

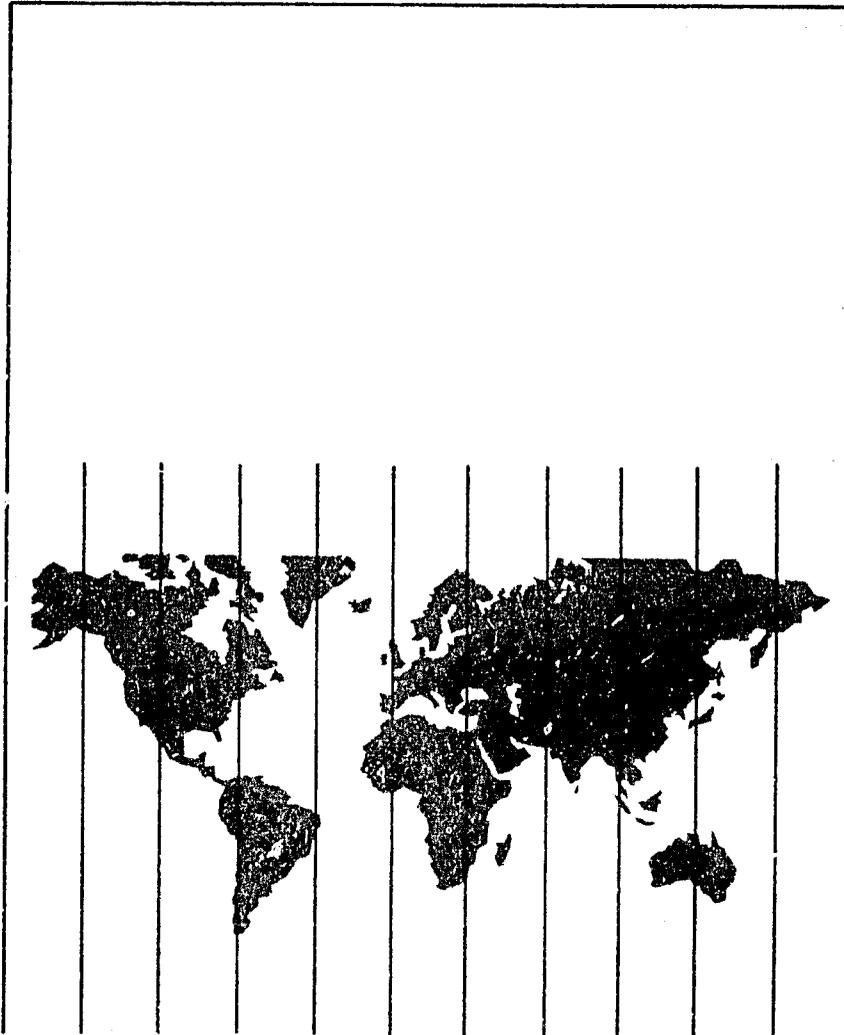
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UNITED STATES  
AGENCY FOR INTERNATIONAL DEVELOPMENT

497-0336

THE  
INSPECTOR  
GENERAL



Regional Inspector General for Audit  
MANILA

**AUDIT OF  
YAYASAN INDONESIA SEJAHTERA  
PRIVATE VOLUNTARY ORGANIZATION  
CO-FINANCING  
GRANT NOS. 7129, 7152 AND 84-8 - INDONESIA**

**Audit Report No. 2-497-90-08-N  
January 30, 1990**

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**UNITED STATES OF AMERICA**  
**AGENCY FOR INTERNATIONAL DEVELOPMENT**  
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**MANILA, PHILIPPINES**

**DATE: January 30, 1990**

**MEMORANDUM**

**TO: Mr. David N. Merrill**  
**Director, USAID/Indonesia**

**FROM: *William C. Montoney***  
**William C. Montoney**  
**Regional Inspector General, RIG/A/M**

**SUBJECT: Audit of Yayasan Indonesia Sejahtera Private Voluntary**  
**Organization Co-Financing**  
**Grant Nos. 7129, 7152 and 84-8 - Indonesia**  
**Audit Report No. 2-497-90-08-N**

The accounting firm of Drs. Hadi Sutanto, an affiliate of Price Waterhouse, performed a financial audit of three A.I.D. grants awarded to Yayasan Indonesia Sejahtera (YIS). Five copies of the audit report are enclosed for your action.

