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AUDIT OF
THE CAMEROON NATIONAL CEREALS
RESEARCH AND EXTENSION PROJECT
AS IMPLEMENTED BY THE INTERNATIONAL
INSTITUTE OF TROPICAL AGRICULTURE

Audit Report No. 7-631-88-06-N

October 3, 1988

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UNITED STATES OF AMERICA
AGENCY FOR INTERNATIONAL DEVELOPMENT
OFFICE OF THE REGIONAL INSPECTOR GENERAL FOR WEST AFRICA

UNITED STATES ADDRESS
RIG/DAKAR
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October 3, 1988

MEMORANDUM FOR: Jay Johnson, Director, USAID/Cameroon
FROM:  Paul E. Armstrong, RIG/A/Dakar
SUBJECT: Nonfederal Audit of the Cameroon National
Cereals Research and Extension Project as
Implemented by the International Institute
of Tropical Agriculture

Attached is a copy of subject report. The certified public accounting firm Price Waterhouse, Lagos, Nigeria, prepared the report.

The report presents the results of a nonfederal financial and compliance audit requested by your Mission of the Cameroon National Cereals Research and Extension Project. The International Institute of Tropical Agriculture, in Ibadan, Nigeria, is the project's implementing organization through a USAID/Cameroon contract.

The purpose of the audit was to determine whether the contractor submitted valid and proper expenditures, complied with A.I.D. regulations and maintained adequate administrative and accounting controls.

The auditors concluded that, although generally in compliance with A.I.D. regulations, the contractor claimed some invalid expenditures, and needed to strengthen internal controls over physical assets and project funds.

We consolidated the report recommendations for ease of tracking, implementation and resolution.

Recommendation No. 1

We recommend that the Director, USAID/Cameroon, disallow \$70,289 as outlined in schedule A of the report.

Recommendation No. 2

We recommend that the Director, USAID/Cameroon, require that the International Institute of Tropical Agriculture/Nigeria:

- a. establish a program to update the physical assets log and periodically inventory project assets; and
- b. establish responsibility for the accuracy of coding expenditures and provide sufficient information to permit field officers to verify expenditure coding.

Recommendation No. 3

We recommend that the Director, USAID/Cameroon, require that the International Institute of Tropical Agriculture/Nigeria comply with the requirement to open a special bank account.

Recommendation No. 4

We recommend that the Director, USAID/Cameroon, require that the International Institute of Tropical Agriculture/Nigeria establish controls to effectively monitor budget overruns.

The report Recommendation No. 1 has been revised to take into consideration your comments to the draft report. Also the recommendation dealing with prior mission approval to exceed annual budget line items by 15 % has been dropped following your explanations. Recommendation Nos. 2, 3, and 4 are considered resolved and will be closed when adequate actions have been taken to implement them.

I would appreciate receiving a report within thirty days of actions planned or already taken to close the recommendations.

I appreciate the cooperation and courtesy extended to the audit firm during their review.

REPORT ON

CAMEROON NATIONAL CEREALS RESEARCH
EXTENSION PROJECT PHASE II

SEPTEMBER 1988

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Price Waterhouse

20 September 1988

Mr Paul Armstrong
R16/A/Dakar
c/o American Embassy
Dakar
Senegal

Dear Mr Armstrong

AGENCY FOR INTERNATIONAL DEVELOPMENT
CONTRACT NO 831-0052-D-00-5095-00

We have pleasure in submitting our final report on the non-federal audit of the Cameroon National Cereals Research and Extension project phase II as implemented by the International Institute of Tropical Agriculture.

Yours faithfully



NH/BIA/vj

Enclosure

Resident : C Amako, ED Andrew Jaja, N Harrison
Non-resident : A L Leigh, G R May, G J Robbins, B H Stokes

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A C R O N Y M S

GRC Government of the Republic of Cameroon.

IITA International Institute of Tropical Agriculture.

RIG/A/D Regional Inspector General for Audit/Dakar.

USAID United States Agency for International
Development.

IRA Institute of Agronomic Research.

RAMC Office Regional Administrative and Management Control
Office.

