

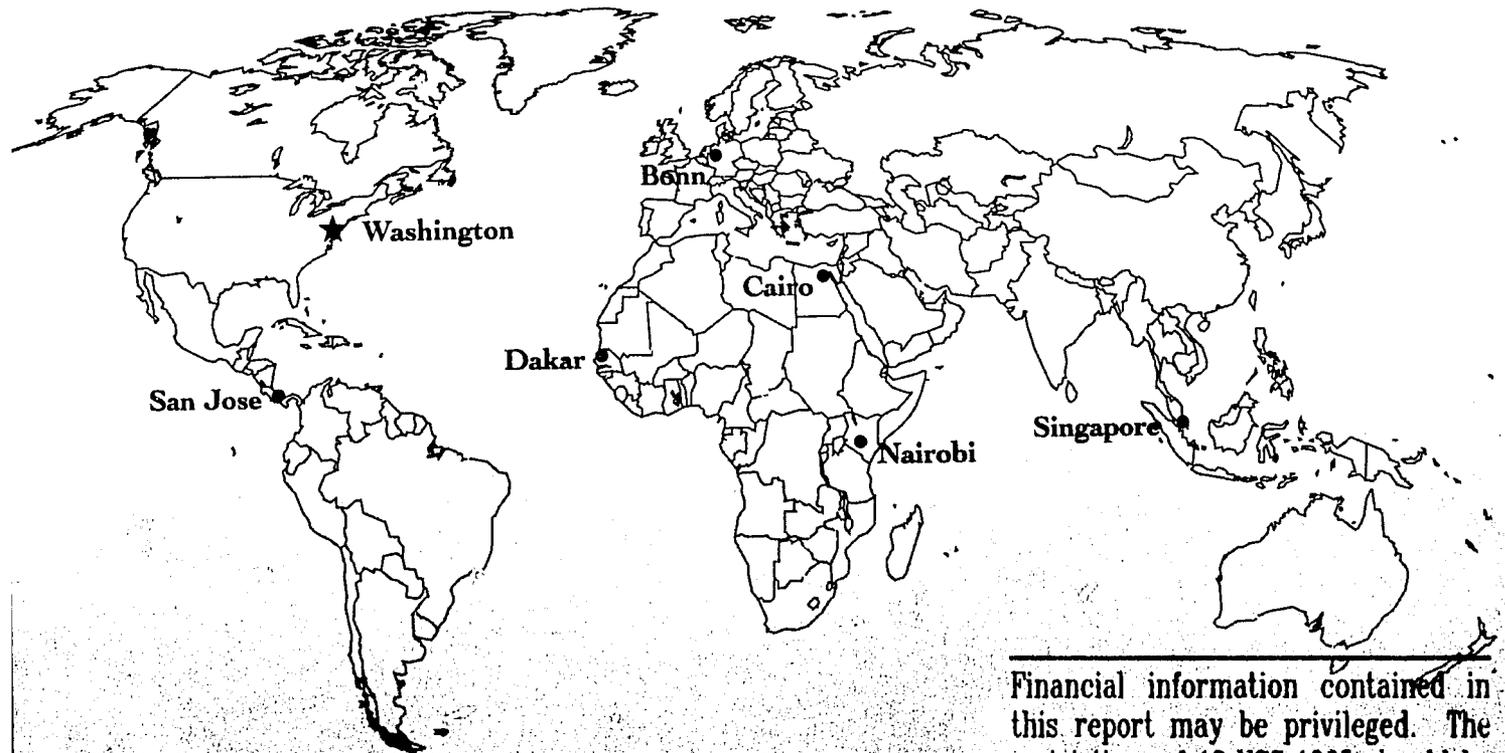
Regional Inspector General for Audit  
San Salvador, El Salvador

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**Audit of USAID/Jamaica's  
Contract No. 532-0800-C-00-8068-00  
Managed by the  
Caribbean Applied Technology Centre Limited  
For the Period August 16, 1988 to September 30, 1993**

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Audit Report No. 1-532-96-03-N  
November 24, 1995



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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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U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT



**AGENCY FOR INTERNATIONAL DEVELOPMENT**  
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November 24, 1995

**MEMORANDUM**

TO: Director USAID/Jamaica, Carole Tyson

FROM: RIG/ASan Salvador, Wayne J. Watson 

SUBJECT: Audit of USAID/Jamaica's Contract No. 532-0800-C-00-8068-00  
Managed by the Caribbean Applied Technology Centre Limited, for  
the Period August 16, 1988 to September 30, 1993

This report presents the results of a financial audit of USAID/Jamaica's Contract No. 532-0800-C-00-8068-00 managed by the Caribbean Applied Technology Centre Limited (Centre), for the period August 16, 1988 to September 30, 1993. The accounting firm of KPMG Peat Marwick prepared the report dated May 16, 1995.

Under the cost-plus-fixed-fee contract, USAID/Jamaica engaged the Centre to furnish the necessary personnel and management services required to assist USAID/Jamaica in providing efficient administrative and logistical support to all elements of USAID/Jamaica. These services included procurement, maintenance, and management of property as well as motorpool services. KPMG Peat Marwick audited approximately \$872,000 in disbursements by USAID/Jamaica to the contract during the audited period.