Pursuant to the Foreign Assistance Act of 1961, as amended, USAID/Indonesia granted YIS the sum of \$372,320 to administer grant nos. 7129 (Utilization of Livestock and Human Waste), 7152 (The Impounding-Net System), and 84-8 (Post Training Development of Small PVO's). Grant no. 7129, for \$47,000, was effective for the period July 28, 1987 to December 31, 1988. Grant no. 7152, also for \$47,000, was effective for the period September 21, 1987 to December 31, 1988. Finally, grant no. 84-8, for \$278,320, was effective for the period July 1, 1984 to June 30, 1989.

The purpose of the audit was to determine whether: (1) expenditures charged to the grants were allowable in accordance with the grant agreements, (2) the grantee's internal accounting control system was adequate to safeguard grant resources, and (3) funds were administered in accordance with the grant agreements and applicable laws and regulations. The amount of grant funds audited was \$372,320.

The auditors found that expenditures charged to the grants were allowable under the grant agreements. Also, YIS had an adequate internal accounting control system. However, the grantee should strengthen its internal controls related to document processing and journal voucher preparation. Finally, the audit showed that YIS had administered funds in compliance with the grant agreements and applicable laws and regulations.

YIS officials agreed with the audit findings and stated that YIS has taken actions to implement the audit report recommendation.

Recommendation No. 1

We recommend that USAID/Indonesia ensure that Yayasan Indonesia Sejahtera strengthen its internal control system by establishing procedures to annotate paid vouchers and supporting documents as 'PAID' and by requiring journal vouchers to be approved by senior management before the vouchers are entered in the grantee's records.

Please advise me within 30 days of any actions planned or taken to close this recommendation.

**NON-FEDERAL AUDIT  
YAYASAN INDONESIA SEJAHTERA (YIS)  
PRIVATE VOLUNTARY ORGANIZATION CO-FINANCING GRANTS**

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## *Drs. Hadi Sutanto*



November 29, 1989

890907

Mr William C. Montoney  
Regional Inspector General/Manila  
United States Agency for International Development (USAID)  
Ramon Magsaysay Center  
1680 Roxas Boulevard  
Manila, Philippines

Dear Mr. Montoney,

This report presents the results of our non-federal audit review of the Private Voluntary Organization Co-Financing (PVO) Grants Nos. 7129, 7152 and 84-8 administered by Yayasan Indonesia Sejahtera (YIS). This non-federal audit of YIS dated September 18, 1989 was performed in Indonesia under the Indefinite Quantity Contract (IQC) A.I.D. No.497-0000-I-00-7172-00.

### 1.1 BACKGROUND

As required by the delivery order dated September 18, 1989 and as stipulated in the statement of work attached thereto :

- i. the examination was made in accordance with generally accepted auditing standards and the "Government Auditing Standards" (1988 Revision).
- ii. recommendations arising from the audit have been prepared as required by Chapter 4 of the "Guidelines for Audits of A.I.D. - Financed Agreements by Non-Federal Auditors".
- iii. The periods subject to audit review were as follows :

Grant No.7129	-	July 28, 1987 to December 31, 1988.
Grant No.7152	-	September 21, 1987 to December 31, 1988
Grant No.84-8	-	July 1, 1984 to June 30, 1989

Mr. William C. Montoney  
29 November 1989



Although YIS is responsible for administering all Grants it also has specific responsibility for the implementation of Grant No.84-8. Grant Nos. 7129 and 7152 are implemented through a subgrantee organization, the Institute for Regional Development Studies (IRDS).

The total value of funds provided through USAID/Indonesia during the period under review for the three Grants amounted to \$372,320. The funds were allocated as follows :

Grant No.	Description	Amount
7129	Utilization of Livestock and Human Waste	47,000
7152	The Impounding - Net system	47,000
84-8	Post Training Development of Small PVOs	278,320
		-----
		\$372,320
		=====

All three Grants above have since been extended.

For the purpose of quantifying balances and transactions an actual exchange rate of US\$1 to Rp.1640 has been used in this report.

## 1.2 SCOPE OF EXAMINATION

As noted by the delivery order, our audit work was carried out at the Jakarta offices of USAID/Indonesia, YIS and its subgrantee. Field audit work was also carried out in the regions of North Sumatra and Central Java.

