri-DEV. I also participated in the meeting and discussions with the RCO on the Sub-Agreement, the extension of the Project Agreement Completion Date (PACD), the revision of the proposed budget to December 31, 1994 and in the official reply to the aforementioned RCO's letter.

9) I wrote Agri-DEV's "Policies and Procedures" (P&P) relating to Accounting, Travel and Procurement. (Bob wrote the P&P regarding Personnel). The P&P were prepared at the request of the RCO and were duly submitted to him on 12/01/93, except the P&P for Procurement which I remitted to Mr. J. Goggin (Jim) of USAID/S.L. on 12/06/93 for transmission the RCO in Bangkok. On the latter date, I also remitted to Jim a copy of Agri-Dev's Chart of Accounts which the RCO had requested from Bob on 12/03/93.

10) In the absence of Bob during the week on 12/06/93, I acted as he indicated to me before his departure on 12/04/93, mainly:

- Follow-up with Jim at USAID/S.L. on the amendment of ACDI Grant Agreement for extension of PACD and increase of funding, and approval of Sub-Agreement with Agri-DEV.

- Familiarize the new Agri-DEV's General Manager (R. Perrera) with AID's and ACDI's operations, Agri-DEV's P&P and preparation of reports required by AID and ACDI.

- Provide advice to Agri-DEV's staff, if needed.

- Keep ACDI/Washington informed of developments in his absence.

Mr. Perrera was very receptive to the information I gave him. He asked several appropriate questions on AID's and ACDI's operations, Agri-DEV's Sub-Agreement and P&P.

Also, in Bob's absence and per your FAX of December 8, 1993, I explained in detail to those concerned the "AID Overhead" system, including the method of calculation of the Overhead's rates and audit of same. In this respect, I held at Agri-DEV a Mini-Workshop which was attended by a representative (Mr. Yussuf) of de Silva & Co., Agri-DEV's public auditors, R. Perrera and N. Welikalla, Agri-DEV's general manager and accountant, respectively.

I was pleased to note that all these attendants were following and understanding without difficulty my explanations and demonstrations which were based on my experience and knowledge of the subject in question, and on information given in the publication entitled, "Guidelines for Financial Audits Contracted by Foreign Recipients" issued in March 1993 by AID's Inspector General. This publication is at Agri-DEV and I requested the accountant to provide a copy of same to the public auditors. I am also arranging to send to Agri-DEV's and the Auditors a copy of OMB Circular #122 which gives extensive information on the "Overhead" subject. I feel confident that future Overhead rates can be calculated by the present trained employees of Agri-DEV.

Agri-DEV may also need eventually AID Handbook #12 governing contract and grants' activities.

11) Upon Bob's return, I assisted him to develop an Overhead rate for a proposal he was submitting to USAID/S.L. for the "Irrigation" project. R. Perrera was present at that time and participated in the discussions. His input, although limited, was indicative of his good attention to and understanding of the explanations and information given in the "Workshop".

I also assisted Bob in preparing a list of "Things to Do" (Annex B.) before departing Sri Lanka.

12) Recommendations:

- 1) Any disposal of vehicles, furniture and office equipment should not be effected in the future unless approved in writing by AID.
- 2) Bob should provide to ACDI/Washington the acknowledgment of receipt by Agri-DEV of the vehicles, residential furniture and office equipment.
- 3) Bob should provide ACDI/Washington detailed information on the status of ACDI funds available at Citibank, Colombo as of December 20, 1993 - date of his departure from Sri Lanka. He should also advise the status of the signatories at this

bank and of the signatories, if any, on behalf of ACDI on Agri-DEV account at the Bank of Ceylon, Colombo.

- 4) The unutilized balance as of 12/31/93 of the advances provided, earlier to that date, to Agri-DEV should be credited to ACDI Account #130-90-5212 (Sri Lankan Sub-Contract) to which all previous advances were charged. The said unutilized balance should be reflected on the first financial report to be submitted by Agri-DEV under the terms of the Sub-Agreement.
- 5) All future advances and/or reimbursements should be charged to a Sub-Project Operating Fund (P.O.F.)/Sri Lanka Account. This P.O.F. Account is to be credited with the amount of expenditures certified on the monthly financial report to be submitted by Agri-DEV in its formal capacity of Sub-Grantee.
- 6) Agri-DEV should request AID handbook #12 from USAID/S.L. or ACDI should assist in obtaining this handbook from AID/Washington.

In conclusion, I wish to express here my great appreciation for the cooperation and assistance I received during this consultancy from you, Bob, Carol and all the Sri-Lankan employees of Agri-DEV, Colombo.