INTERNATIONAL INSTITUTE OF TROPICAL AGRICULTURE
OYO ROAD
IBADAN
NIGERIA

AGENCY FOR INTERNATIONAL DEVELOPMENT
CONTRACT NO 631-0052-C-00-5099-00

FINANCIAL AND COMPLIANCE AUDIT REPORT
FOR THE INTERIM PERIOD
JANUARY 1, 1986 TO DECEMBER 31, 1987.

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AUDIT OF CONTRACT NO. 631-0052-C-00-5099-00
JANUARY 1, 1986 TO DECEMBER 31, 1987

EXECUTIVE SUMMARY

We performed a financial and compliance audit of the costs claimed by the International Institute of Tropical Agriculture (IITA) in respect of contract No. 631-0052-C-00-5099-00 for the period January 1, 1986 to December 31, 1987. The contract, to assist the Government of the Republic of Cameroon in its National Cereals Research Program, was entered into in July 1985. It has as its objectives the development of high yielding seed varieties and production processes, and the dissemination of such developments to the farmers.

Our audit objectives were to determine the validity and propriety of expenditures submitted by IITA and the latter's compliance with contract and AID regulations. We were also required to determine that administrative and accounting controls were adequate. We concluded as follows:

- (a) that IITA had made claims on USAID/Cameroon for some expenditures that were invalid.
- (b) that IITA's expense coding procedures and physical control over project assets requires strengthening.
- (c) that IITA complied with most but not all of the relevant AID regulations and
- (d) that there is not an effective reporting/monitoring system for expenditures on the project between IITA and USAID/Cameroon.

Our FINDINGS AND RECOMMENDATIONS are summarised below:

1. Expenses incurred prior to the commencement of the project on January 1, 1986, had been charged to the contract.

We recommend that these costs, totalling 441,583 be allowed because they were valid contract expenditures. However, IITA should in future ensure proper cut-off in accounting for expenditures on different projects or different phases of the same project.

AUDIT OF CONTRACT NO. 631-0052-C-00-5099-00
JANUARY 1, 1986 TO DECEMBER 31, 1987

2. There were several instances where IITA could not produce supporting documentation for costs claimed.

We recommend that the total of such unsupported costs of \$38,534 be disallowed.

3. IITA does not maintain a separate bank account for the project. IITA's records show that as at 31 December 1987, it had spent \$150,518 more on the project than it had received from USAID.

We recommend that IITA maintain a separate bank account for the project to enhance control over project funds. USAID could guarantee advances on the account to accommodate delays on its part in funding the account.

4. IITA does not ensure strict compliance by project staff with its personnel policies. For instance, American Express Card membership fees were charged to the Project.

We recommend that these and other such charges as well as the associated overhead totalling \$7,791 be disallowed.

5. Salary increases between 1986 and 1987 for Project staff exceeded the 5% limit specified in the contract.

We recommend that the amount of \$23,964 being the excess of salary increases over the 5% ceiling and the related overhead charges be disallowed.

6. There is a very high incidence of errors in the coding of expenditures. Such misclassifications arise mostly because all technical assistance personnel are required to code their own expenditures without adequate guidance. Miscodings render budgetary control ineffective.

We recommend that coding of expenditures be centralized with the Administrative Officer.

7. Physical control over Project assets is inadequate. No ready and comprehensive record of Project assets exists and there is no program for periodic physical verification of the assets.

We recommend the establishment of a comprehensive Log of Project assets. The Log should be constantly updated and there should be periodic physical verification of the assets listed.

AUDIT OF CONTRACT NO. 631-0052-C-00-5099-00
JANUARY 1, 1986 TO DECEMBER 31, 1987

BACKGROUND

In July 1985 the United States Agency for International Development (USAID) entered into contract No. 631-0052-C-00-5099-00 with the International Institute of Tropical Agriculture (IITA) to provide support for the Government of The Republic of Cameroon (GRC) in its National Cereals Research Program. The objectives of the program are to:

1. develop high yielding seed varieties of maize, sorghum, rice, millet and other cereals, suitable for multiplication and distribution.
2. develop improved production techniques which are adapted to distinct agroclimatic zones in Cameroon.
3. train extension personnel to incorporate the results into extension programs for farmers.