The objectives of the audit were to determine whether: (1) the contract cost accountability statement presented fairly, in all material respects, the financial situation of the contract's activities managed by the Centre for the period August 16, 1988 through September 30, 1993, and costs reported as incurred and reimbursed by USAID/Jamaica were allowable, allocable, and reasonable in accordance with contract terms, and applicable laws and regulations, (2) the internal control structure of the Centre was adequate to manage its contract activities, (3) the Centre complied with contract terms and applicable laws and regulations which may affect the contract's goals and incurred costs, (4) the Centre's indirect rates were computed in accordance with the contract and with the contract cost principles and procedures contained in the Federal Acquisition Regulations and USAID

*a*

Acquisition Regulations, and (5) the Centre had taken adequate corrective action on any prior audit report recommendations that could have had an effect on the current audit objectives. The scope of the audit included an examination of the Centre's activities and transactions to the extent considered necessary to issue a report thereon for the period audited.

KPMG Peat Marwick was of the opinion that the contract cost accountability statement presented fairly, in all material respects, the income and expenditures made under the contract, during the period audited, except for \$69,219 in questionable costs. These questionable costs included \$15,698 in costs considered unsupported because budget line items were exceeded. Other costs totaling \$879 lacked supporting documentation. In addition, the auditors identified unsupported costs totaling \$52,642 which represents the discrepancy between the USAID/Jamaica-reported project reimbursements and the total reimbursements recorded by the Centre.

With respect to the Centre's internal control structure, the auditors identified two reportable weaknesses: (1) Reimbursements from USAID/Jamaica were understated, and (2) personnel files of some employees were not updated with important documentation such as letters of appointment, promotion, and resignation.

Regarding compliance with contract terms and applicable laws and regulations, the auditors noted two material instances of noncompliance: (1) statutory payroll deductions were not remitted to the relevant authorities on a timely basis, and (2) documents to support payments made through one bank account, for the period January 1989 to August 1989, could not be located. Further, the auditors concluded that indirect costs were charged to the contract in accordance with the terms in the budget, and that the Centre had taken corrective actions to implement the previous period's audit recommendations.

We were informed by a USAID/Jamaica official that the Centre is still under contract to provide support services to USAID/Jamaica. Therefore, we are including the following recommendations in the Office of Inspector General's audit recommendation follow-up system:

**Recommendation No. 1**

**We recommend that USAID/Jamaica: (a) resolve the questionable costs of \$69,219 (unsupported) in the audit report, and (b) recover from the Centre the amounts determined to be unallowable.**

## **Recommendation No. 2**

**We recommend that USAID/Jamaica obtain evidence that the Centre has taken proper action to: (a) design and implement procedures that will ensure expenditures do not exceed established budget requirements, (b) account for and record all reimbursements from USAID/Jamaica, (c) remit payroll deductions on a timely basis, and (d) maintain adequate personnel records.**

Recommendation No. 1 will be considered resolved upon USAID/Jamaica's determination of the amount of recovery with respect to the questionable costs of \$69,219 and will be considered closed upon the recovery of funds, offset of funds, or issuance of a bill for collection.

Recommendation No. 2 will be considered resolved when USAID/Jamaica presents an acceptable firm plan of action to correct the reported deficiencies and can be closed when it presents acceptable evidence that the required procedures have been designed and placed in operation.

The report was discussed with representatives of the Centre, who generally agreed with the contents of the report.

This final audit report is being transmitted to you for your action. Please advise this office within 30 days of actions planned or taken to resolve and close the recommendations.

**Regional Inspector General for Audit  
San Salvador, El Salvador**

**Audit of USAID/Jamaica's  
Contract No. 532-0800-C-00-8068-00  
Managed by the  
Caribbean Applied Technology Centre Limited  
For the Period August 16, 1988 to September 30, 1993**

**Audit Report No. 1-532-96-03-N  
November 24, 1995**

*2*

**INDEPENDENT AUDITORS' REPORT ON  
USAID/JAMAICA , CONTRACT  
NO. 532-0800-C-00-8068-00  
WITH  
CARIBBEAN APPLIED TECHNOLOGY CENTRE LIMITED  
FOR THE PERIOD AUGUST 16, 1988 TO SEPTEMBER 30, 1993**

USAID/JAMAICA, CONTRACT NO. 532-0800-C-00-8068-00  
AUDIT FOR THE PERIOD AUGUST 16, 1988 TO SEPTEMBER 30, 1993

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Mr. Coinage N. Gothard  
Regional Inspector General for Audit  
American Embassy  
San Jose  
Costa Rica

May 16, 1995

Dear Sir,

This report presents the results of our financial audit of USAID/Jamaica, Contract No. 532-0800-C-00-8068-00 with Caribbean Applied Technology Centre Limited for the period August 16, 1988 to September 30, 1993.

