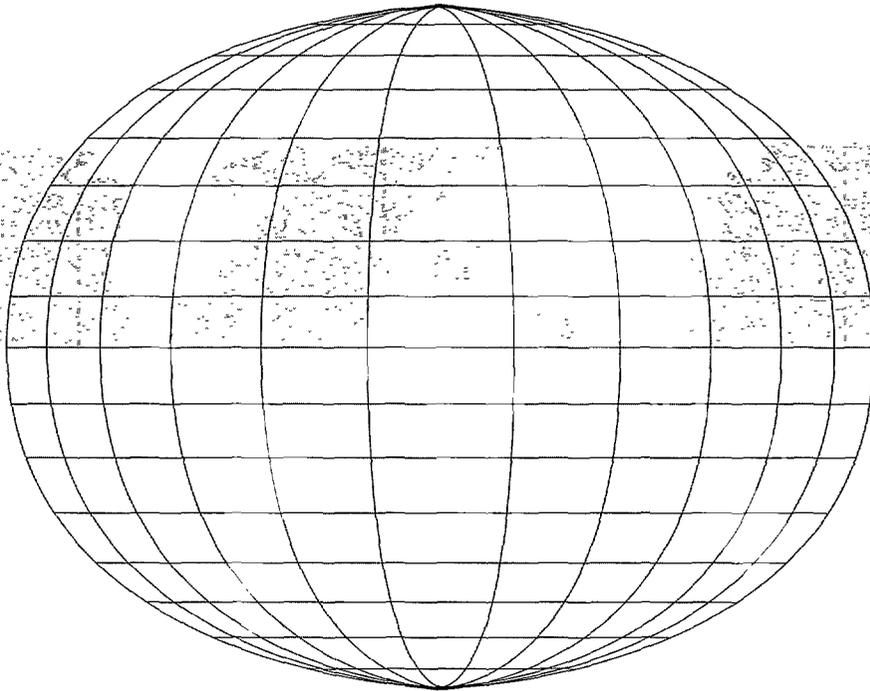


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Report of Audit

Audit of the AWF Partnership Options for Resource Use Innovation (PORI), Cooperative Agreement No. 623-A-00-98-00024-00 & 623-A-00-98-00057-00, for the Period April 19, 1998 through December 31, 1999

**Report No. 4-621-01-002-N
October 18, 2000**



**PRETORIA, SOUTH AFRICA
OFFICE OF INSPECTOR GENERAL
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT**

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**Audit of the AWF Partnership Options for Resource
Use Innovation (PORI), Cooperative Agreement No.
623-A-00-98-00024-00 & 623-A-00-98-00057-00, for
the Period April 19, 1998 through December 31, 1999**

**Report No. 4-621-01-002-N
October 18, 2000**

PRETORIA, SOUTH AFRICA

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Regional Inspector General
Pretoria

October 18, 2000

MEMORANDUM FOR MISSION DIRECTOR, USAID/TANZANIA

FROM: Regional Inspector General/Pretoria, Joseph Farinella

SUBJECT: Agency-contracted Audit of the AWF Partnership Options for Resource Use Innovation (PORI), Cooperative Agreement Nos. 623-A-00-98-00024-00 & 623-A-00-98-00057-00, for the Period April 19, 1998 through December 31, 1999, Audit Report No. 4-621-01-002-N

Attached is a report of an Agency-contracted audit of USAID's cooperative agreements with the AWF Partnership Option for Resource Use Innovation (PORI). Deloitte & Touche, Certified Public Accountants, Tanzania performed the audit.

The contract for Partnership Option for Resource-use Innovation (PORI) was signed between USAID/Washington and African Wildlife Foundation (AWF) to address the most pressing constraints to the success of Tanzania's two main management regimes for conservation of biodiversity in the national parks and community based natural resources management. The total funding from USAID for the PORI project is approximately US \$8 million under two grant agreements. Cooperative agreement number 623-A-00-98-00024-00 was signed on April 20, 1998 with estimated total funding of US \$3,649,761, out of which US \$2,247,000 was obligated for program expenditures and agreement number 623-A-00-98-00057-00 which was signed on September 16, 1998 with estimated total funding of US \$4,433,618, out of which US \$2,945,051 was obligated for program expenditures.