USAID contracted to provide \$14,305,200. Budgetted expenditure for the two years to December 31, 1987 is \$4,763,800. The Project is currently generally running below budgetted expenditure levels. Total expenditure to December 31, 1987 is \$3,635,306, of which \$3,464,788 has been reimbursed by USAID.

The IITA, a non-profit organisation established on July 27, 1967 is to provide technical and logistical support to the Institute of Agronomic Research (IRA), Cameroon who have the mandate to conduct the National Cereals Research Program. The phase II of the project is scheduled to last 5 years from 1 January 1986 to 31 December 1990. The IRA will also benefit from the research done in IITA's core and extracore activities, which are supported by many international agencies and organisations. Additional support as required is also available from any of the IITA's research stations in 16 African countries.

Price Waterhouse was engaged to perform a financial and compliance audit of AID contract No. 631-0052-C-00-5099-00 for the interim period January 1, 1986 to December 31, 1987. The audit was at the request of USAID/Cameroon and will be the first financial and compliance audit of the contract. USAID/Cameroon have however indicated that they do not have any specific concerns for the audit.

AUDIT OF CONTRACT NO. 631-0052-C-00-5099-00
JANUARY 1, 1986 TO DECEMBER 31, 1987



AUDIT OBJECTIVES, SCOPE AND APPROACH

The objectives of our examination, as spelt out in contract No. 631-0052-C-00-8076-00 between USAID and Price Waterhouse, are to ensure that:

1. Costs claimed for reimbursement by IITA were reasonable and supported by appropriate documentation.
2. All costs claimed are allowable under the contract agreement executed by and between AID and IITA.
3. All procedural terms of the contract and other applicable USAID regulations have been complied with.
4. Administrative and Accounting controls are adequate to properly account for funds provided under the contract.

The bulk of the audit work was performed at the IITA offices in Ibadan, Nigeria from April 11, 1988 to April 22, 1988. We also visited the USAID/Cameroon and NCRE project offices in Yaounde. The audit covered the period from January 1, 1986 to December 31, 1987.

We held entrance/exit meetings with relevant USAID/Cameroon and IITA officials at Yaounde and Ibadan respectively. We also met with an official of the RIG/A/Dakar and discussed our approach to the audit with him. The same official also reviewed some of our working papers while the audit was in progress.

We reviewed the terms and conditions of the contract and amendments thereto, applicable standards and general provisions, budgets, related correspondence, and project reports in order to gain indepth knowledge and understanding of the contract requirements.

We reviewed applicable documents to acquaint ourselves with US government cost accounting regulations and standards for the audit of governmental institutions and programs.

We evaluated IITA's systems of administrative and accounting controls, with particular reference to the Project, to determine their adequacy in relation to AID accountability standards.

We reviewed financial statements prepared by IITA's external auditors for the year ended 31 December 1987 as well as the management controls report for matters relating to the Project.

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Due to the nature of accounting records available on the Project, statistical sampling was not feasible for the audit universe. Judgement sampling techniques were therefore applied as the alternative for the testing of contract costs. On this basis we selected and tested transactions totalling \$2,541,547 representing approximately 73% of the \$3,484,798 already reimbursed by USAID and 76% of the \$3,635,306 claimed by IITA.

Our audit was carried out in accordance with generally accepted government auditing standards. Accordingly, it included all such tests of the records and internal control procedures as we considered necessary in the circumstances.

AUDIT OF CONTRACT NO.631-0052-C-00-5099-00
JANUARY 1, 1986 TO DECEMBER 31, 1987

A. VALIDITY OF EXPENDITURES

AUDITORS' OPINION

We have examined the interim statement of costs claimed for the International Institute of Tropical Agriculture (IITA), contract No.631-0052-C-00-5099-00 Cameroon National Cereals Research and Extension Program - covering the period January 1, 1986 (the date of commencement of the contract) to December 31, 1987. The contract was awarded for the amount of \$14,250,700 effective January 1, 1986. The total obligated amount under the contract has subsequently been raised to \$14,305,200.

Per the itemised annual budgets for the five year tenor of the contract, total budgetted expenditures to December 31, 1987 was \$4,763,800.

Costs claimed and costs disallowed are summarized on schedule A on page 19 of this report.