## (A) BACKGROUND

### (i) General description of USAID contract:

On July 28, 1988 the USAID/Jamaica approved a cost reimbursement type contract that provides for a fixed fee with Caribbean Applied Technology Centre Limited (CATCL). The contract with CATCL states that the contractor should furnish necessary personnel and management services required to assist USAID/Jamaica in providing efficient administrative and logistical support to all elements of USAID/Jamaica.

The contract began on August 16, 1988 and ended on September 30, 1993.

### (ii) Period covered by audit:

The audit covers the period from August 16, 1988 to September 30, 1993.

## (B) AUDIT

### (i) Objectives and scope of the financial audit:

The objectives were to determine whether:

- The Contract Cost Accountability Statement presents fairly, in all material respects, the financial situation of CATCL for the period August 16, 1988 to September 30, 1993 and whether costs reported as incurred and reimbursed by USAID/Jamaica, during the period are allowable, allocable, and reasonable in accordance with agreement terms and applicable laws and regulations.
- The internal control structure of CATCL is adequate for the purpose of managing USAID/Jamaica contracts.
- CATCL complied with agreement terms and applicable laws and regulations which may affect the cost incurred under the contract.
- The contractor's indirect cost rates have been computed in accordance with the contract and with the contract cost principles and procedures contained in the Federal Acquisition Regulations and AID Acquisition Regulations.



**Mr. Coinage N. Gothard**  
**Regional Inspector General for Audit**

May 16, 1995

(i) Objectives and scope of the financial audit (cont'd):

- The contractor has taken adequate corrective action on any prior audit report recommendations that could have an effect on the current audit objectives.

In addition, to give due attention to the possibility of errors, irregularities and illegal acts as required by SAS 53 and 54 of the American Institute of Certified Public Accountants (AICPA) and to identify areas where fraud, waste, abuse and mismanagement exist or could exist as a result of inadequate controls.

(ii) Procedures performed:

**Understanding the Contract Background**

We reviewed the following documents to become familiar with AID contracting procedures, the contract and the contractor.

- Agreement between USAID/Jamaica and CATCL, including amendments.
- Contracts or subcontracts with third parties.
- Federal Acquisition Regulations (FAR), subchapter E, part 31 on cost principles and procedures for contracts issued after April 1, 1984.
- A.I.D. Acquisition Regulations (AIDAR), subchapter E, part 731, which provide AID supplemental contract cost principles and procedures to the FAR.
- Minutes/reports of meetings.
- Circulars and handbook relevant to the project.
- Financial statements, progress reports and other managements reports.
- Key correspondence.
- Contractual commitments.
- Other key factors affecting the client's operations.
- Policies and procedures.
- Chart of accounts, accounting records maintained.
- Organisation charts, job descriptions.
- Accounting system description.
- Procurement policies.
- All other information as required by the RFP.

Mr. Coinage N. Gothard  
Regional Inspector General for Audit

May 16, 1995

(ii) Procedures performed(cont'd):

- **Evaluation of the Client's Control Environment**

We used a standard questionnaire to evaluate the control environment. This questionnaire addressed the following aspects of the control environment:

- Control consciousness
- Segregation of duties
- Management override
- Competence of personnel
- Protection of assets and records
- EDP systems and installation evaluations.

- **Risk Assessment (Accounting Systems and Control Procedures)**

For this purpose, our team used CEADISC (Cost Effective Auditing, Documentation of Information Systems and Controls) which is KPMG Peat Marwick's approach to flow charting systems and information streams and identifying controls. Essentially, the methodology calls for us to interview the staff engaged in operations and trace all information from the point of origin to the point of collection, which will be an entry in the books of account. We traced all the relevant processing steps (both manual and computerized), indicating where control procedures take place. This methodology assisted us greatly in capturing the existing system for analysis and in assessing the risk factor of each transaction stream and, thereafter, planning an effective audit approach to carry out the audit of the Contract Cost Accountability Statement.

In addition, we assessed procurement procedures and practices and bank accounts controls.

- **Planning**

Based on results obtained from the above mentioned stages, we planned the audit approach and prepared the audit programs considering the possibility of errors, omissions and irregularities.

- **Performance of audit work**

During this phase our team of auditors did the following:

- Examined the Contract Cost Accountability Statement including the budgeted amounts by category and major items; the costs reported as incurred during the period covered by the audit, and the revenues received from USAID/Jamaica for the period.