This audit covered program expenditures totaling \$2.4 million during the period April 19, 1998 to December 31, 1999.

The audit objectives were to:

- Express an opinion on whether the Fund Accountability Statement for the AWF presents fairly, in all material respects, and in conformity with the basis of accounting described in the report and the use of funds in accordance with the agreements;

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- Perform tests to determine whether AWF complied, in all material respects, with agreement terms and applicable laws and regulations. Any material instances of non-compliance and all indications of fraud were to be identified; and
- Evaluate and obtain an understanding of the project's internal control structure related to PORI project, assess control risk and identify reportable conditions, including internal control weaknesses.

The auditors' report on the Fund Accountability Statement concluded that grant revenues and expenditures were fairly stated for the period under audit.

The report on internal controls identified certain matters involving the internal control structure, which were reported to the management of AWF. Based upon responses received from management, the auditors concluded that internal control deficiencies were satisfactorily addressed. Therefore, we are not making any recommendations.

Attachments: a/s

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USAID - AFRICAN WILDLIFE FOUNDATION

**INDEPENDENT AUDIT OF COOPERATIVE AGREEMENT FOR THE
PARTNERSHIP OPTION FOR RESOURCE-USE INNOVATION-PORI**

FOR THE 21 MONTHS PERIOD ENDED DECEMBER 31, 1999

AGREEMENTS NOS. 623-A-00-98-00024-00 & 623-A-00-98-00057-00



The Controller
USAID Tanzania
P.O Box 9130
Dar es Salaam
Tanzania

Our Ref: SJ/USA

30 August 2000

Dear Madam,

RE: INDEPENDENT AUDIT OF THE COOPERATIVE AGREEMENT FOR THE PARTNERSHIP OPTION FOR RESOURCE-USE INNOVATION (PORI) UNDER USAID AGREEMENTS NOS. 623-A-00-98-00024-00 & 623-A-00-98-00057-00

Enclosed please find our report of the audit of PORI for the Cooperative Agreements between USAID/Tanzania and African Wildlife Foundation (AWF).

Our report is divided into the following sections:

- 1.0 Executive Summary
- 2.0 Fund Accountability Statement
- 3.0 Internal Control Structure
- 4.0 Compliance with agreement terms and applicable laws and regulations

We would like to take this opportunity to thank the staff of AWF and the management of USAID for their assistance and cooperation afforded to us during the audit.

Should you wish to discuss any matters included in this report, please do not hesitate to contact us at the above address.

Yours faithfully,
DELOITTE & TOUCHE


Simon C. Mponji
Managing Partner

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**4.0 COMPLIANCE WITH AGREEMENT TERMS AND APPLICABLE LAWS
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1.0 EXECUTIVE SUMMARY

1.1 Background

The Partnership Option for Resource-use Innovation (PORI) project is formed under co-operative agreement between United States Agency for International Department (USAID)/Tanzania and African Wildlife Foundation (AWF) to address the most pressing constraints to the success of Tanzania's two main management regimes for conservation of biodiversity in the national parks and community based natural resources management. Research was conducted which analysed problems in the parks.

The threats identified included poaching, visitor pressure and tourism development, population increase and land conversion and rising costs of park management. The threats facing community-based management included lack of authority to manage wildlife and benefit from it and lack of services to empower local communities. PORI project was therefore designed to address these threats.

The total funding from USAID for the PORI project is approximately US\$ 8 million under two grant agreements. The grant agreement number 623-A-00-98-00024-00 was signed on April 20, 1998 with estimated total funding of US\$ 3,649,761, out of which US\$ 2,247,000 was obligated for programme expenditures and number 623-A-00-98-00057-00 which was signed on September 16, 1998 with estimated total funding of US\$ 4,433,618, out of which US\$ 2,945,051 was obligated for programme expenditures.