Our examination was made in accordance with the guidelines for financial and Compliance Audits of AID - Financed Agreements, and the provisions of the standards for Audit of Governmental Organizations, Programs, Activities and Functions (1981 Revision) promulgated by the Comptroller General, which pertain to financial and compliance audits.

Our examination was made primarily for the purpose of expressing an opinion on the statement of costs claimed, summarised in schedule A, and included such tests of the accounting records, and such other auditing procedures as we considered necessary in the circumstances.


PRICE WATERHOUSE

AUDIT OF CONTRACT NG.631-0052-C-00-5099-00
JANUARY 1, 1986 TO DECEMBER 31, 1987

The costs claimed were tested against the provisions of the Award/Contract and the applicable sections of the Federal Acquisition Regulation made part of the contract. Therefore Schedule A is not intended to present either the financial results of operations of the International Institute of Tropical Agriculture or financial position in conformity with generally accepted accounting principles.

In our opinion, subject to the disallowed costs for items tested, Schedule A gives a true and fair representation of the expenditures incurred in relation to the project for the period from January 1, 1986 to December 31, 1987. In addition, based on procedures performed in accordance with generally accepted governmental auditing standards, nothing came to our attention that caused us to believe that untested items were not valid expenditures.

Schedule A shows \$70,200 of disallowed costs. These costs are discussed in the following "Findings and Recommendations" section. USAID will determine whether these costs are allowable under the contract. This report is intended for use in connection with the contract to which it refers and should not be used for any other purpose.

AUDIT OF CONTRACT NO.631-0052-C-00-5099-00
 JANUARY 1, 1986 TO DECEMBER 31, 1987

FINDING NO. 1: PRE-PROJECT EXPENSES

Condition:

The following expenses incurred prior to the Project commencement date have been charged thereto:

	\$
International Travel	6,575
Rent/Utilities/Maintenance	3,717
Local Staff Salaries & Allowances	3,679
Office Supplies & General Expenses	883
Principal Staff Costs	21,459
Associated overhead charges	5,270

	41,583
	=====

Cause:

IITA took advantage of the fact that USAID was financing both phases I and II of the Project. Therefore it did not make a conscious effort, in spite of the reasonable time allowed, to ensure that all phase I costs had been accounted for before closing the account for phase I.

Effect:

The NCRE project phase II has been charged with costs that relate to phase I of the Project. This may result in budget overruns on the phase II. However, the costs had not previously been charged to Phase I.

Criteria:

There is a separate budget for phase II of the Project against which actual expenditures will be measured. It is therefore important to keep the accounting for each phase distinct.

Recommendations:

We recommend that IITA should ensure proper cut-off in accounting for expenditures on different projects or different phases of the same project.

We do not recommend that these costs be disallowed because they represent valid contract expenditures, albeit for phase I.

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 JANUARY 1, 1986 TO DECEMBER 31, 1987

FINDING NO. 2: LACK OF SUPPORTING DOCUMENTATION

Condition:

In various instances documentation to support charges to the Project could not be provided. Such instances are summarized as follows:

	\$
International Travel (Net)	8,449
Rents and Maintenance	17,565
Local staff salaries	2,088
Principal staff costs	7,444
Associated overhead costs (18.8% of International travel and principal staff costs)	2,988

	38,534
	=====

A detailed analysis of these costs is shown on Schedule B.

Cause:

due care is not taken by the contractor to ensure that Project personnel back all their expenditure returns with appropriate documentation and that such supporting documents are properly safeguarded.

Effect:

There is a potential for excessive billing to USAID because costs claimed could not be substantiated with supporting documents.

Criteria:

Only costs necessarily incurred on the Project are chargeable to it. To ensure that such is the case, the contractor should provide supporting documentation for all costs claimed.

Recommendation:

We recommend that the total unsupported costs of \$38,534 be disallowed.

