

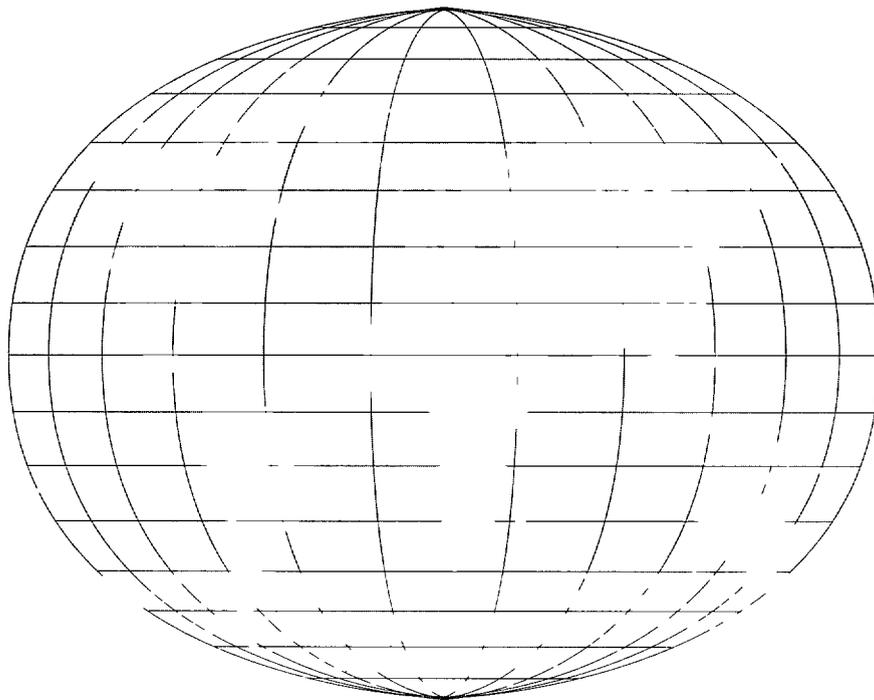
# Report of Audit

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## Audit of USAID/South Africa's Project Implementation Letter No. 45 to Technikon Northern Gauteng under the Tertiary Education Linkage Project

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Report No 4-674-00-003-F  
November 26, 1999



**REGIONAL INSPECTOR GENERAL/PRETORIA  
OFFICE OF INSPECTOR GENERAL  
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT**

**Audit of USAID/South Africa's Project  
Implementation Letter No. 45 to Technikon  
Northern Gauteng under the Tertiary Education  
Linkage Project**

**Report No 4-674-00-003-F  
November 26, 1999**

**REGIONAL INSPECTOR GENERAL/PRETORIA**



# Memorandum

Regional Inspector General  
Pretoria

**DATE** November 26, 1999

**TO** Director, USAID/South Africa, William Stacy Rhodes

**FROM** Regional Inspector General/Pretoria, Joseph Farinella *Joseph Farinella*

**SUBJECT** Audit of USAID/South Africa's Project Implementation Letter No 45 to Technikon Northern Gauteng under the Tertiary Education Linkage Project, Report No 4-674-00-003-F

This memorandum is our report on the subject audit. We have considered your comments on the draft report and have included them as Appendix II herein. This report contains no recommendations.

I appreciate the cooperation and courtesy extended to my staff during the audit.

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## Background

Project Implementation Letter (PIL) No 45, under USAID/South Africa's Tertiary Education Linkage Project provides financial and technical support to Technikon Northern Gauteng (TNG), a South African educational institution. The purpose was to increase access to engineering and technical studies for academically disadvantaged students. The period of performance is from September 1, 1997 to January 30, 2000.

USAID/South Africa committed \$191,000 to this PIL. The funds were to be used to (1) improve academic preparation of disadvantaged students to complete degrees in technical fields, (2) enhance the capacity of TNG to deliver this type of academic support, and (3) establish linkages with a U.S. institution with similar program objectives.