The project targets Tarangire and Lake Manyara National Parks and the surrounding areas in northern Tanzania. The project is divided into four components as follows:

- | | |
|-------------|--|
| Component 1 | Deals with community based conservation |
| Component 2 | Supports TANAPA Tourism Department and community conservation service to improve their planning and facilities |
| Component 3 | Is the project support unit for administering the project in northern Tanzania |
| Component 4 | Deals with infrastructure development in Tarangire and Lake Manyara National Parks. |

1.2 AUDIT OBJECTIVES AND SCOPE

1.2.1 Audit objective

The overall audit objective was to perform an audit in accordance with generally accepted auditing standards and US Comptroller General's Government Auditing Standards (1994 Revision). The audit accordingly, included such tests of the accounting records as deemed necessary under the circumstances. The specific objectives were to:

- Express an opinion on whether the Fund Accountability Statement for the AWF present fairly, in all material respects, and in conformity with the basis of accounting described in the report and the use of funds in accordance with the agreements.
- Perform tests to determine whether AWF complied, in all material respects, with agreement terms and applicable laws and regulations. Any material instances of non-compliance and all indications of fraud were to be identified.
- Evaluate and obtain a sufficient understanding of the project's internal control structure related to PORI project, assess control risk and identify reportable conditions, including material internal control weaknesses.

1.2.2 Audit scope

The audit scope required us to carry out sufficient audit steps and procedures to ensure that the audit objectives were met, and in particular to:

- Review the Fund Accountability Statement (FAS) and express a written opinion in accordance with SAS 62.
- Examine the terms and conditions of the agreements, applicable standard provisions, implementation letters, budgets, financial or program evaluations and correspondence in order to gain knowledge and understanding of the goals and objectives of the agreement, activities being financed by USAID, types of costs, financial procedures and requirements and results of completed financial reviews.
- Examine agreements, handbooks and other pertinent information. Obtain copies of documents, records, reports and correspondence, to obtain sufficient evidence in expressing our opinion.

- Study the chart of accounts, cost accounting systems, organizational charts and reports of internal auditors, independent auditors, government auditors and other related studies.
- Carry out audit steps and procedures to provide reasonable assurance of detecting errors, irregularities and illegal acts that could have a material direct or indirect effect on the report.
- Obtain specific written representations from management through a client representation letter in accordance with SAS 19 and generally accepted auditing standards.
- Examine and evaluate the AWF's internal control structure and capability to properly identify and account for expenditures. To assess control risk in order to establish whether or not the internal control structure is adequate and effective.
- Examine bank statements for accounts maintained to determine that they are reconciled on a timely basis and that transactions are appropriate.
- Review the procedures used to control the funds, including channeling to contracted financial institutions or other implementing units. Prepare a proof of cash for the appropriate time period. Review the bank accounts and the controls on those bank accounts.
- Determine whether AWF's allocation of indirect cost rate has been properly applied using the agreed upon provisional rate.
- Review procurement procedures to determine whether sound commercial practices including competition were used, reasonable prices were obtained and there were adequate controls on qualities and quantities received. In addition, determine whether USAID's eligibility rules for goods and services, suppliers, restricted goods and source and nationality, were followed.
- Review direct salary charges to determine whether salary rates are reasonable for that position, in accordance with those approved by USAID, and supported by appropriate payroll records.
- Determine whether advances of project funds received were justified in the documentation, including reconciliation of funds advanced, disbursed and available.

- Review travel and transport charges to determine whether they are adequately supported and approved
- Determine whether AWF has established the required property management policies and procedures. Establish whether proper records are maintained and reconciled to the annual physical inventory.
- Examine job descriptions and qualifications of all management personnel hired under the agreements to manage and account for USAID funds to determine the appropriateness of the job descriptions and ability of hired personnel to perform the described functions.
- Test – check other positions in the organization to determine whether the same rules apply and whether there has been key personnel changes and whether USAID approvals were sought in changing key personnel.
- Review AWF’s hiring procedures for staff and consultants and determine whether the process was fair and transparent.
- Review employee allowances and benefits paid to staff to determine whether they were allowable under the standard regulations.
- Determine whether AWF has complied with the cooperative agreement’s provision for cost sharing.
- Determine whether AWF has substantially achieved the contract performance objectives specified in the contract.

1.3 SUMMARY OF AUDIT RESULTS

1.3.1. Determine the propriety and validity of the Fund Accountability Statement.

In our opinion the Fund Accountability Statement for the period April 1998 to December 31, 1999 is fairly presented.

1.3.2. Identify, evaluate and report on the AWF internal control structure

We reviewed the internal control structure. In our opinion, the internal control structure appears to be adequate except for the issues raised in section 3.2 of this report.

1.3.3 Reach an opinion as to whether or not the AWF complied in all material respects with agreement terms and applicable laws and regulations

We concluded that there were no instances of material non-compliance except for those raised in Section 4.2.1 to 4.2.3 of this report.

