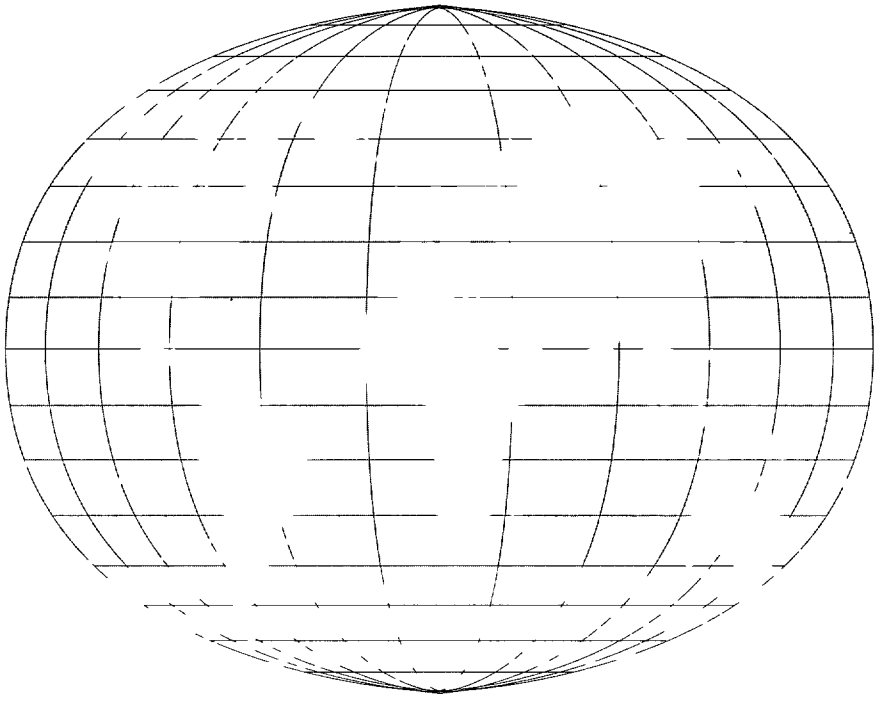
PD-ABR-878

Report of Audit

Audit of USAID/South Africa's Project Implementation Letter Nos. 7, 64 & 71 to the University of North West under the Tertiary Education Linkage Project

Report No. 4-674-00-005-F
November 26, 1999



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

PD-ABR-878

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REGIONAL INSPECTOR GENERAL/PRETORIA

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Memorandum

Regional Inspector General
Pretoria

DATE November 26, 1999

TO USAID/South Africa Director, William Stacy Rhodes

FROM Regional Inspector General/Pretoria, Joseph Farinella

SUBJECT **Audit of USAID/South Africa's Project Implementation Letter Nos 7, 64 and 71 to University of North West under the Tertiary Education Linkages Project, Report No 4-674-00-005-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) Nos 7, 64 and 71, under USAID/South Africa's Tertiary Education Linkages Project (TELP), provides financial and technical support to the University of North West (UNW), a South African educational institution The purposes are to develop UNW's academic staff and improve the quality of its science education PIL No 7 was implemented from February 14, 1996 to June 29, 2000 In July 1998, PIL No 71 amended PIL No 7, which was implemented through June 30, 2000 PIL No 64 was implemented from May 15, 1998 to May 14, 2000

USAID/South Africa committed $279,211 under PIL No 7 to finance (1) a technical assistant, (2) resource centers for science education, and (3) a community outreach program in animal health for small-scale farmers The amendment PIL No 71 established a new activity, a Science Foundation Program, in lieu of the community outreach program Upon completion of our fieldwork on September 21, 1999 UNW had been reimbursed ZAR 359,333 ($58,328) by USAID/South Africa for costs incurred under PIL No 7 and PIL No 71

Under PIL No 64, the Mission committed ZAR 834,528 ($139,088) to finance UNW's staff development program The funds were to be used for (1) conducting capacity building seminars and workshops, (2) establishing linkages with South African institutions, (3) training Academic Development Program (ADP) staff, (4) applying for a professor from a US university to assist in developing the ADP program, and (5) establishing a resource center for developing teaching/learning materials Upon completion of our fieldwork on September 21, 1999, the Mission had reimbursed UNW ZAR 298,238 ($49,274) for costs incurred under this PIL

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 the University of North West under Project Implementation Letter Nos 7, 64 and 71 of the Tertiary Education Linkages Project reasonable, allocable, and allowable in accordance with USAID rules and regulations?

