

# Report of Audit

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## Concurrent Agency-contracted Audit of USAID/Mozambique's Resources Managed by Parsons Global Services Limited for the Period October 1, 2000 to October 31, 2001

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Report No. 4-656-02-003-N  
April 30, 2002



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contained in this report  
restriction of 18 USC  
considered before any  
to the public.

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Regional Inspector General  
Pretoria

April 30, 2002

**MEMORANDUM FOR MISSION DIRECTOR, USAID/MOZAMBIQUE**

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

**SUBJECT:** Concurrent Agency-contracted Audit of USAID/Mozambique's Resources Managed by Parsons Global Services Limited under the Emergency Rail: Building a Limpopo Line and Sustainable Transport Project 656-0253 for the Period October 1, 2000 to October 31, 2001, Audit Report  
No. 4-656-02-003-N

Attached is a report of the subject audit performed by Deloitte and Touche, Chartered Accountants, Maputo, Mozambique.

The report was prepared in accordance with generally accepted auditing standards and the U.S. Government Auditing Standards issued by the Comptroller General of the United States.

In October 2000, the U.S. Agency for International Development (USAID) Mission to Mozambique approved the Emergency Rail: Building a Limpopo Line and Sustainable Transport (ER: BALLAST), funds under USAID project Number 656-0253. The total program is to provide \$55 million in grant funds to the Government of the Republic of Mozambique for the emergency rehabilitation of the Limpopo Rail Line in areas of Mozambique that were affected by floods in February and March 2000. Parsons Global Services Limited (PGSL) was selected under a fixed-price contract to provide the design and construction monitoring services to the project. PGSL is to complete the engineering design, assist in the pre-qualification of construction services, evaluate the bids, and recommend a bidder in the tender phase and check invoices from the contractor and oversee the work in the construction supervision phase. Due to delays in implementation and an increased scope of services, an extended tender phase was added to the PGSL contract in August 2001 under a cost-reimbursement basis.

The overall audit objective was to perform a financial audit of the USAID Resources for the period October 1, 2000 to October 31, 2001, for USAID funds of \$400,140. Specifically, the objectives were to:

- express an opinion on whether the Fund Accountability Statement for the USAID funded project present fairly, in all material respects, projects revenues received, costs incurred, and commodities/technical assistance directly procured by USAID in terms of the agreement and in conformity with generally accepted accounting principles or other comprehensive basis of accounting.
- evaluate and obtain a sufficient understating of Parsons Global Services Limited's internal control structure related to the USAID funded programs and projects, assess control risk and identify reportable conditions, including material internal controls weaknesses.
- perform test to determine whether Parsons Global Services Limited has complied, in all material respects, with agreement terms and applicable laws and regulations related to the USAID funded programs and projects; and
- perform an audit of the indirect cost rate if Parsons Global Services Limited has been authorized to charge indirect costs to USAID using provisional rates and USAID has not yet negotiated final rates with the foreign recipient.

The Report on Internal Controls identified no reportable conditions and the Report on Compliance did not identify material instances of non-compliance.