**Mr. Coinage N. Gothard**  
**Regional Inspector General for Audit**

May 16, 1995

(ii) Procedures performed(cont'd):

- Performed tests to ascertain whether direct USAID/Jamaica procurement is accounted for, and control procedures exist to safeguard such assets.
- Evaluated contract implementation actions and accomplishments to determine that costs incurred are allowable, allocable and reasonable under the agreement terms. Our examination included the following:
  - Review of direct and indirect costs reimbursed by USAID/Jamaica identifying and quantifying questionable costs. Any costs which were not supported with adequate documentation or not in accordance with applicable contract terms were considered as questionable (classified into questioned or unsupported)
  - Reviewed direct purchases made by USAID/Jamaica on behalf of the contractor to evaluate the procedures used by CATCL to properly record and control the assets, or assistance received.
  - Determined whether salary rates are reasonable for each position in Jamaica the sick and annual leave records are adequate and salaries paid are supported by appropriate payroll records. We also scrutinized records to determine whether overtime has been charged to the project and whether it is allowable under the terms of the agreement.
  - Determined whether any unexpended contract funds at the end of the contract have been returned to USAID/Jamaica
  - Determined whether, at the completion of the contract, all assets procured with contract funds have been accounted for and disposed of in accordance with the terms of the contract.
- We performed the following to determine whether indirect costs are properly dealt with:
  - Examined the method of charge of Indirect Costs to the Contract Cost Accountability Statement.
  - Determined that the allocation bases only include items or costs authorized by the contract and the applicable cost principles.
  - Determined that the indirect cost pools only include costs authorized by the contract and applicable cost principles.
  - Determine whether reimbursements of funds were supported by proper documentation.

Mr. Coinage N. Gothard  
Regional Inspector General for Audit

May 16, 1995

(ii) Procedures performed(cont'd):

We performed the following to determine whether CATCL complied with contract terms, and applicable laws and regulations:

- Obtained and examined a Contract Cost Accountability Statement for the life of the contract's accumulated cost
  - Identified the contract terms, and pertinent laws and regulations, and determined which of those not observed could have a direct and material effect on the Contract Cost Accountability Statement
  - Assessed the internal controls in place to assure compliance with contract terms and applicable laws and regulations to provide reasonable assurance of detecting both intentional and unintentional instances of non-compliance that could have a material effect on the Contract Cost Accountability Statement.
  - Scrutinized for contract funds expended for purpose not authorised or not in accordance with contract terms.
  - Evaluated the procurement practices of CATCL, to determine whether it followed fair, open and competitive practices for its procurement in accordance with the contract.
  - Determined whether any AID-owned non-expendable property in the possession of the contractor at the completion of the contract was accounted for and disposed of in accordance with the contract.
- To ensure that we complied with the "Government Auditing Standards" we performed the following:
    - Held entrance conferences with the CATCL, USAID/Jamaica officials.
    - An audit work plan was prepared by our qualified accountants who are members of the AICPA and submitted to RIG/A/SJ for its approval.
    - A copy of the draft report in English will be independently referenced before being finalized and issued.
    - In addition we reviewed the status of actions taken on prior audit recommendations if any, that could have any effect on current audit objectives.

Mr. Coinage N. Gothard  
Regional Inspector General for Audit

May 16, 1995

(iii) Scope limitation:

None noted during the course of our examination.

(C) BRIEF SUMMARY ON RESULTS OF AUDIT

( i) Contract Cost Accountability Statement:

As discussed in note 4, an amount of J\$219,196 has been considered as unsupported. Also, as discussed in our report on internal control structure, there was a difference of \$718,562 between the records of CATCL and the amount confirmed by USAID/Jamaica as reimbursements. Except for these matters mentioned above, the non-performance of an external quality control review by an unaffiliated audit organization and not having 24 hours of continuing professional education in government auditing during the two year period preceding the audit, we have conducted the audit in accordance with generally accepted auditing standards and "Government Auditing Standards" issued by the Comptroller General of the United States of America.

In our opinion, except for the effect of the matters noted above, the Contract Cost Accountability Statement presents fairly, in all material respects, contract revenues and expenses for the period in conformity with generally accepted accounting principles.

( ii) Internal Control Structure:

We evaluated CATCL'S internal control structure relating to USAID/Jamaica's corporate agreement under review in order to assess control risk and to determine our auditing procedures for the purpose of expressing an opinion on the Contract Cost Accountability Statement and not to provide assurance on CATCL'S internal control structure taken as a whole. (See our findings per page 15).

(iii) Compliance with agreement terms and applicable laws and regulations:

As part of our audit, we tested compliance with certain provisions of laws, regulations, controls, programmes and binding policies and procedures, to obtain reasonable assurance that the Contract Cost Accountability Statement is free of material misstatement, and not to provide assurance on CATCL's compliance with such provisions.

The results of our tests indicated that, with respect to items tested, except for non-payment of statutory deductions as stipulated by respective legislations and unavailability of documents to support certain payments made through one bank account for the period January 1989 to August 1989, CATCL complied in all material respects, with agreement terms and applicable laws and regulations.

Regarding items not tested, nothing came to our attention which caused us to believe that CATCL had not complied, in all material respects, with those provisions.

Mr. Coinage N. Gothard  
Regional Inspector General for Audit

May 16, 1995

( iv ) Status of prior audit recommendations:

The management of CATCL has taken corrective actions to implement the previous period's audit recommendations.

( v ) Audit of the indirect cost rates:

We noted that the indirect costs charged to the contract were approved by the contract agreement.

**(D) MANAGEMENT COMMENTS ON AUDIT RESULTS AND FINDINGS**

The draft of this report was discussed with representatives of CATCL in November 1994. Management agreed in general with the contents of the report.

