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UNITED STATES GOVERNMENT

# Memorandum

TO : Mr. Maury D. Brown, S&T/DIU

83-6

DATE: Nov. 28, 1982

FROM : Austin J. Ballard *Austin J. Ballard*  
Regional Inspector General for Audit - Karachi (A)

SUBJECT: Memorandum Audit Report No. 5-386-83-1  
Accounting System Preaward Survey - Possible  
OFDA Grant to CRS Affiliate

Enclosed are four copies of the subject audit report for your  
information.

Encl: Four copies of Audit Report No. 5-386-83-1



UNITED STATES GOVERNMENT

# Memorandum

TO : Mr. Richard M. Brown, Director (A)  
USAID/India

FROM : William L. Stanford *William L. Stanford*  
Regional Inspector General for Audit - Karachi

SUBJECT: Memorandum Audit Report No. 5-386-83-1  
Accounting System Preward Survey - Possible  
OFDA Grant to CRS Affiliate

DATE: Nov. 23, 1982

CRS has requested an OFDA grant of Rs. 1,812,800 (\$187,466) to finance an emergency relief program in Orissa State. The 90-day program would involve the procurement and distribution of shelter materials, clothing, rice and utensils to the victims of recent floods. The program would be implemented by a CRS consignee (Catholic Charities, Archdiocese of Cuttack, Bhubaneswar) to whom CRS would sub-grant the OFDA funds. The CRS-OFDA grant has been signed but CRS/India has not yet received any grant funds from CRS/New York.

The mission has endorsed the CRS proposal, but requested a preaward survey to determine adequacy of the potential sub-grantee's accounting system be made prior to the disbursement of grant funds. The survey was made on October 20, 1982 at the subgrantee's office at Khurda Road, Puri District, Orissa. The auditor was accompanied by the Acting Chief of the mission FFD office.

On the basis of our review, we concluded that the existing accounting system and procedures were not adequate to control the expenditure of AID funds. The details of our observations are presented below.

## SURVEY FINDINGS AND CONCLUSIONS

The accounting records and documents kept by the subgrantee consisted of: (a) a columnar receipt and expenditure book; (b) receipt books; (c) bill books for transport charges and (d) suppliers bills or other payment vouchers. We noted that:

- the columnar receipt and expenditure book is not being maintained on a current basis. The transactions



for the month of October 1982 were not recorded as of the date of our visit. In addition, the first seven pages of this book were left blank presumably to record the April 1982 transactions, which had not been recorded until the time of our visit. (Note: the subgrantee has a part time accountant who works only once a week for him. The inadequate staffing may have been partly responsible for incomplete records);

- the entries for deposits into and withdrawals from the bank account were not being made in the columnar receipt and expenditure book, nor was the subgrantee preparing periodic bank reconciliations. We were informed that the general ledger is prepared only after the end of each accounting year and just before the audit of accounts starts in April;
- the subgrantee had used more than one receipt book at one time and had not kept a bill register for the transport charges to be recovered from the distributors.

We further noted that contrary to the established accounting practices, the subgrantee had not kept stock and other accounting records for projects executed with non-USG funds. A subgrantee official informed us that he had only prepared monthly statements of expenditures in the case of such projects. Finally, the subgrantee did not have any internal control procedures relative to procurements or cash payment limitations. We were told that the accounts are audited annually by a Calcutta firm of chartered accountants. However, we were not shown either the audited financial statements or the auditors' report because, we were told, the related file could not be located.

Conclusion: The existing accounting records and procedures would not be adequate to sufficiently substantiate propriety of charges to the OFDA grant. The current staff may be insufficient to enable the subgrantee to adequately fulfill accounting and monitoring responsibilities under the grant.

The Acting Chief of the mission FFD office agreed with our observations. He apprised the CRS representatives of these observations and they agreed to install an accounting system that

would be adequate to account for USG funds. We recommend the mission ensure this is done prior to disbursement of the OFDA grant funds.

In addition to the observations mentioned above, we believe the mission should particularly address the other common problems found in earlier OFDA grants audits. These included plain paper receipts, large cash payments, and duplicate charges to the OFDA grant. The subgrantee expects to receive other grants for the relief program in Orissa. To avoid duplicate charges, the matter regarding the type(s) of records to be kept for all such relief grants and our access to those records should also be resolved with CRS and the subgrantee. Finally, we believe that stock records should be kept to support the grant expenditures and utilization of materials.

The Acting Chief of the mission FFD office intends to visit the subgrantee in November to ascertain the adequacy of the subgrantee's accounting system pertinent to the OFDA grant as well as progress made in implementing the activities described in the grant document.

## LIST OF REPORT RECIPIENTS

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Bureau For Asia	
Assistant Administrator (AA/ASIA)	2
Office of Bangladesh and India Affairs (ASIA/BI)	1
Audit Liaison Officer	
Bureau For Science and Technology	
Office of Development Information and Utilization (S&T/DIU)	4
Bureau For Program and Policy Coordination	
Office of Evaluation (PPC/E)	1
Bureau For Management	
Assistant to the Administrator For Management (AA/M)	1
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Directorate For Program and Management Services	
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