2.0 FUND ACCOUNTABILITY STATEMENT

2.1 Independent Auditors' Opinion

We have audited the fund accountability statement of the African Wildlife Foundation (AWF) Tanzania with agreements numbers 623-A-00-98-00024-00 & 623-A-00-98-00057-00 for the period from April 19, 1998 to December 31, 1999. The Fund Accountability Statement is the responsibility of the management of AWF. Our responsibility is to express an opinion on the fund accountability statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and US Comptroller General's Government Auditing Standards (1994 Revision). These standards require that we plan and perform the audit to obtain reasonable assurance as to whether the fund accountability statement is free of material misstatement. An audit includes examining, on a test basis, of evidence supporting the amounts and disclosures in the Fund Accountability Statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall fund accountability statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Fund Accountability Statement is prepared on the basis of cash receipts and disbursements in line with USAIDs' financial accounting system.

In our opinion the fund accountability statement referred to above presents fairly, in all material respects, project revenue and costs reimbursed and incurred for the 21 month period ended 31 December 1999 in accordance with the terms of agreement and in conformity with the basis of accounting described above.

This report is intended for the information of AWF and USAID. However, upon release by USAID, this report is a matter of public record and its distribution is not limited.

Deloitte & Touche Tanzania

Date: 4 September 2000


DELOITTE & TOUCHE
Tel. No. 225 32 21 600 Fax 211 6379
P.O. BOX 1559

DAR ES SALAAM
Deloitte
Touche
Tohmatsu

2.2 AFRICAN WILDLIFE FOUNDATION
FUND ACCOUNTABILITY STATEMENT
FOR 21 MONTH PERIOD ENDED 31 DECEMBER 1999

	PORI 1-3 US\$	PORI 4 US\$	TOTAL US\$
Total Revenue	1,560,971	880,658	2,441,629
Actual Deposit	1,552,608	843,457	2,396,065
Balance to Deposit	8,363	37,201	45,564
Expenditures			
Salaries	274,491	8,777	283,268
Benefits	34,800	-	34,800
Indirect Costs	153,363	84,091	237,454
Consultancy services	83,341	35,085	118,426
Travel and transport	124,996	4,706	129,702
Expandable items	96,405	7,108	103,513
Non expendable equipment	535,257	707,431	1,242,688
Operations expenses	184,961	247	185,208
Other costs	73,357	33,213	106,570
Total Expenditure	1,560,971	880,658	2,441,629
Balance	(8,363)	(37,201)	(45,564)

**2.3 AFRICAN WILDLIFE FOUNDATION
NOTES TO FUND ACCOUNTABILITY STATEMENT
FOR 21 MONTH PERIOD ENDED 31 DECEMBER 1999**

2.3.1 Fund accountability statement

Fund accountability statement comprises local expenditure incurred in Tanzania.

2.3.2 Basis of accounting

The Fund accountability Statement is prepared on a cash basis.

2.3.3 Revenue

Revenue represents amounts received for the period from April 1998 to 31 December 1999 for agreement nos. 623-A-00-98-00024-00 & 623-A-00-98-00057-00 for the Partnership Option for Resource use Innovation.

2.3.4 Expenditure

Represents amounts disbursed in Tanzania shillings translated to US Dollar at the average exchange rate prevailing during the month of the transactions.

**2.4 FINDINGS AND RECOMMENDATIONS ON THE FUND
ACCOUNTABILITY STATEMENT**

2.4.1 Expenditure

Finding

- (a) Fund accountability statement for PORI 1-3 provided to us covers the period to 31 December 1999. We were not provided with the quarterly status report for quarter ending 31 December 1999. We could not determine whether the difference between the two reports as shown below was made by the last quarter's expenses as it was difficult to establish from the cash register. Therefore, we did our audit based on cash register produced at Arusha office, since both the financial status report and fund accountability statements are prepared from the cash register.