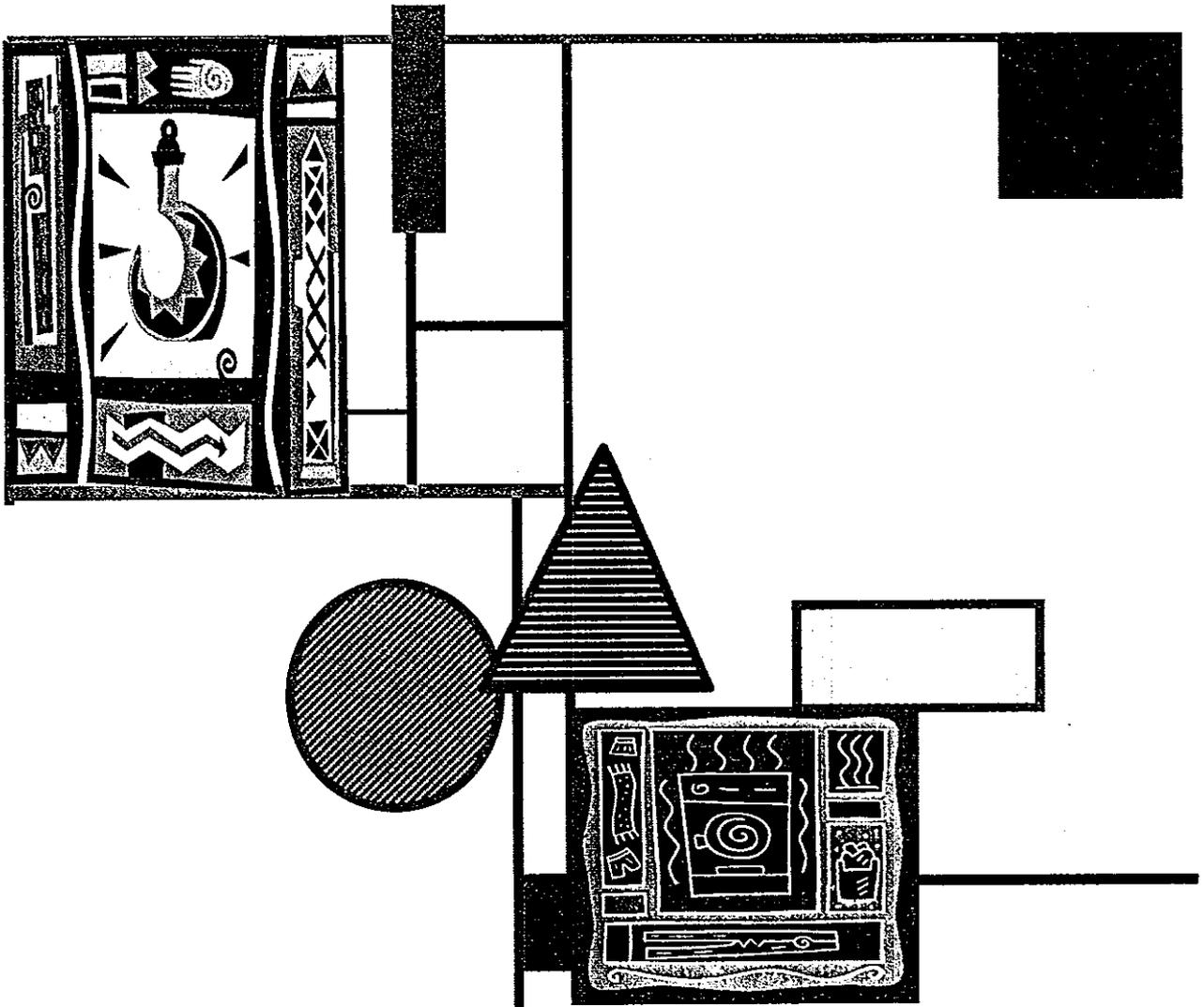
The audit report did not identify any questioned costs nor contain any recommendations.

Attachments: a/s

# Deloitte & Touche

*Audit of the USAID Resources Managed by Parsons Global  
Services Limited under Project 656-0253 entitled  
ER:BALLAST*

*April 2002*



**Audit of the USAID Resources Managed by Parsons Global Services Limited under Project 656-0253 entitled ER:BALLAST**

**For the period October 1, 2000 to October 31 2001**

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**SECTION A**

**TRANSMITTAL LETTER AND SUMMARY**

**Audit of the USAID Resources Managed by Parsons Global Services Limited  
under Project 656-0253 entitled ER:BALLAST**

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Management Consultants  
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**Deloitte  
& Touche**

Maputo, 28 February 2002

Gail Warshaw  
Regional Contracting Officer  
United States Agency for International Development  
Maputo  
Moçambique

**Audit of the USAID Resources Managed by Parsons Global Services Limited under Project 656-0253  
entitled ER:BALLAST**

We have completed our audit of the above Project for the period October 1, 2000 to October 31, 2001 according to our proposal.

**1. Description Of The Project**

The purpose of this contract is to obtain design and supervision services for the complete rehabilitation of those sections of the Limpopo Line damaged by the February/March 2000 floods. Parsons Global Services Limited was selected to provide the design and construction management services for the Limpopo Rail Line, in a direct contract to USAID. The contract was signed in October 10, 2000 in the format of a fixed Price type of contract.