Upon completion of our field work on June 7, 1999, USAID/South Africa had reimbursed TNG ZAR 88,744 (\$14,769) for costs incurred under this PIL.

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## **Audit Objective**

The Office of the Regional Inspector General/Pretoria conducted this audit to answer the following question

**Were costs charged to USAID/South Africa by Technikon Northern Gauteng under Project Implementation Letter No 45 of the Tertiary Education Linkage Project reasonable, allocable, and allowable in accordance with USAID rules and regulations?**

Appendix I describes the scope and methodology

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## **Audit Findings**

Of expenditures totalling ZAR 88,744 (\$14,769) which were reimbursed by USAID/South Africa to TNG under PIL No 45, we found that ZAR 38,327 (\$6,531) was reasonable, allocable, and allowable in accordance with USAID rules and regulations. However, we were unable to determine the eligibility of the remaining costs of ZAR 50,417 (\$8,238) - almost 56 percent of the total amount reimbursed by the Mission - because costs claimed were not supported by appropriate documentation.

Moreover, we noted that TNG (1) did not have an effective system to track, verify, account for, and report costs incurred under the PIL, and (2) needed to establish a travel expense reimbursement policy consistent with that of USAID's.

These findings are discussed below.

### **Accounting System and Travel Policy Needed**

PIL No 45 requires TNG to disburse its own funds for eligible expenses and then request reimbursement from USAID/South Africa by submitting monthly expenditure reports. TNG is also required to maintain books and records relating to the funds committed and disbursed under the PIL.

Our review of the reimbursement reports, accounting records and related documents at the Mission Controller's office and TNG showed that expenditures amounting to ZAR 38,327 (\$6,531) were supported by appropriate documentation and were determined to be reasonable, allocable and allowable. However, no documentation was available to support the remaining costs of ZAR 50,417 (\$8,238). We are, therefore, questioning this amount as an unsupported expenditure.

Moreover, TNG did not maintain adequate accounting records showing that the costs

reimbursed by USAID had been posted to its books of account. For example, a review of TNG's pipeline costs, (i.e. costs incurred under the PIL but not yet submitted to the Mission for reimbursement), showed that

- Cost Report for PIL No. 5 (cost center X031) had an entry under account 2220 (Visits to Foreign Countries) for the purchase of two airline tickets for ZAR 14,952. Only one of the tickets was used but the cost report did not show any adjusting entries to credit the account for the redemption of the unused ticket.
- An entry was made under the same account for a travel advance of ZAR 13,093. Since TNG foreign travel is on an actual basis, there should have been an adjusting entry for the difference between the advance and the actual costs incurred. No documents were available as evidence that expenses had been incurred and an offset was made to the travel advance.

Finally, we noted that the PIL did not specify how travel costs should be reimbursed. Since these are USAID funds, we believe that a uniform USAID travel policy should be applied.

Because of lack of a reliable accounting system, reimbursement reports were not submitted in a timely manner and costs claimed were not always adequately supported. USAID/South Africa was thus not aware of the total expenditures incurred by TNG. We believe that TNG needs to establish an ongoing system to track, verify, record and report costs incurred under the PIL.

Recommendations to address the questioned costs, lack of an effective accounting system and the need to establish a uniform travel policy will be made to USAID/South Africa in a separate consolidated audit report titled, "Audit of Costs Charged by Educational Institutions to USAID/South Africa Under Project Implementation Letters Funded by the Tertiary Education Linkages Project, Report No. 4-674-00-007-F"

### **Implementation of Planned Activities**

In accordance with requirements of PIL No. 45, TNG has been implementing its planned activities. It began its first preparatory six-month course to enhance the academic capabilities of disadvantaged students in January 1999. A second group of students will be instructed from July through December of 1999. In addition, TNG has established a linkage with Florida A&M University in the U.S. and will receive technical assistance from that institution for its engineering and technology programs.