The nature and extent of our audit work was set out in Article III - Statement of Work, as attached to the delivery order dated September 18, 1989. The audit methodology and procedures required :

Mr. William C. Montoney  
29 November 1989



- i. Performed at USAID/Indonesia
  - a. Initial meeting and interview with the USAID/Indonesia Project Officer.
  - b. Review of Office of Finance documentation.
- ii. Performed at Yayasan Indonesia Sejahtera (YIS)
  - a. Review of accounts, reporting/operational relationship with USAID/Indonesia, manner in which YIS maintained and retrieved records, review of accounting policies and procedures at YIS.
  - b. Managerial controls.  
The appropriateness of organizational responsibilities and internal controls
  - c. Accounting staff at YIS  
Competency of staff and the segregation of duties.
  - d. Financial controls  
Appropriateness of record-keeping, segregation of A.I.D. funds and other financial controls.
  - e Other  
A review of reporting procedures and voucher preparation.

### 1.3 AUDIT OBJECTIVES

- i. To perform a financial and compliance audit review of YIS and its subgrantee's activities in accordance with the audit procedures delineated in the basic IQC and as documented in the statement of work.
- ii. To report on the statements of receipts and payments, the system of internal control and compliance with A.I.D. agreements and other regulations (Refer pages 5, 7 and 10 respectively).

Mr. William C. Montoney  
29 November 1989



iii. To report audit findings identified during the audit and provide constructive suggestions for their improvement.

In carrying out objective (ii) above in respect of the system of internal control we have categorized the internal control matters into one of three risk categories. The categories of high, medium and low represent our judgement of the possibility of a material misstatement in the statements of income and expenditure arising from the identified weaknesses or breakdowns in the system of internal control.

#### 1.4 RESULTS OF THE AUDIT

The results of our audit are documented in our three opinion statements referred to in item (ii) above.

i. Receipts and payments

Nothing came to our attention that indicated that the balances recorded in the statements of receipts and payments are not fairly stated.

ii. Internal accounting control system

Our limited review of the internal control system did not reveal any significant weaknesses or breakdowns that would result in a high risk of material financial errors or irregularities occurring and not being detected within a timely period.

iii. A.I.D. agreements and other regulations

Nothing came to our attention to indicate that YIS or its subgrantee were not in compliance with A.I.D. agreements and other regulations.

Mr. William C. Montoney  
29 November 1989



Our findings and suggested improvements have been discussed with the management of YIS. YIS's comments follow each finding and suggested improvement.

Yours sincerely,

Julent

Enclosures

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***Drs. Hadi Sutanto***



**NON FEDERAL AUDIT  
YAYASAN INDONESIA SEJAHTERA (YIS)  
PRIVATE VOLUNTARY ORGANIZATION CO-FINANCING (PVO)  
GRANTS 7129, 7152 AND 84-8**

**REPORT ON THE STATEMENTS OF RECEIPTS AND PAYMENTS  
AUDITOR'S OPINION**

We have reviewed the statements of receipts and payments set out on page 6 for the Grants administered by YIS. Our reviews were made in accordance with generally accepted auditing standards, the statement of work attached to the delivery order and the U.S. Comptroller General's "Government Auditing Standards" (1988 Revision), and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying statements of income and expenditure present fairly the funds received and disbursements for the Grants administered by YIS for the periods noted. Nothing came to our attention that causes us to believe that untested items were not accounted for in accordance with A.I.D. agreements and other regulations.

*Sutanto*

November 29, 1989

NON FEDERAL AUDIT  
 YAYASAN INDONESIA SEJAHTERA (YIS)  
 PRIVATE VOLUNTARY ORGANIZATION CO-FINANCING (PVO)  
 GRANTS 7129, 7152 AND 84-8

STATEMENTS OF RECEIPTS AND PAYMENTS

Grant 7129 - Utilization of Livestock and Human Waste  
 July 28, 1987 to December 31, 1988  
 -----

	Actual	Plan
	\$	\$
Funds received from USAID/Indonesia	46,179	47,000
Expenditure	46,179	47,000
Balance	Nil	Nil
	=====	=====

Grant 7152 - The Impounding-Net System  
 September 21, 1987 to December 31, 1988  
 -----

	Actual	Plan
	\$	\$
Funds received from USAID/Indonesia	45,746	47,000
Expenditure	45,746	47,000
Balance	Nil	Nil
	=====	=====

Grant 84-8 - Post Training Development of Small PVOs  
 July 1, 1984 to June 30, 1989  
 -----

	Actual	Plan
	\$	\$
Funds received from USAID/Indonesia	278,320	278,320
Expenditure	278,320	278,320
Balance	Nil	Nil
	=====	=====

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**NON FEDERAL AUDIT  
YAYASAN INDONESIA SEJAHTERA (YIS)  
PRIVATE VOLUNTARY ORGANIZATION CO-FINANCING (PVO)  
GRANTS 7129, 7152 AND 84-8**

**REPORT ON INTERNAL ACCOUNTING CONTROL SYSTEM  
AUDITOR'S OPINION**

We have reviewed the financial reports, books and records of the Grants administered by YIS. As part of our review we made a study and evaluation of YIS's and its subgrantee's systems of internal control to the extent we considered necessary under generally accepted auditing standards, the statement of work attached to the delivery order and the U.S. Comptroller General's "Government Auditing Standards" (1988 Revision).