AUDIT OF CONTRACT NO.631-0052-C-00-5099-00
 JANUARY 1, 1986 TO DECEMBER 31, 1987

FINDING NO.3: DISALLOWABLE EXPENSES OF PROJECT PERSONNEL

Condition:

Professional staff have been reimbursed for expenditures which are either not allowed or are in excess of the permitted limits under the contract as follows:

	-----\$
Empig - membership fee of American Society of Agronomy	68
Poku - Annual fee for American Express (AMEX) Card (1986 & 1987)	150
Kikafunda-twine - excess baggage claim over the 10 kg limit	396
Janakarim - Home travel (differential between business and economy class)	5,085
- Enrolment fee for AMEX card (1982)	60
- Annual fee for AMEX card (1982/83/86/87)	260
Dangi - Annual fee for AMEX card	80
Rao - storage of personal effects at airport	239
- AMEX card fees:	
Annual (Self)	40
Enrolment and annual (wife)	160

	6,558
Associated overhead charges (18.6%)	1,233

	7,791

Cause:

The Administrative Officer does not undertake a sufficiently detailed review of expenditures claimed by Project personnel and/or is unaware of the limitations imposed by the contractor.

Effect:

Disallowable expenditures by Project personnel have been claimed by the contractor.

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Criteria:

Section H and paragraph 9 of the contract adopts the Contractor's Personnel Policies insofar as they are not inconsistent with any terms of this contract. The relevant sections of IITA's Personnel Policies are as follows:

- 1) The IITA will not bear the cost of professional association memberships.
- 2) Excess baggage claims not exceeding 10 kg will be paid for by IITA.
- 3) Home leave travel should be by economy class.

Recommendations:

We recommend that USAID should disallow the total amount of \$7,791 being costs not allowable under the contract (\$6,558) and the associated overhead charges (\$1,233).

We also recommend that the contractor's Administrative Officer acquaint himself with all terms of the contract and more closely scrutinize expenditures claimed by Project personnel.



AUDIT OF CONTRACT NO. 631-0052-C-00-5099-00
JANUARY 1, 1986 TO DECEMBER 31, 1987

B. COMPLIANCE WITH LAWS, REGULATIONS AND CONTRACT TERMS

AUDITOR'S OPINION

We have examined the interim statement of costs claimed for the International Institute for Tropical Agriculture, (IITA), contract No. 631-0052 covering the period January 1, 1986 to December 31, 1987.

Our examination was made in accordance with the Guidelines for Financial and Compliance Audits of AID - Financed Agreements and the provisions of the Standards for Audit of Governmental Organisations, Programs, Activities and Functions (1981 Revision) promulgated by the Comptroller General which pertain to financial and compliance audits.

The costs claimed were tested against the provisions of the Award/Contract and the applicable sections of the Federal Acquisition Regulation made part of the contract.

In our opinion, except in the following regards the IITA has complied with all laws, regulations and terms relevant to the contract:

- (a) IITA did not maintain a separate bank account for the Project.
- (b) IITA did not enforce some of its personnel policies implicitly adopted in the contract.
- (c) Salary increases for Project staff between 1986 and 1987 exceeded the 5% limit specified in the contract.

Nothing came to our notice that caused us to believe that untested items were not in compliance with applicable laws, regulations and contract terms.

Price Waterhouse
PRICE WATERHOUSE

AUDIT OF CONTRACT NO. 631-0052-C-00-5099-00
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FINDING NO. 4: MINGLING OF PROJECT AND OTHER FUNDS

Condition:

From previous experience with AID -financed projects IITA reasoned that it would be inadvisable to maintain a separate account for the Project. This is because AID's procedure for making reimbursements would either result in a situation where such an account would be often overdrawn or cause delays in the execution of the Project.

Effect:

IITA is relying on its core project funds to ensure that the NCRE project is not disrupted for want of finance. As at December 31, 1987, the IITA had spent \$150,518 on the Project in excess of funds received from USAID.

Criteria:

The Advance Payments Regulations made a part of this contract stipulate that "..... all advance payments and other payments under this contract shall be made by cheque payable to the contractor marked for deposit only in the contractor's special bank account.

None of the funds in the special bank account shall be mingled with other funds of the contractor".

Recommendations:

We recommend that:

- 1) in accordance with the procedure adopted at the inception of the Project, USAID should by the last day of each quarter make an advance of funds to IITA to cover projected expenditures for the ensuing quarter.
- 2) IITA should ensure that the account of expenditures for any quarter are rendered within 30 days of the end of the quarter. Claims for projected expenditures for any quarter should also be made 60 days to the commencement of the quarter.
- 3) IITA should immediately open a special bank account for the Project unless USAID chooses to waive that provision in the contract. If need be, USAID should guarantee a credit line on the designated account to ensure that the Project does not stall for want of finance.