Yours faithfully,

*KPMG Peat Marwick*

POD:RD:mw

Chartered Accountants

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**CARIBBEAN APPLIED TECHNOLOGY CENTRE LIMITED**  
**USAID/JAMAICA, CONTRACT NO.532-0800-C-00-8068-00**  
**AUGUST 16, 1988 TO SEPTEMBER 30, 1993**

## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Caribbean Applied Technology Centre Limited  
13 Caledonia Avenue  
Kingston 5

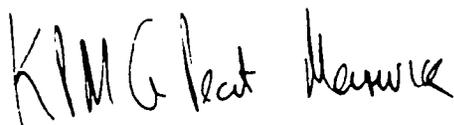
We have audited the accompanying Contract Cost Accountability Statement of USAID/Jamaica, Contract No.532-0800-C-00-8068-00 with Caribbean Applied Technology Centre Limited (CATCL) for the period August 16,1988 to September 30,1993. The Contract Cost Accountability Statement is the responsibility of CATCL'S management. Our responsibility is to express an opinion on the Contract Cost Accountability Statement based on our audit.

Except for the matters noted in the following paragraph, the non-performance of an external quality control review by an unaffiliated audit organization and not having 24 hours of continuing professional education in government auditing during the two year period preceding the audit, we have conducted the audit in accordance with generally accepted auditing standards and "Government Auditing Standards", issued by the Comptroller General of the United States of America. These standards require that we plan and perform the audit to obtain reasonable assurance that the Contract Cost Accountability Statement is free of material misstatements. The audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the Contract Cost Accountability Statement. The audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Contract Cost Accountability Statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in note 4 to the Contract Cost Accountability Statement, an amount of J\$937,758 has been considered as unsupported. As discussed in our report on internal control structure, this amount includes a difference of J\$718,562 between the records of CATCL and the amount confirmed by USAID/Jamaica as reimbursements.

In our opinion, except for the effect on the Contract Cost Accountability Statement of the matter referred to in the preceding paragraph, the Contract Cost Accountability Statement, referred to above, presents fairly, in all material respects, contract revenues and expenses for the period ended September 30, 1993, in conformity with generally accepted accounting principles.

This report is intended for the information of the management, of CATCL and The United States Agency for International Development. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



May 16, 1995



Member Firm of  
Klynveld Peat Marwick Goerdeler

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**CARIBBEAN APPLIED TECHNOLOGY CENTRE LIMITED**  
**USAID/JAMAICA CONTRACT NO. 532-0800-C-00-8068-00**  
**CONTRACT COST ACCOUNTABILITY STATEMENTS**  
**FOR THE PERIOD AUGUST 16, 1988 TO SEPTEMBER 30, 1993**

	<u>Budget</u>	<u>Actual</u>	<u>Questioned Cost</u>		<u>Reference</u>
	<u>J\$</u>	<u>J\$</u>	<u>Unsupported</u>	<u>Ineligible</u>	<u>to notes</u>
			<u>J\$</u>	<u>J\$</u>	
<b><u>CONTRACT REVENUE</u></b>					
Reimbursement from USAID/Jamaica	<u>12,294,283</u>	<u>11,897,153</u>			
<b><u>LESS: EXPENSES</u></b>					
<b>1 SALARIES</b>					
Contractor's administrator	596,112	572,263			
Property Management Supervisor	499,508	462,036			
Deputy Property Management Supervisor	113,067	109,330			
Property Management Clerk	119,898	83,451			
Warehouse Clerk	279,744	267,275			
Motor Pool Supervisor	390,123	369,657			
Building Maintenance Specialist	426,197	393,656			
Leasing Officer	230,832	214,035			
Procurement/Shipping Agent	288,884	262,917			
Procurement/Shipping Clerk	202,428	175,488			
Administrative Assistant	249,672	236,415			
Electrician	287,271	262,560			
Mechanic/Driver	275,252	257,683			
Drivers	1,775,079	1,551,870			
Plumber/Electrician	76,981	72,580			
Plumber	271,252	231,808			
Carpenter/Mason	211,676	209,423			
Carpenter/Helper	<u>61,804</u>	<u>54,119</u>			
Sub-total	<u>6,355,780</u>	<u>5,786,566</u>			
<b>2. Allowance</b>					
Group Life insurance	75,695	57,563			
Health and Dental Insurance	198,915	180,805	2,914		4(i)
Employer's Liability Insurance	23,468	10,135			
Employee Performance Award					
1.5% of (1)	57,168	38,249	2,000		4(i)
Employee Training - 2% of (1)	80,937	35,806			
Meal Allowance	<u>10,845</u>	<u>5,885</u>			
Sub-total	<u>447,028</u>	<u>328,443</u>	<u>4,914</u>		
<b>Balance c/fd.</b>	<u>6,802,808</u>	<u>6,115,009</u>	<u>4,914</u>		

**CARIBBEAN APPLIED TECHNOLOGY CENTRE LIMITED**  
**USAID/JAMAICA CONTRACT NO. 532-0800-C-00-8068-00**  
**CONTRACT COST ACCOUNTABILITY STATEMENTS**  
**FOR THE PERIOD AUGUST 16, 1988 TO SEPTEMBER 30, 1993**