Our study and evaluation was more limited than would be necessary to express an opinion on the systems of internal accounting control of YIS and its subgrantees taken as a whole. As our study and evaluation referred in the first paragraph would not necessarily disclose all material weaknesses of the system, we do not express an opinion on the system of internal accounting control of YIS and its subgrantee taken as a whole.

However, our study and evaluation disclosed the conditions described in the accompanying findings and suggested improvements which in our opinion, results in a relatively low risk that errors or irregularities in amounts that would be material in relation to the statements of receipts and payments could have occurred and not be detected within a timely period.

*Hadi Sutanto*

November 29, 1989

**NON-FEDERAL AUDIT - USAID/INDONESIA**

**INTERNAL ACCOUNTING CONTROL SYSTEM**

**1. Cancellation of documentation**

Condition :

Processed documentation at the YIS office was not properly notated "Cancelled" to prevent duplicate payments occurring.

Criteria :

All processed disbursement documentation should be effectively cancelled to prevent duplicate payments being made.

Cause :

The grantee has no formal accounting procedures which require effective cancellation of documentation supporting A.I.D. disbursements

Effect :

If supporting documentation for payments are not effectively cancelled such documentation may be either accidentally or deliberately reintroduced into the payments processing system and thus duplication of payments may be effected.

Recommendation :

All processed documentation should be effectively cancelled. The notation (cancellation) of payment vouchers and the supporting documents should be effected by stamping all documents "Paid" with the date of payment and cheque/bilyet giro number noted if applicable.

Client comment :

On the implementation of Grant 7129, 7152 and 84-8, Yayasan Indonesia Sejahtera (YIS) has not notated "cancelled" on all processed disbursement documentation. In respect of the new grants since 1989 and as noted in the manual from USAID in cooperation with the PT Unisystem Utama, Association from Urban Integrated Consultants, Inc about management accounting system for YIS all documents are now notated "cancelled"

**NON-FEDERAL AUDIT - USAID/INDONESIA**

**INTERNAL ACCOUNTING CONTROL SYSTEM**

**2. Approval of Journal Vouchers**

Condition :

Journal vouchers are not formally approved.

Criteria :

Journal vouchers should be formally approved (signature/initial) by an authorized person after preparation by the appropriate staff member.

Cause :

The grantee has no formal accounting procedures which require senior authorization of journal vouchers before or after processing.

Effect :

Processed financial data may not be complete, accurate or authorized if the journal vouchers raised are not independently authorized.

Recommendation :

Journal vouchers should be authorized by the executive secretary after preparation by the accountant.

Client comment :

In respect of the new grants since 1989 and as noted in the manual from USAID in cooperation with the PT Unisystem Utama, Association from Urban Integrated Consultants, Inc about management accounting system for YIS all journal vouchers are now formally approved by the executive secretary after preparation by the accountant.

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NON FEDERAL AUDIT  
YAYASAN INDONESIA SEJAHTERA (YIS)  
PRIVATE VOLUNTARY ORGANIZATION CO-FINANCING (PVO)  
GRANTS 7129, 7152 AND 84-8

REPORT ON COMPLIANCE WITH A.I.D. AGREEMENTS  
AND OTHER REGULATIONS  
AUDITOR'S OPINION

We have reviewed the financial reports, books and records of the Grants administered by YIS. Our examinations were made in accordance with generally accepted auditing standards, the statement of work attached to the delivery order and the U.S. Comptroller General's "Government Auditing Standards" (1988 Revision), which includes additional standards and requirements for the review of compliance with applicable laws, regulations and agreements.

The results of our study indicated that, for the items tested, YIS and its subgrantees complied with applicable laws, regulations and agreements. With respect to items not tested, nothing came to our attention that causes us to believe that untested items were not in compliance with applicable laws, regulations and agreements.

*Sutanto*

November 29, 1989

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