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FINDING NO. 5: ANNUAL SALARY INCREASE OVER FIVE PERCENT

Condition:

The annual salary increases for professional staff between 1986 and 1987 exceeded the 5% limit in the contract as follows:

Staff	Excess of increase over 5% -----\$
Atayi	3,310
Almy	1,400
Dangi	500
Everett	2,612
Janakarim	2,775
Kikafunda-twine	125
McHugh	1,550
Rao	600
Roy	3,325
Talleyrand	425
Welch	600
Paku	1,700
Empig	1,250

	20,172
Associated overhead charges (18.8%)	3,792

	23,964
	=====

Cause:

IITA treats all its principal staff in the same manner, regardless of the project/location on which a staff member is working. Hence it considers it inequitable to limit annual salary increases for the Project personnel to 5%.

Effect:

The Project has been overcharged by a total of \$23,964 being the excess of annual increases over 5% (\$20,172) and the related overhead charges (\$3,792).

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Criteria:

Section H paragraph 4(a) of the contract states that "Annual salary increases may not exceed those provided by the contractor's established policy and practice. With respect to employees performing work overseas under this contract, one annual salary increase of not more than 5% of the employee's base salary may be granted after the employee's completion of each twelve months period ..".

The limit on annual increases was amended to 10% effective 6 November 1987.

Recommendations:

We recommend that:

- 1) USAID should disallow the excess charge of \$23,964 in respect of the increments (\$20,172) and the related overhead (\$3,792).
- 2) IITA should comply with all contractual terms until it obtains waiver thereof.

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C. INTERNAL ACCOUNTING AND ADMINISTRATIVE CONTROLS

AUDITORS' OPINION

We have examined the Statement of Costs claimed by the International Institute of Tropical Agriculture (IITA) under Agency for International Development (AID) contract No. 631-0052-C-00-5099-00 during the period from January 1, 1986 to December 31, 1987 and as part of our examination we carried out a study and evaluation of IITA's system of internal accounting and administrative controls to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards.

Significant areas of internal control for IITA considered relevant for the contract were as follows:

1. Cash receipts/payments
2. Purchasing
3. Payroll/Personnel
4. Custody over assets/stocks.

The purpose of our study and evaluation was to determine the adequacy of policies, procedures and internal accounting controls to account for funds provided under the AID contract. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting controls taken as a whole.

The management of IITA is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related cost of control procedures. The objectives of a system are to provide management with reasonable but not absolute assurance that assets are safeguarded against loss from unauthorised use or disposition and that transactions are executed in accordance with management authorisation and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.



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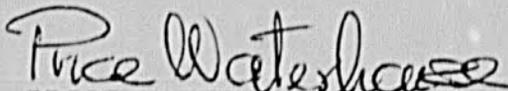
Because of inherent limitations in any system of internal accounting control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation, made for the limited purpose described in the first paragraph, would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of IITA taken as a whole.

We noted several instances of miscoding of expenditures. Such coding errors hamper the fairness of costs as reported and make budgetary control ineffective.

We noted that physical control over Project assets is deficient in that no ready and up-to-date record of Project assets is maintained. There is also no program of periodic physical verification, and comparison with the records of the assets.

Other than the above we did not become aware of any condition that we believe to be a material weakness.


PRICE WATERHOUSE

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FINDING NO.6 : CODING ERRORS

Condition:

There is a significant number of coding errors.

Causes:

Too many people are involved in coding of expenditure and there appears to be inadequate review by the responsible officials prior to posting to the General Ledger. Sometimes information provided in the imprest/sub-imprest returns is inadequate to ensure that the expenditures have been properly coded.

Effect:

The cumulative expenditures on various line items are misstated as shown in Schedule A. There is also a potential that line items will unwittingly exceed the budget.

Criteria:

Miscodings affect the validity of expenditure reports made to AID and hamper effective budgetary control.