	<u>Budget</u> J\$	<u>Actual</u> J\$	<u>Questioned cost</u>		<u>Reference</u> <u>to notes</u>
			<u>Unsupported</u> J\$	<u>ineligible</u> J\$	
Balance b/fd.	<u>6,802,808</u>	<u>6,115,009</u>	<u>4,914</u>		
<b>3. OTHER DIRECT COSTS</b>					
Uniforms	185,760	148,115			
Severance Pay Plan	195,715	155,678			
Overtime	733,293	826,523	93,230		4(ii)
Casual Labour	799,497	918,679	119,182		4(ii)
After Hours Transportation	29,100	30,970	1,870		4(ii)
Official In-Country Travel and per Diem	<u>385,312</u>	<u>372,160</u>			
Sub-total	<u>2,328,677</u>	<u>2,452,125</u>	<u>214,282</u>		
Statutory contributions					
NHT	81,042	39,882			
Education tax	48,431	14,937			
H.E.A.R.T.	81,042	22,652			
N.I.S.	<u>22,468</u>	<u>7,304</u>			
Sub total	<u>232,983</u>	<u>84,775</u>			
4. Small purchases	<u>1,231,447</u>	<u>1,011,071</u>			
5. OVERHEAD	<u>231,992</u>	<u>231,992</u>			
6. GENERAL AND ADMINISTRATIVE	395,935	395,935			
Contingency	<u>161,435</u>	<u>-</u>			
	<u>557,370</u>	<u>395,935</u>			
COST EXCLUSIVE OF FIXED FEE	<u>11,385,277</u>	<u>10,290,907</u>			
7. FIXED FEE	<u>909,006</u>	<u>887,684</u>			
TOTAL CONTRACT COST	<u>12,294,283</u>	<u>11,178,591</u>	<u>219,196</u>		
Balance at end of the period	<u>NIL</u>	<u>718,562</u>	<u>718,562</u>		4(iii)

**CARIBBEAN APPLIED TECHNOLOGY CENTRE LIMITED  
USAID/JAMAICA, CONTRACT NO.532-0800-C-00-8068-00  
PERIOD AUGUST 16,1988 TO SEPTEMBER 30, 1993**

**NOTES TO THE CONTRACT COST ACCOUNTABILITY STATEMENT**

**1. Background**

On July 28, 1988, The USAID/Jamaica approved a cost reimbursement type contract that provides for a fixed fee with Caribbean Applied Technology Centre Limited (CATCL). The contract with CATCL states that the contractor should furnish necessary personnel and management services required to assist USAID/Jamaica in providing efficient administrative and logistical support to all elements of USAID/Jamaica.

**2. Basis of Accounting**

The Contract Cost Accountability Statement has been prepared on the accrual basis of accounting. Consequently, funding provided is recognized when approved rather than when received and expenditures are recognized when the obligations are incurred rather than when paid. (See page 17).

**3. Questioned Costs /Unsupported Costs**

According to applicable USAID regulations, costs charged to the programme must meet the following general criteria:

- (a) Be reasonable for the performance of the contract. A cost is reasonable if, by its nature or amount, it does not exceed what would be incurred by a prudent person under the same circumstances.
- (b) Be allocable to the programmes. A cost is allocable in accordance with the relative benefit received.
- (c) Conform to any limitations or exclusions set forth in the agreement on which the programmes are based.
- (d) Be adequately documented.

Questioned costs are those costs which are explicitly ineligible because they are not programme related, are unreasonable or prohibited by the terms of agreements or applicable laws and regulations. Unsupported costs are all those costs not properly supported by adequate documentation or costs in excess of the budgeted amount per line item.

**CARIBBEAN APPLIED TECHNOLOGY CENTRE LIMITED**  
**USAID/JAMAICA, CONTRACT NO.532-0800-C-00-8068-00**  
**PERIOD AUGUST 16,1988 TO SEPTEMBER 30, 1993**  
**NOTES TO THE CONTRACT COST ACCOUNTABILITY STATEMENT (CONT'D)**

4. Questioned Costs /Unsupported Costs

- (i) The following contract costs incurred by the CATCL during the period January 1989 to August 1989 were not properly supported by adequate documentation: [see finding No. (b) of page 18].

<u>Category of Expenditure</u>	<u>Name</u>	<u>Amount</u>	
		<u>J\$</u>	<u>US\$ equivalent</u>
Employee performance award	E. Morris	800	
	D. Angus	600	
	K. Roberts	<u>600</u>	
		<u>2,000</u>	<u>358</u>
Health and Dental Insurance	<u>Date</u>		
	February 1989	550	
	April 1989	1,182	
	July 1989	<u>1,182</u>	
		<u>2,914</u>	<u>521</u>

- (ii) The following costs were incurred in excess of budgeted amounts:

<u>Category of expenditure</u>	<u>Amount</u>	
	<u>J\$</u>	<u>US\$ equivalent</u>
Other Direct Costs - Overtime	93,230	6,830
- Casual labour	119,182	8,731
- After hours transportation	<u>1,870</u>	<u>137</u>
	<u>214,282</u>	<u>15,698</u>

Management stated that the budget over-run was due to:

- (a) Additional labourers were requested from time to time and  
 (b) Security drivers were employed during the 1993 local general elections.