The scope of the contract was organized into three separate phases: design phase, tender phase and construction supervision phase. Under the design phase, PGSL was to complete the engineering design for the rehabilitation of the Limpopo Rail Line. In the tender phase, PGSL was to assist in the pre-qualification of the technically qualified contractors, produce tender documents for the procurement of the construction services, evaluate bids, and recommend a bidder for the award of contract. During the supervision phase PGSL will be responsible for checking invoices from the contractor and overseeing the work.

Due to delays in implementation, and an increased scope of services, an extended tender phase was added to the PGSL contract in August 2001. The extended tender phase occurred after the completion of the original tender phase, and before the commencement of the construction supervision phase and is on cost-reimbursable basis. The change of payment from fixed-price to cost reimbursable reflected the difficulty in accurately predicting the schedule for the extended tender phase. Following the award of the construction contract, PGSL will revert to the original fixed-price contract and will execute the construction supervision phase.

## **2. Objectives and scope of the financial audit**

The objective of this engagement is to conduct a financial audit of the USAID Resources Managed by Parsons Global Services Limited under Project 656-0253 entitled ER:BALLAST. The financial audit included a specific audit of resources managed under the cost-reimbursement portion of the contract.

The financial audit included:

- A specific audit of the USAID funded project as listed above;
- Review of the Internal Control Structure;
- Review the Compliance with Agreement Terms and Applicable Laws and Regulations;
- Indirect Cost Rate Review;

The audit was carried out in accordance with U.S Government Auditing Standards and included the following:

- We reviewed the relevant project specific documents;
- We obtained an understanding of the internal control structure and evaluated the control environment to determine the nature, timing and extent of testing to be performed as well as to determine whether the internal controls were established to ensure compliance with agreement terms and applicable laws and regulations;
- For the indirect cost rates, we verified that the allocation base only includes items or costs authorized by the USAID agreement and the applicable cost principles;
- Verified that indirect cost rates were obtained by dividing the indirect cost pool by the base and were accurately calculated;
- We reviewed the direct salary charges and all the other related costs to personnel, including travel, to determine whether rates were proper and charges were supported including all the tests necessary to assure an adequate billing and reimbursement from USAID;
- We reviewed the Report of the Independent Accountants – PriceWaterhouseCoopers on the Statement of Direct Labor, Fringe benefits and General Overhead for the International Overhead Cost Pool of Parsons Transportation Group for the Fiscal Year ended December 29,2000.
- We reviewed the Report of the Independent Accountants – PriceWaterhouseCoopers on Compliance and on Internal Control based on an audit of the Statement of Direct Labor, Fringe benefits and General Overhead for the International Overhead Cost Pool of Parsons Transportation Group for the Fiscal Year ended December 29,2000.
- Rates stated on the revised agreement were accepted as correct and no further work was performed. As per explanation from USAID, these rates have been pre-certified by the US Government. We reviewed the calculations of the invoiced overhead, based on the approved Modification Nr. M0004, and dated 9 July 2001.

### 3. Results of findings

The results of our procedures were satisfactory and included in this report are the various areas audited as follows:

#### **Section B - Fund accountability statement**

This section includes the fund accountability statement and related notes, and the non-qualified report of the independent auditors. The Fund Accountability Statement has been prepared on cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles under the circumstances. Our opinion was in accordance with SAS No. 62 (AU623).

#### **Section C - Internal control structure**

We reviewed the internal control structure in our assessment of risk and report that there were no material weaknesses. Our review was performed in accordance with the U.S. General Accounting Office's *Standards for Internal Controls in the Federal Government (1983)*. Results were satisfactory.

#### **Section D - Compliance with agreement terms and applicable laws and regulations**

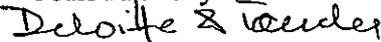
The results of our tests of compliance did not disclose any material instances of non-compliance in accordance to the guidance contained in AICPA SAS No. 74 (AU801).

#### **Other Issues**

- The reports required in the Section E of the Statement of Work was not included as a result of the entrance conference decision based on the fact that these rates have been previously pre-certified by the US Government.
- The report required in Section F was not included, because it is not applicable.

The content of this report was discussed with the Management of Parsons on 28 March 2002 and approved without comments during an exit conference, which took place at USAID Representation Office in Maputo.