Recommendations:

- 1) We recommend that one person, preferably the Administrative Officer, be made solely responsible for coding expenditures.
- 2) We also recommend that field officers should always provide sufficient information to permit independent verification of the propriety of their expenditure coding.



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JANUARY 1, 1986 TO DECEMBER 31, 1987

FINDING NO.7 : INADEQUATE CONTROL OVER PROJECT ASSETS

Condition:

There exists no readily available and up-to-date record of fixed assets acquired for the Project. There is also no program of periodic physical verification of the assets.

Effect:

Misappropriations of Project assets may go undetected.

Criteria:

Paragraph (i) of the Advance Payments Regulations (1984), made a part of this contract, confers on the US Government a paramount lien over all "supplies or other things covered by this contract and on all material and other property acquired for or allocated to the performance of this contract". It is therefore important that such assets under lien be properly safeguarded.

Recommendations:

- i) We recommend that an up-to-date Log of all Project assets be maintained;
- ii) We also recommend a program of periodic physical identification of all Project assets and reconciliation with the Log be established.

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PRICE WATERHOUSE, LAGOS

SCHEDULE A

	Costs Claimed \$	Adjustments for coding DR \$	errors CR \$	Adjusted Claims \$	Disallowed Costs \$	Audited Costs \$
Prof. Staff Salary/ Benefit/Allowance	1,880,486	30,162		1,910,648	33,336	1,877,312
Short Term Advisors	34,497			34,497		34,497
International Travel Conferences	69,872	11,056	(2,913)	78,015	9,287	68,728
In-service training at IITA	31,313			31,313		31,313
In-service training other centres	4,989			4,989		4,989
Equipment purchased by IITA	19,266			19,266		19,266
General supplier and services	49,182			49,182		49,182
IITA central services costs	392,846			392,846	8,013	384,833
Rental Housing and maintenance	326,358	827	(31,515)	295,670	17,565	278,105

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SCHEDULE A CONT'D

	Costs Claimed	Adjustments for coding	errors CR	Adjusted Claims	Disallowed Costs	Audited Costs
	\$	\$	\$	\$	\$	\$
Local Staff Salary and Allowances	138,268	1,879	(1,503)	138,644	2,088	136,556
Local Office Supplies/Expenses	112,460	28,857	(32,642)	108,675		108,675
Locally purchased Equipment	12,841			12,841		12,841
In-country travel - support staff	26,256	557		26,813		26,813
In-country travel - prof. staff	170,350		(11,056)	159,294		159,291
Gasoline	81,577	3		81,500		81,580
Vehicle Maintenance/ Repairs	108,217	1,740	(100)	109,857		109,857
Research Costs - temp. labour	41,501			41,501		41,501
Research Costs - supplies	125,373	32,642	(27,994)	130,021		130,021
Extension Costs - (TLU's)	4,786			4,786		4,786
In-country training - (TLU's)	4,868			4,868		4,868
Total	3,635,306	107,723	107,723	3,635,306	70,289	3,565,017

AUDIT OF CONTRACT NO. 631-0052-C-00-5099-00
 JANUARY 1, 1986 TO DECEMBER 31, 1987

SCHEDULE B: ANALYSIS OF UNSUPPORTED COSTS

DATE	PAYEE / DESCRIPTION	REF JV NO.	AMOUNT CFA	AMOUNT \$
	<u>International Travel</u>			
Jan 86	Empig: ticket refund	222		(132.78)
Feb 86	Principal staff costs	431		2,424.00
Mar 86	Sinnadurai: ticket refund LOS/LON	662		(177.80)
Apr 86	Principal staff costs	1083		2,424.00
July 86		2311		1,193.89
Aug 86	Empig	3213		69.00
Dec 86	-	4966		(2,424.00)
Dec 86		5844		5,072.50
				<u>8448.81</u>
	<u>Rents and Maintenance</u>			
Jan 86	Receveur de PTT: Atayi's phone bill May/June 85	440	103,911	274.45
Feb 86	Roy : Curtains	441	148,110	417.47
Oct 86	C.A.D: Atayi's rent	3833	1,741,566	5,443.07
Apr 87	Alay: Day and night guards' salaries	1493	133,000	407.29
Sept 87	Flavien : Rao's rent	3954	1,380,000	4,721.98
Oct 87	S Lyonga : Woldetatio's rent	4705	660,000	2,161.45
Oct 87	Monogai: Alay's rent	4705	600,000	1,964.95
Dec 87	S Lyonga: Woldetatio's rent	5767	660,000	2,174.49
			<u>5,426,587</u>	<u>17,565.15</u>