The above was authorised by the Executive Office of the USAID/Jamaica.

- (iii) Reimbursements from USAID/Jamaica as confirmed by USAID/Jamaica was \$11,897,153 whereas CATCL only provided support for J\$11,178,591. The difference of J\$718,562 is considered as an unsupported cost. Management is in the process of reconciling this difference. (See page 14).

5. Rate of exchange

The average annual exchange rates for the period of audit are as follows.

1988/89	-	US\$1	=	J\$ 5.57
1989/90	-	US\$1	=	J\$ 6.92
1990/91	-	US\$1	=	J\$ 9.84
1991/92	-	US\$1	=	J\$22.39
1992/93	-	US\$1	=	J\$23.55

Overall average rate for the audit period is US\$ 1=J\$13.65.

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**CARIBBEAN APPLIED TECHNOLOGY CENTRE LIMITED  
USAID/JAMAICA CONTRACT NO.532-0800-C-00-8068-00  
AUGUST 16, 1988 TO SEPTEMBER 30, 1993**

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

The Board of Directors  
Caribbean Applied Technology Centre Limited  
13, Caledonia Avenue  
Kingston 5

We have audited the USAID/Jamaica, Contract No.532-0800-C-00-8068-00 with Caribbean Applied Technology Centre Limited for the period August 16, 1988 to September 30, 1993 and have issued our report thereon dated May 16, 1995.

We have conducted the audit in accordance with generally accepted auditing standards and "Government Auditing Standards", issued by the Comptroller General of the United States of America. These standards require that we plan and perform the audit to obtain reasonable assurance that the Contract Cost Accountability Statement is free of material misstatements.

In planning and performing the audit of Caribbean Applied Technology Centre Limited, USAID/Jamaica Contract No.532-0800-C-00-8068-00 we considered its internal control structure in order to determine the auditing procedures for the purpose of expressing an opinion on the Contract Cost Accountability Statement and not to provide assurance on the internal control structure.

The management of The Caribbean Applied Technology Centre Limited is responsible for establishing and maintaining an internal control structure. In fulfilling these responsibilities, 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 the Contract Cost Accountability Statement in accordance with the basis of accounting described in Note 2 thereto. Because of inherent limitations in any internal control structure, errors or irregularities may, nevertheless, occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

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

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

**The Board of Directors  
Caribbean Applied Technology Centre Limited**

We noted matters involving the internal control structure and its operations that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. 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 judgment, could adversely affect the organisation's ability to record, process, summarise, and report financial data consistent with the assertions of management in the Contract Cost Accountability Statement .

During our examination the following reportable conditions were noted.(see detailed explanations per page 15).

- (a) Reimbursements from USAID/Jamaica were understated by J\$718,562.
- (b) Personnel files of some employees were not updated

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 Contract Cost 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.

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 the reportable condition described above is not a material weakness.

This report is intended for the information of the management, of CATC and The United States Agency for International Development. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

*KPMG Peat Marwick*

May 16, 1995

**CARIBBEAN APPLIED TECHNOLOGY CENTRE LIMITED**  
**USAID/JAMAICA, CONTRACT NO. 532-0800-C-00-8068-00**  
**AUGUST 16, 1988 TO SEPTEMBER 30, 1993**

(a) **Reimbursements from USAID/Jamaica**

**Condition:**

Reimbursements from USAID/Jamaica as per Contract Cost Accountability Statement was understated by J\$718,562 as compared with the confirmation received from USAID/Jamaica.

**Cause:**

During the period of contract the company has not tested the accuracy of its records using the information available at the USAID/Jamaica.

**Effect:**

As a result, the Contract Cost Accountability Statement may not present the accurate results of the contract.

**Criteria:**

According to the USAID guidelines, the company should record income and expenditure relating to the contract accurately.

**Recommendation:**

We recommend that the reimbursements be independently agreed with the records of USAID on a regular basis to avoid any mis-statements. The difference of \$718,562 should be reconciled and resolved between CATCL and USAID/Jamaica.

(b) **Personnel files**

**Condition:**

Personnel files were not updated with important documentation such as appointment letters, promotion letters and resignation letters. This was noted in four months (September and October of 1992 and January and June of 1993) out of a period of sixty-one months covered by our examination.

**Cause:**

This resulted from non-compliance with accepted policies and procedures of the company.

**Effect:**

Important management information is not readily available when required.

**Criteria:**

According to the company's policies and procedures, all documents relating to appointments, promotions and resignations should be filed in the personnel files on a timely basis.

**Recommendation:**

We recommend that the personnel files of all employees be updated with the relevant documentation on a timely basis.