Expenditure	PORI 1-3 US\$
Total expenditure per quarterly reports up to 30 September 1999	1,425,917
Expenditure as per Fund Accountability Statement (FAS) up to 31 December 1999	1,560,971
Difference	<u>135,054</u>

- (b) The balance per the fund accountability statement for PORI 4 did not agree with the financial status report as follows:

Expenditure	PORI 4 US\$
Total expenditure per quarterly report up to 31 December 1999	879,412
Expenditure as per Fund accountability statement (FAS) up to 31 December 1999	880,658
Difference	<u>1,246</u>

Furthermore, confirmation received does not include figures for last two quarters to 31 December 1999. The amount confirmed is as follows:

	PORI 4 US\$	PORI 1-3 US\$
Expenditure as per confirmation from AWF Washington	820,608	1,260,992

Auditee comment

The audit schedule shows a variance in financial status reports (FSR-sf269) verses the fund accountability statements (FAS) of US\$ 135,054 for PORI 1-3 and US\$ 1,246 for PORI 4.

- (a) AWF reported for PORI 1-3 on the quarterly reports (FSR-sf269) expenses of US\$ 158,360 for the quarter ending December 31, 1999. The amount includes US\$ 23,305 of expenses that needs to be adjusted off the FSR- sf269. Thus, the net expenses for quarter ending December 31, 1999 are US\$ 135,054. A payroll allocation was made to the books which reduced salaries by US\$ 23,305 after the FSR-sf269 quarterly report was filed. An adjustment will be made on the FSR-sf.269 for quarter ending June 30, 2000 to reflect the change accordingly.
- (b) The difference of US\$ 1,246 for PORI 4 is due to adjusting entries made on the books (which is reflected on the Fund accountability statement) to adjust indirect costs for the quarter ending June 30,1999. An entry to reverse the difference of US\$ 1,246 and an additional amount of US\$ 336 to reduce the indirect cost will be made to the books and the FAS. An adjustment of US\$ 336 will be made on the quarter ending June 30,2000 SFR-sf269 report to reduce the indirect costs to its ceiling rate of 10.39% or correct costs of US\$ 82,739.

USAID Comment

We have noted the auditor’s comments. The auditee should do the necessary adjustments and reconcile the differences.

2.4.2 Indirect cost

Finding

Indirect costs reported in the fund accountability statement differs with that reported in the quarterly financial report as follows:

	PORI 1-3	PORI 4
	US\$	US\$
Fund accountability statement	153,363	84,091
Financial status report	138,368	83,076
Difference	14,995	1,015

Indirect cost in the quarterly reports was computed using the rate indicated in paragraph 4.2.3 below.

Recommendation

Fund accountability statement must be reviewed and checked against the financial status report to ensure that they reconcile and differences investigated and resolved.

Auditee Comment

The indirect cost difference of US\$ 14,995 shown on the audit schedule for PORI 1-3 is the total indirect cost for quarter ending December 31,1999. This amount is included on the quarterly report FSR-sf269 for the quarter ending December 31, 1999.

In PORI 4, the indirect cost difference is attributed to additional indirect cost that was recorded to the books after the quarterly report was filed as stated earlier. The difference of US\$ 1,015 plus an amount of US\$ 231 from other costs as indirect costs totaling US\$ 1,246 will be adjusted on the books. In addition, an adjustment of US\$ 336 will be made to the quarter ending June 30, 2000 FSR-sf269 report to reduce the indirect cost. The total reduction will be US\$ 1,582 to bring the rate down to 10.39% allowable for the grant.

USAID Comment

We agree with the auditor's recommendation. The auditee should reconcile the differences between the Fund Accountability Statement and the Financial Status Report.

3. INTERNAL CONTROL STRUCTURE

3.1 INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

We have audited Fund Accountability Statement of the African Wildlife foundation (AWF)- Tanzania for the 21month period ended 31 December 1999 with agreement numbers 623-A-00-98-00-00024-00 and 623-A-00-98-00057-00 under SO2 grant by USAID/Tanzania.

We conducted our audit in accordance with generally accepted auditing standards and the U.S Comptroller General's Government Auditing Standards (1994 Revision). These standards require that we plan and perform the audit to obtain reasonable assurance as to whether the Fund Accountability Statement, is free of material misstatement.

The management of AWF is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of internal control structure and 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 unauthorised use or disposition; transactions are executed in accordance with management's authorisation and in accordance with the terms of the agreements; and transactions are recorded properly to permit the preparation of the fund accountability statement in conformity with the basis of accounting described in note 2.3.1. to the fund accountability statement. 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.