P.S. A copy of the draft of this report was provided to Bob. A few minor corrections were made on his advice.

Agri-DEV
Colombo, Sri Lanka
Monthly Financial Report for _____ (Month/Year)

INCOME

Balance B/F.	_____
Advances from ACDI	_____
Refund	_____
Other	_____
Total Income	_____ A _____

Less:

EXPENDITURES

Paid bills, payrolls, etc. (per attached vouchers)	_____
Advances	_____
Other	_____
Total Expenses	_____ B _____

Balance at (last day of Month) (A-B) = **_____ C _____**

Reconciliation of Balance ("C"):

Cash at Banks per <u>attached</u> reconciliations	_____
Cash on hand/Petty Cash	_____

	_____ D _____

CERTIFIED CORRECT:**Date**

Accountant	_____	_____
General Manager	_____	_____
Public Auditor	_____	_____

NOTE: D must equal C. The difference, if any, should be explained.

THINGS TO DO

1. HHE - COP Residence - In storage at ACDI. Not to be disposed of without ACDI/W written authorization.
2. Office Equipment, Furniture, Fixtures - Used by Agri-DEV in Colombo until end of CSFD. Situation may change in accord with CSFD status.
 - * Get signed inventory list for HHE;
 - * Get signed inventory list for office furniture, etc.;
 - * Get signed agreement absolving ACDI of any liability for use of the vehicles by Agri-DEV plus a rental agreement for Rs. 1.00/year/vehicle for use of the vehicles, as per suggestion of Bill Ireland.
 - * ACDI will pay for the vehicle insurance and then get reimbursed by Agri-DEV to ensure there is no lapse of coverage, as per suggestion of Bill Ireland.
3. Bank Accounts - a) **IF PACD EXTENDED:**
 - 1) Provide from whatever available funds up to the validity of the extension but not to exceed three months, operating costs to Agri-DEV if available in Colombo ACDI accounts AFTER CONSIDERING 12/31 BALANCES IN BOC COLOMBO & BIBILE ACCOUNTS.
 - 2) If additional funds are required, order additional funds for ACDI dollar account and prepare checks, etc.
 - 3) Order more money from ACDI/W.
 - 4) Write letter to CITIBANK transferring all dollars except the minimum (\$3,000) to the ACDI rupee account.
 - 5) Prepare all final payments for ACDI and complete the ACDI financial reports.
 - 6) Write CITIBANK getting Brian Forbes as a signature on the ACDI rupee account or get letter from ACDI/W adding his signature. Leave only a minimum rupee balance to keep account open and provide for contingencies as additional funds can be transferred directly to the rupee account from ACDI/W.
 - 7) Prepare ~~letter~~ letter to CITIBANK withdrawing R. C. Flick's signature rights.
 - 8) Obtain letter from Citibank certifying that my signature has been withdrawn (see Forbes' POA and can it be done with his instructions), if this is not possible, then request written authorization from ACDI withdrawing my signature rights.

b) IF PACD NOT EXTENDED:

- 1) Pay all ACDI final expenses, etc.
 - 2) Determine balances available at Bank of Ceylon Colombo & Bibile as of 12/31.
 - 3) Transfer funds from CITIBANK rupee account to Agri-DEV to allow them to pay all expenses up to December 31st.
 - 4) Estimate expenses for January 1994 and give Agri-DEV a final grant after taking into consideration any balances at BOC Colombo & Bibile.
 - 5) Transfer any left-over rupees back into the dollar account as a hedge against inflation, leaving only sufficient rupees to keep the account open.
 - 6) Get Brian Forbes' signature on the rupee account.
4. Extend the PACD - Must get a simple amendment to extend the PACD for three months. Mission faxes a PIO/T to RCO and gives me a copy. On this basis we can continue to spend. RCO should issue a one page project amendment...
5. Agreement With Agri-DEV - If the Agri-DEV agreement is not formally approved by USAID prior to my departure, the agreement will be signed with the following clause inserted:
- "7.3.1 Changes Requested by USAID: As this agreement is being signed without having received formal approval from USAID, the parties hereto agree to accept any and all changes, modifications or amendments to this sub-agreement requested by USAID."
- THE AGREEMENT MUST BE SIGNED BEFORE I LEAVE.
6. Introduce Ranjit & Brian - Schedule "debriefing" meeting with USAID for Friday 17 December to introduce Ranjit as General Manager of Agri-DEV and Brian as the ACDI legal representative and for me to present the final wrap-up meeting with USAID.
7. Lease of Office - Sign lease amendment authorizing Agri-DEV to take-over the lease agreement for one year.

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