Should you require any further information please do not hesitate to contact us.

Yours Faithfully  
  
Deloitte & Touche

**SECTION B**

**FUND ACCOUNTABILITY STATEMENT**

**Audit of the USAID Resources Managed by Parsons Global Services Limited under Project  
656-0253 entitled ER:BALLAST**

**For the Period October 1, 2000 to October 31, 2001**

Africa Region  
Chartered Accountants and  
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**Deloitte  
& Touche**

## **INDEPENDENT AUDITOR'S REPORT**

**To the United States of America Agency for International Development - USAID**

We have audited the Fund Accountability Statement of the USAID Resources Managed by Parsons Global Services Limited under Project 656-0253 entitled ER:BALLAST for the period October 1, 2000 to October 31, 2001. The Fund Accountability Statement is the responsibility of the management of *Parsons Global Services Limited*. Our responsibility is to express an opinion on the Fund Accountability Statement based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards and the U.S. Government Auditing Standards issued by the Comptroller General of the United States (1994 Revision). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Fund Accountability Statement is free of material misstatement. An audit includes examining, on a test basis, 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not have an external quality control review by an unaffiliated audit organization as required by Chapter 3, Paragraph 3.3 of the U.S. Government Auditing Standard, since no such program is offered to professional organizations in Mozambique. We believe that the effects of this departure from the U.S. Government Auditing Standard is not material because we participate in the Deloitte Touche Tohmatsu world-wide internal control review program which requires our office to be subjected every three years, to an extensive quality control review by partners and managers from other affiliate offices.

In our opinion, the Fund Accountability Statement referred to above presents fairly in all material respects, program revenues, costs incurred and reimbursed by A.I.D. for the period October 1, 2000 to October 31, 2001 in accordance of the terms of the agreements and in conformity with the basis of accounting described in the Note 2.

This report is intended for the information of *Parsons Global Services Limited* and the U.S Agency for International Development (USAID). However, upon release by USAID, this report is a matter of public record and its distribution is not limited.

Maputo, 28 February 2002

*Deloitte & Touche*

**Deloitte & Touche**

**Audit of the USAID Resources Managed by Parsons Global Services Limited under Project 656-0253 entitled ER:BALLAST**

**FUND ACCOUNTABILITY STATEMENT**

**For the period 1 October, 2000 to 30 October, 2001**  
*(amounts expressed in USD)*

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|  | <u>Notes</u> | <u>Budget</u>  | <u>Actual</u>  |
|--|--------------|----------------|----------------|
| <b><u>Revenue</u></b>  |              |                |                |
| Total revised budget<br>As per Modification<br>No. 004, July 9, 2001 | 3            | <u>526,755</u> | <u>400,140</u> |
| <b><u>Costs Incurred</u></b>   |              |                |                |
| Labour Costs   |              | 450,225        | 368,431        |
| Travel and Transportation  |              | 38,745         | 9,909          |
| Other Direct Costs   |              | <u>37,785</u>  | <u>21,800</u>  |
| Other Direct Costs   |              | <u>526,755</u> | <u>400,140</u> |

## NOTES TO THE FUND ACCOUNTABILITY STATEMENT

### USAID Resources Managed by Parsons Global Services Limited under Project 656-0253 entitled ER:BALLAST

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#### 1. DESCRIPTION OF THE PROJECT

The purpose of this contract is to obtain design and supervision services for the complete rehabilitation of those sections of the Limpopo Line damaged by the February/March 2000 floods. Parsons Global Services Limited was selected to provide the design and construction management services for the Limpopo Rail Line, in a direct contract to USAID. The contract was signed in October 10, 2000 in the format of a fixed Price type of contract.

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#### 2. MAIN ACCOUNTING POLICIES

##### *Basis of accounting*

The fund accountability statement has been prepared on the cash receipts and disbursements basis of accounting. Under the cash basis of accounting receipts are not recorded until received in cash and disbursements are assigned to the period in which cash payment is made.

##### *Exchange Rate*

The revenue and expenditure was accounted for in United States Dollars. Costs incurred in Meticaïs and in other currencies have been converted to United States Dollars at the average rate of exchange ruling during the month that the expenditure was incurred.