In planning and performing our audit of the Fund Accountability Statement for AWF for the 21 months period ended December 31, 1999, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation. We assessed control risk in order to determine our auditing procedures for the purpose of forming an opinion on the fund accountability statement and not to provide an opinion on the internal control structure. Accordingly we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants (AICPA). A material weakness is a reportable condition in which the design or operation of one or more of the specific internal 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 fund accountability statement and the cost sharing schedule may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

However, we noted certain matters involving the internal control structure and its operation that we have reported to the management of AWF in paragraphs 3.2.1. to 3.2.8. below.

This report is intended for the information of AWF and USAID. However, upon release by USAID, this report is a matter of public record and its distribution is not limited.

Deloitte & Touche Tanzania


DELOITTE & TOUCHE
Tel. No. 2116352/2116006 Fax 2116379
PO BOX 1559
DAR ES SALAAM

Date: 4 September 2000

3.2 FINDINGS AND RECOMMENDATIONS ON THE INTERNAL CONTROL STRUCTURE

3.2.1 Control over cash

Finding

The program operates both dollar and local currency accounts for all the projects and maintains two registers for cheque and cash payments. There is no separate bank account for USAID supported PORI projects. It was therefore difficult for us to trace to the bank statement the actual amount received specifically for PORI projects since AWF Washington disbursed the funds together for all the projects.

USAID regulations 22CFR 226.22 (i) does not require separate depository accounts for funds provided to a recipient or establish any eligibility requirements for depositories for funds provided to a recipient. However, the recipient must be able to account for receipt, obligation and expenditure of funds.

We have relied on confirmations from AWF Washington for funds disbursed to AWF Arusha for the period from April 1998 to 30 June 1999. We have not yet received confirmation from AWF Washington for the last two quarters ended 31 December 1999.

Recommendation

We recommend that AWF Arusha discuss with USAID the merits for establishing a separate bank account for the transactions under the grant.

Auditee comment

AWF Washington, Nairobi, and Arusha have discussed the merits for establishing a separate bank account for the transactions under the grant, however AWF has determined that it is not beneficial to do so. Although most costs for PORI are paid for out of the Arusha office, not all of them (expenses) are. For example, some personnel or travel expenses could be charged from the Nairobi office, and personnel allocations and indirect costs are charged from the Washington office. Therefore a cash account in Arusha could not account for all PORI related expenses. Secondly, the Washington AWF office currently reconciles all USAID advances so that they will reconcile each quarter and no advance from USAID will be outstanding. This means that currently AWF is initially providing some of the cash for PORI expenses and draws down the funds at a later date for some portion of the spending. If AWF maintained a separate cash account for PORI alone, there would either need to be USAID funds sitting in it at the end of the quarter, or there would potentially be a mixing of funds which would prove the whole endeavor fruitless. AWF recommends that the SUN system be used as the basic resource of expenses for PORI. AWF will continue to reconcile quarterly drawdowns to ensure that USAID funds are not held too long.

Please note also that Beverly Matlock's memo to Sujata Jaffer dated April 28 2000, addressed funds disbursed to AWF Arusha. The AWF Washington Office does maintain a separate schedule for all USAID projects which accounts for the receipt, obligation, and expenditure of funds. These are reported back on the form PMS 272.

USAID comments

We have noted the auditor's recommendation and AWF's comments. USAID will discuss with AWF on the auditor's concerns.

3.2.2 Quarterly Reports and general record keeping.

Finding

Quarterly reports are prepared in AWF Washington in Sun Accounting Package based on the monthly registers prepared in a spreadsheet by the Arusha Office. While the monthly register is prepared using cheque numbers as reference, the quarterly reports are prepared using expenditure codes. Moreover a separate cheque/cash register is not maintained for each project.

It was an extremely tedious exercise for us to reconcile the amount as per accounts produced from Sun systems and that maintained by AWF Arusha office as AWF Arusha was not able to respond to any queries raised by us on these reports.

One reason for this is that there does not appear to be much communication from Washington to the field offices on how the transactions appearing in the field cheque and cash registers are recorded in the Sun Accounts reports.

Recommendation

AWF Washington and AWF Arusha should agree to use the same reference for preparing respective reports and registers so that the two reports produced could be compared and understood by both AWF Arusha and Washington.

AWF Arusha must maintain a separate register for each project.