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## **Management Comments and Our Evaluation**

USAID/South Africa concurred with the recommendations of this audit and stated that corrective actions will be taken to (1) establish a comprehensive accounting system, (2) institute a uniform USAID travel policy, and (3) determine the allowability and collect the questioned costs of \$8,238. A complete text of Mission's comments is included in Appendix II.

This report does not make formal recommendations to address the above issues. However, it states on page 3 that recommendations to address the deficiencies will be made in a separate consolidated report to USAID/South Africa titled, "Audit of Costs Charged by Educational Institutions to USAID/South Africa Under Project Implementation Letters Funded by the Tertiary Education Linkages Project, Report No. 4-674-00-007-F."

**SCOPE AND  
METHODOLOGY**

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As part of our fiscal year 1999 audit plan, RIG/Pretoria audited costs charged by Technikon Northern Gauteng (TNG) under Project Implementation Letter (PIL) No 45 of USAID/South Africa's Tertiary Education Linkage Project. The audit was conducted in accordance with generally accepted government auditing standards and covered the period from the PIL's inception on September 1, 1997 until completion of our field work on June 7, 1999. The work was done at the Mission's and TNG's offices in Pretoria, South Africa.

Total amount committed by USAID/South Africa under the PIL was \$191,000 and the amount reimbursed to TNG was \$14,769 as of June 7, 1999. Because of the small size of the universe, we audited 100 percent of the costs claimed by TNG and considered any questioned cost to be material.

To accomplish our audit objective, we (1) examined financial reports and supporting documents for submitted vouchers to verify actual costs, (2) reviewed account balances at the offices of the Mission and TNG, (3) reconciled any unusual transactions, and (4) assessed TNG's progress toward implementing the planned activities.

In addition, we interviewed cognizant Mission and TNG officials and analyzed the activity report submitted by TNG to USAID/South Africa, documenting implementation of planned activities.

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UNITED STATES AGENCY FOR INTERNATIONAL  
DEVELOPMENT



MEMORANDUM

TO Joe Farnella, RIG FROM Stacy Rhodes, DIR *Stacy Rhodes*  
CC Patrick Fine, SO2 DATE 11/02/99  
RE Audit of USAID/South Africa's Project Implementation Letter No 45 to Technikon Northern Gauteng under the Tertiary Education Linkages Project

URGENT  FOR REVIEW  PLEASE COMMENT  PLEASE REPLY  PLEASE RECYCLE

This memorandum is a response to your report on the subject audit. We have considered your recommendations and we hereby provide you with our management comments.

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Management Comments

- I USAID/South Africa reviewed and agrees with the recommendations of the subject audit

USAID/South Africa shall issue a PIL to all Historically Disadvantaged Institutions (HDIs) that receive TELP support, which sets out provisions on.

- (a) a comprehensive accounting and reporting systems that facilitate tracking, verifying, accounting for, and reporting costs under the PILs within established timeframes
- (b) a uniform USAID travel policy that specifies how travel costs are to be reimbursed.

The new provisions for a comprehensive reporting system and travel outlined in this single PIL shall apply to all activity and TELP Coordinator PILs issued prior to the audit. All new activity and TELP Coordinator PILs that are issued henceforth will include the accounting and travel provisions.

- II USAID/South Africa shall work with the TELP Institutional Contractor The United Negro College Fund, to determine the allowability of funds and collect questioned costs from Technikon Northern Gauteng (\$8,238) Where expenditures are determined to have been unsupported or ineligible costs, USAID/South Africa shall issue a bill for collection.

- III USAID/South Africa agrees with the suggestion of including interim targets or benchmarks to measure progress in Project Implementation Letters (PILs)

Since November 1998, USAID/South Africa made it a requirement for new PILs to have Implementation and Monitoring Plans in place. In addition, USAID/South Africa requested the United Negro College Fund to review all PILs that extend beyond June 2000 and do not have Implementation and Monitoring Plans in order to assist them develop these plans.