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USAID/JAMAICA CONTRACT NO. 532-0800-C-00-8068-00  
AUGUST 16, 1988 TO SEPTEMBER 30, 1993**

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE**

The Board of Directors  
Caribbean Applied Technology Centre Limited  
13 Caledonia Avenue  
kingston 5

We have audited the Contract Cost Accountability Statement of USAID/Jamaica, Contract No.532-0800-C-00-8068-00 with Caribbean Applied Technology Centre Limited for the period August 16,1988 to September 30,1993 and have issued our report thereon dated May 16, 1995.

We have conducted the audit in accordance with generally accepted auditing standards and "Government Auditing Standards", issued by the Comptroller General of the United States of America. These standards require that we plan and perform the audit to obtain reasonable assurance that the Contract Cost Accountability Statement is free of material misstatement.

Compliance with agreement terms and laws and regulations applicable to the Caribbean Applied Technology Centre Limited USAID/Jamaica, Contract No.532-0800-C-00-8068-00 is the responsibility of The Caribbean Applied Technology Centre Limited's (CATCL) management. As part of our audit to obtain reasonable assurance that the Contract Cost Accountability Statement is free of material misstatement, we performed tests of CATC's compliance with certain provisions of agreement terms and laws and regulations. However, our objective was not to provide an opinion on overall compliance with such provisions.



**CARIBBEAN APPLIED TECHNOLOGY CENTRE LIMITED  
USAID/JAMAICA CONTRACT NO. 532-0800-C-00-8068-00  
AUGUST 16, 1988 TO SEPTEMBER 30, 1993**

Material instances of non-compliance are failures to follow requirements or violations of agreement terms and laws and regulations that cause us to conclude that the aggregation of misstatements resulting from those failures or violations is material to the Contract Cost Accountability Statement. The results of our tests of compliance disclosed the following material instances of non-compliance (see page 18).

- (a) Non-payment of payroll statutory deductions to the relevant authorities on a timely basis.
- (b) Unavailability of documents to support payments made through one bank account for the period January 1989 to August 1989.

We considered these material instances of non-compliance in forming our opinion on whether CATCL's Contract Cost Accountability Statement for the period August 16, 1988 to September 30, 1993 is presented fairly, in all material respects, in conformity with the basis of accounting described in note 2 to the Contract Cost Accountability Statement, and this report does not affect our report on the Contract Cost Accountability Statement dated May 16, 1995.

Except as described above, the results of our tests indicate that, with respect to the items tested, CATCL 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 which caused us to believe that CATCL had not complied, in all material respects, with those provisions.

This report is intended for the information of the management of CATCL and the United States Agency for International Development. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

*KPMG Peat Marwick*

May 16, 1995

CARIBBEAN APPLIED TECHNOLOGY CENTRE LIMITED  
USAID/JAMAICA, CONTRACT NO. 532-0800-C-00-8068-00  
AUGUST 16, 1988 TO SEPTEMBER 30, 1993

Instances of Non-compliance with Agreement Terms and Laws and Regulation

(a) Payroll statutory deductions

**Condition:**

The statutory deductions made from the employees' emoluments were not remitted to the respective authorities on a timely basis. This condition was noted in more than 50% of instances out of total period covered by our audit (sixty one months).

**Cause:**

We did not note any timely action being taken by the management to ensure compliance with relevant regulations in this area.

**Effect:**

The company is in violation of the law and may be charged with penalties as a result of late payments.

**Criteria:**

According to the law these contributions must be remitted within fourteen days from the month-end.

**Recommendation:**

All payroll statutory deductions must be paid over to the respective authorities promptly to avoid possible penalties.

(b) Supporting documents

**Condition:**

Documents to support payments through Jamaica Citizens Bank's current account for the period January 1989 to August 1989 could not be located. This was noted during the eight months period from January 1989 to August 1989 out of a sixty-one months period covered by our audit [see note 4(i) of page 12].

**Cause:**

The management has not taken necessary steps to safeguard supporting documents as required by law.

**Effect:**

Unavailability of information for various management decisions, audit purposes etc., in addition to violation of regulations. Further additional audit work had to be carried out to verify payments made during this period. (Unsupported expenses are shown under note 4 (i) to the Contract Cost Accountability Statement).

**Criteria:**

According to the statute, all books and records must be kept for a period of seven years.

**Recommendation:**

All supporting documents must be kept as required by law.

**FINANCIAL STATEMENTS OF CATCL AS A WHOLE AND INDEPENDENT AUDITORS' REPORT THEREON:**

The financial statements of the Caribbean Applied Technology Centre Limited for the year ended December 31, 1992 have been audited in accordance with the Companies Act and independent auditors' report thereon, without any reservations, dated March 17, 1994 has been issued.

The audit for the year ended December 31, 1993 has not yet been completed.

**INDEPENDENT AUDITORS' COMMENTS ON THE STATUS OF PRIOR AUDIT RECOMMENDATIONS.**

The management of CATCL has taken corrective actions to implement the previous period's audit recommendations.

**INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE OF COMPUTATION OF INDIRECT COST RATES.**

Indirect costs (overhead and general administrative) were charged based on amounts allowed as per the budget.