Auditee comment

The quarterly reports are prepared in AWF/Washington in SUN. Information from the monthly registers maintained in Arusha is imported into the SUN package. AWF Washington will work toward a system whereby check numbers are used as a reference in the SUN package as well. The primary reference will be account code, but the check numbers could certainly be a reference which would make it easier to reconcile between offices.

USAID comment

We agree with the auditor's recommendation and have noted AWF's comments on a new system that will be worked out to solve the problem pointed out by the auditors.

3.2.3 Organization Chart

Finding

The organization chart prepared is not up to date. Current vacant positions were filled with names of staff who had already left the employment. For example, the position for Director General.

Recommendation

Organization chart must be updated to reflect the current position.

Auditee comment

It is true that the organization chart needs to be updated. All the necessary steps have been taken to update the chart so that it reflects the current positions and the names of current officers.

USAID comment

We agree with the auditor's recommendation.

3.2.4 Procedure for controlling equipment procured

Finding

- AWF has prepared an inventory list for non-expendable equipment. The following information was not indicated as required by USAID regulations provision No. 22 CFR 226.34 (f) :
 - Source of the equipment including the award number.
 - Whether title vests in the recipient, the Federal Government or other specified entity.
 - Some items other than motor vehicles have no identification mark; hence physical verification is difficult.
 - A physical inventory of equipment has not been done despite the regulation that it should be done every two years.
- AWF accounting manual requires the costs of motor vehicle to include related costs like customs duty and shipping costs. We have noted that these costs were expensed as procurement expenses. For example Cheque No. 21108 dated 26 February 1999 for motor vehicle clearance was expensed.

Recommendation

The fixed assets listings should be extended to include information required and should comply with USAID regulations and accounting manual.

Auditee comment

Procurement regulations and procedures will be adhered to. A physical inventory count is already underway. The purpose is to establish an inventory database of non-expendable equipment which will be included in the fixed assets register. All costs related to procurement will be included in the cost of assets procured.

USAID comment

We agree with the auditor's recommendation and have noted the auditee's efforts to establish an inventory database which will be included in the fixed assets register.

3.2.5 NSSF deductions

Finding

We noted that deductions in respect of National Social Security Fund (NSSF) were based on 10% of basic salary instead of the gross salary as required by the Act. This resulted in an understatement of the same by US\$ 2,000.

We also noted that PAYE deducted from Eliza Mhando's salary was less by Tshs. 60,270 for the month of September 1999.

Recommendation

According to the NSSF Act, both the employee and the employer are required to contribute 10% each of the gross salary of the employee. The amount must be remitted to the NSSF within one month.

PAYE must be correctly calculated and remitted in time to the relevant authorities.

Auditee comment

With effect from April 2000 all NSSF deductions are based on gross salaries of employees as per provisions of the NSSF Act of 1997.

USAID comment

We agree with the auditor's recommendation.

3.2.6 Withholding tax on rent

Finding

We noted that AWF did not deduct tax of 15% on office rent paid to Leo Fortes of US\$ 4,349 equivalent to Tshs. 2,913,830.

Recommendation

Withholding tax should be deducted and remitted to the relevant authority timely in order to avoid penalties.

Auditee comment

The landlord has proved that he is paying the tax on rent directly to the TRA thus absolving us the responsibility to withhold the 15% withholding tax as required by law.

USAID comment

We have noted the auditee's comments.

3.2.7 Petty cash count

Finding

AWF's accounting manual requires cash counts to be conducted regularly to ensure proper control over funds. There was no evidence as to whether this was being carried out.

Recommendation

Cash counts should be carried out regularly in the presence of an independent senior official and the cash in hand reconciled to the petty cash records. This should be evidenced by signatures of the cashier and the independent witness.

Auditee comment

Petty cash count was not being done because one person was running the finance department. Now a system has been put in place to conduct regular petty cash count and recording the results of the count.

USAID comment

We agree with the auditor's recommendation.

3.2.8 Dormant account

Finding

AWF opened a current account with a deposit of Tshs. 1 million with Standard Chartered Bank in June 1999. Since then, no transactions have been processed through this account. There is a risk of fraudulent transactions being processed through this account if kept dormant.

Recommendation

Bank accounts should only be opened if they are to be utilized immediately. There is no need to incur unnecessary bank charges and exposing the project to risk of fraud by leaving accounts dormant.