Appendix I describes the scope and methodology

Audit Findings

The audit showed that costs totalling ZAR 657,571 ($107,602) reimbursed by USAID/South Africa to UNW under PIL Nos 7, 64 and 71 were reasonable, allocable, and allowable in accordance with USAID rules and regulations

However, we noted that UNW (1) did not have an effective accounting system to track, verify, account for and report costs incurred under the PILs, and (2) needed to establish a travel expense reimbursement policy consistent with that of USAID's to reimburse travel costs These findings are discussed below

Accounting System and
Travel Policy Needed

USAID/South Africa required UNW to disburse its own funds to finance costs incurred under the PILs and then request reimbursement from the Mission by submitting monthly expenditure reports UNW was also required to maintain books and records relating to funds committed and disbursed under the PILs

As of September 21, 1999, expenditures reimbursed to UNW by USAID/South Africa under the three PILs amounted to ZAR 657,571 ($107,602) Our review of the reimbursement claims and supporting documents at the Mission Controller's office and the

UNW showed that the expenditures claimed were supported by appropriate documentation and the costs were reasonable, allocable and allowable under USAID rules and regulations

We also noted that UNW incurred other costs under PIL No 71 for approximately ZAR 183,000 ($29,700) for which they had not yet submitted reimbursement claims to USAID Furthermore, UNW's accounting system did not facilitate tracking, verifying, compiling and reporting the costs incurred under each PIL and preparing monthly expenditure reports to USAID/South Africa

We were told that staffing problems contributed to the situation The project leader for PIL Nos 7 and 71 left UNW in January 1999 followed by the TELP co-ordinator in March 1999 Thereupon, the project leader for PIL No 64 took over the responsibilities of the TELP coordinator She stated that she found incomplete records for the PILs and that the previous project leader for PIL Nos 7 and 71 had taken the projects records with him when he left

Finally, in reviewing travel expenses charged to USAID by UNW, we found that the PILs 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

As a result of the foregoing, disbursement reports were not submitted timely and USAID/South Africa was not aware of the total expenditures incurred under the PILs We believe that timely submission of such reports would enhance Mission monitoring of the activities being implemented by UNW under the PILs

Therefore, the Mission needs to ensure that UNW establish an accounting system to track, verify, record and report the costs incurred under the PILs, and establish a uniform travel policy We will make recommendations to address these issues in a separate consolidated audit report to USAID/South Africa

Implementation of Planned Activities

The replacement activity in PIL 71–establishing a science foundation program—was the only activity being implemented at the time of our audit A computer lab is being established and the 46 students are currently enrolled in the science foundation program Because of the missing records, the status of the remaining two activities, those transferred from PIL No 7 to PIL 71, (1) hiring a technical assistant and (2) establishing resource centers for science education, could not be determined

The five activities planned under PIL No 64 were (1) conducting seminars and workshops, (2) establishing linkages with South African institutions, (3) training ADP staff, (4) recruiting a professor from a US university to teach ADP courses, and (5) establishing a resources center to develop teaching/learning materials We found that these activities were being implemented at the time of our audit

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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 ensure that a comprehensive accounting system and a uniform travel policy are established A complete text of the 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

As part of its fiscal year 1999 audit plan, RIG/Pretoria audited the costs charged to USAID/South Africa by the University of North West (UNW) under Project Implementation Letter (PIL) Nos 7, 64 and 71 of USAID/South Africa's Tertiary Education Linkages Project The audit was done in accordance with generally accepted government auditing standards and covered the periods from the date of inception of each PIL until the conclusion of our audit field work on September 21, 1999 Total amounts committed by USAID/South Africa under the three PILs were $418,299 and the expenditures reimbursed by the Mission to UNW were $107,602 The audit was done at the offices of USAID/South Africa in Pretoria and at UNW in Mmabatho, South Africa

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 UNW, and (3) assessed each PIL's progress toward implementing the planned activities Because of the small size of the universe, we examined 100 percent of the costs reimbursed to UNW by the Mission under the PILs and considered any questioned cost as material

In addition, we interviewed cognisant Mission and UNW officials and analysed the activity reports submitted by UNW to USAID/South Africa, documenting implementation of the planned activities

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT

USAID

MEMORANDUM

TO	FROM
Joe Farinella, RIG	Stacy Rhodes, DIR
CC	DATE
Patrick Fine, SO2	11/02/99

RE: Audit of USAID/South Africa's Project Implementation Letter Nos 7, 64 and 71 to the University of the North West 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 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

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