### *Equipment and Supplies*

Expenditures relating to equipment and supplies are not recorded as assets in the Fund Accountability Statement.

### **3. PROJECT EXPENDITURE**

Revenue is received following the submission of details of actual disbursements. Project expenditure represents amounts actually disbursed.

### **4. OVERHEAD RATES, SALARY HOURLY RATES AND OTHER FEES**

- Overhead charges were based on the audited Indirect Costs Rates provided by the report of the Independent Accountants – PriceWaterhouseCoopers;
- Rates stated on the revised agreement were accepted as correct and no further work was performed. As per explanation from USAID, these rates have been pre-certified by the US Government.

**SECTION C**

**INTERNAL CONTROL STRUCTURE**

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656-0253 entitled ER: BALLAST**

**For the Period October 1, 2000 to October 31, 2001**

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**TO UNITED STATES OF AMERICA AGENCY FOR INTERNATIONAL DEVELOPMENT -  
USAID**

We have audited the Fund Accountability Statement of the USAID Resources Managed by Parsons Global Services Limited under Project 656-0253 entitled ER:BALLAST for the period October 1, 2000 to October 31, 2001.

Except for not having an external quality control review by an unaffiliated audit organization (as described in our report on the fund accountability statement) we conducted our audit in accordance with generally accepted auditing standards and U.S. Government Auditing Standards issued by the Comptroller General of the United States (1994 Revision). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statement is free of material misstatement.

The management of *Parsons Global Services Limited* is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structures 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; transactions are executed in accordance with management's authorization 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 Not 2 of 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 of *Parsons Global Services Limited* for the period October 1, 2000 to October 31, 2001 we obtained an understanding of the internal control structure. For this purpose we have classified internal control in the following categories:

**Control Environment**

- \* Defined management and responsibility levels
- \* Personnel procedures and staff selection policies
- \* Management reporting framework

## Accounting Systems

- \* Project accounting
- \* Salaries
- \* Receipts and disbursements

## Control Procedures

- \* Authorization of transactions
- \* Segregation of duties
- \* Reconciliation of bank accounts and creditors
- \* Use of pre-numbered documents

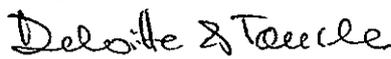
For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our 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 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 fund accountability statement 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.

This report is intended for the information of *Parsons Global Services Limited* and the U.S Agency for International Development (USAID) However, upon release by USAID, this report is a matter of public record and its distribution is not limited.

Maputo, 28 February, 2002



**Deloitte & Touche**

**SECTION D**

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

**Audit of the USAID Resources Managed by Parsons Global Services Limited under Project  
656-0253 entitled ER: BALLAST**

**For the Period October 1, 2000 to October 31, 2001**

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**Deloitte  
& Touche**

**REPORT OF THE INDEPENDENT AUDITORS ON COMPLIANCE WITH AGREEMENT  
TERMS AND APPLICABLE LAWS AND REGULATIONS**

We have audited the Fund Accountability Statement of the USAID Resources Managed by Parsons Global Services Limited under Project 656-0253 entitled ER:BALLAST for the period October 1, 2000 to October 31, 2001.

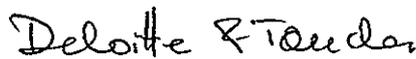
Except for not conducting an external quality control review by an unaffiliated audit organization (as described in our report on the Fund Accountability Statement), we conducted our audit in accordance with generally accepted auditing standards and U.S. Government Auditing Standards, issued by the Controller General of the United States (1994 Revision). Those 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 USAID Resources managed by *Parsons Global Services Limited* is the responsibility of *Parsons Global Services Limited*. As part of obtaining reasonable assurance about whether the Fund Accountability Statement is free of material misstatement, we performed tests to ensure *Parsons Global Services Limited* compliance with certain provisions of agreement terms, laws 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 material or immaterial instances of non-compliance that are required to be reported herein under U.S. Government Auditing Standards.

This report is intended for the information of management and others within the organization, and the U.S. Agency of International Development. However, upon acceptance by the A.I.D. Regional Inspector General this report is a matter of public record and its distribution is not limited.

Maputo, 28 February 2002

  
**Deloitte & Touche**