Auditee comment

The AWF account with the deposit of Tshs. 1 million will be closed.

USAID comment

We agree with the auditor's recommendation and have noted the auditee's comments.

**4.0 COMPLIANCE WITH AGREEMENT TERMS AND APPLICABLE LAWS
AND REGULATIONS**

4.1 Independent Auditor's Report on Compliance

We have audited Fund Accountability Statement of the African Wildlife Foundation (AWF)- Tanzania for the 21 months period ended 31 December 1999 with contract numbers 623-A-00-98-00024-00 & 623-A- 00-98-00057-00 under SO2 granted by United States Agency for International Development (USAID) Tanzania.

We conducted our audit in accordance with generally accepted auditing standards and the U.S. Comptroller General's Government Auditing Standards (1994 Revision). These standards require that we plan and perform the audit to obtain reasonable assurance about whether the Fund Accountability Statement is free of material misstatement.

Compliance with agreement terms and laws and regulations applicable to AWF is the responsibility of AWF's management. As part of obtaining reasonable assurance about whether the Fund Accountability Statement is free of material misstatement, we performed test of AWF's compliance with certain provisions of agreement terms and regulations. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported therein under U.S Government Auditing standards (1994 Revision).

We noted certain immaterial instances of noncompliance that we have reported in this report in paragraphs 4.2.1 to 4.2.3 below.

This report is intended for the information of AWF and USAID. However, upon release to USAID, this report is a matter of public record and its distribution is not limited.

Deloitte & Touche Tanzania

Date: 4 September 2000


DELOITTE & TOUCHE

Tel. No. 2115352/2116006 Fax 2116379

P.O. Box 1559
Deloitte
Touche DAR ES SALAAM
Tohmatsu

4.2 FINDINGS AND RECOMMENDATION ON COMPLIANCE WITH AGREEMENT TERMS AND APPLICABLE LAWS AND REGULATIONS

AWF has in general complied with the provisions of the funding agreements. However, there were certain issues that need to be resolved to ensure greater compliance with the PORI agreement.

4.2.1 Property inventory

Finding

At the time of our visit, no physical count of inventory had been conducted. According to 22 CFR 226.34, a physical inventory of equipment should be done and the results reconciled to the inventory records at least every two years. Since the two years are nearly over, we have advised AWF to carry out the physical count exercise to comply with the terms of agreement.

Recommendation

Physical count of inventory should be done to ensure physical existence of assets bought for PORI project.

Auditee comment

A physical count is already underway.

USAID comment

We agree with the auditor's recommendation.

4.2.2 Indirect cost rate

Finding

Indirect costs reported in the quarterly reports were computed using 10.46% and 10.16%. In the contract it is stated that reimbursement of indirect cost shall be at the lower of the negotiated final (or predetermined) rates or the ceiling rates of 10.39 %.

We could not ascertain whether the rates applied to arrive at total indirect costs reported in the fund accountability statement was appropriate and based on the above ceiling rate.

Recommendation

Further clarification is required on the above.

Auditee comment

AWF agrees that reimbursement of indirect cost shall be at the lower of the negotiated final rates or the ceiling rate of 10.39%. As stated AWF has used two rates 10.16% and 10.46%. These rates are AWF audited indirect cost rates for the past two fiscal years (FY98 and FY99) respectfully. As the latest audited rate becomes available it is then used in the current fiscal year. By the end of the fiscal year or the grant period the result averages or balances out as per the agreement. For PORI 4 the practice resulted in an average rate of 10.43% or an overcharge of US\$ 336. An adjustment will be made to reduce indirect costs as stated above so that it is no more than the allowable 10.39% rate.

USAID comment

The auditee should use an allowable indirect cost rate.

4.2.3 Appointment of key personnel

Finding

The contract with USAID requires that the approval of the USAID Technical Officer be sought when key personnel are hired. We did not see the evidence of approval for appointment of PORI Director Mr. Karahunanga.

Recommendation

Approval should be obtained and filed properly in the personal folder for reference

Auditee comment

The approval by USAID was obtained through e-mail. The relevant documents were misplaced. We will forward to you once we locate them.

USAID comment

We agree with the auditor's recommendation. The auditee should seek USAID approval for key personnel as required.