SCHEDULE B CONT'D

ANALYSIS OF UNSUPPORTED COSTS

DATE	PAYEE / DESCRIPTION	REF JV NO.	AMOUNT	AMOUNT
	Local staff salaries			
July 86	Welch: Casual labourers' salary not signed for	2868	24,500	68.89
Dec 86	Roy/Janakirao: November & December 86 salaries for gardeners and guards	1493	83,759	256.50
Jan 87	Tax authorities: Taxes on M Atagana's January 87 salary	1506	264,415	881.18
Feb 87	Tax authorities: Taxes and social security payment for January 87	2041	48,398	179.33
Mar 87	Tax authorities: Taxes on January 87 salaries	2457	113,851	367.77
Aug 87	Tax authorities: Taxes on August & September 1987 salaries	4705	101,976	333.96
			636,899	2,087.63
	Professional staff costs			
Dec 86	Empig - educational expenses	5334		2,444.45
Oct 87	Cavilam - french language course for Moldetarios	9-4410		5,000.00
				7,444.45

ACTION: RIG-2 INFO: DCM

VZCZCDK0187
PP RUEHDK
DE RUEHYD #5852/01 1930758
ZNR UUUUU ZZH
P 110757Z JUL 88
FM AMEMBASSY YAOUNDE
TO AMEMBASSY DAKAR PRIORITY 3156
BT
UNCLAS SECTION 01 OF 02 YAOUNDE 05852

LOC: 319
11 JUL 88
CN: 31739
CHRG: AID
DIST: RIG

AIDAC

FOR: RIG/A

E.O. 12356: N/A

TAGS: N/A

SUBJECT: NON-FEDERAL AUDIT OF THE CAMEROON NATIONAL
CEREALS RESEARCH AND EXTENSION PROJECT

REF: YAOUNDE 05353

1. USAID COMMENTS ON SUBJECT DRAFT AUDIT REPORT FOLLOW.
2. GENERAL COMMENTS: USAID APPRECIATES THE EFFORT THAT WENT INTO THE PREPARATION OF THE SUBJECT AUDIT REPORT. HOWEVER IN READING OVER THE REPORT WE FOUND THE FORMAT OF THE REPORT AND SUPPORTING DATA DIFFICULT TO FOLLOW AND ARE SOMEWHAT CONFUSED BY THE RECOMMENDATIONS. ACCORDINGLY, WE REQUEST IG'S HELP IN CLARIFYING CERTAIN POINTS.
3. RECOMMENDATION NO. 1:
 - A. THE DRAFT REPORT RECOMMENDS THAT THE MISSION QUESTION DOLS 62,755 IN PROJECT COSTS BECAUSE 48,488 OF THESE COSTS WERE INCURRED PRIOR TO THE BEGINNING OF PHASE II OF THIS PROJECT AND PROBABLY SHOULD HAVE BEEN CHARGED TO THE FIRST PHASE OF THE PROJECT. THE REPORT SUGGESTS THE ERROR MIGHT BE AN OVERCHARGE. HOW IS THE MISSION SUPPOSED TO DETERMINE IF WE ARE BEING OVERCHARGED WHEN THE CONTRACTOR IS NOT REQUIRED TO PROVIDE ANYTHING BUT A SUMMARY OF EXPENSES WHEN REQUESTING REIMBURSEMENT? OF THE REMAINING DOLS 14,267 WHICH THE AUDIT REPORT SUGGESTS WE QUESTION IS A CHARGE OF DOLS 12,794 FOR BUSINESS CLASS TRAVEL ON HOME LEAVE ORDERS, BUT, WE DON'T KNOW IF THIS AMOUNT REPRESENTS THE DIFFERENCE BETWEEN THE COST OF BUSINESS CLASS AND ECONOMY CLASS TRAVEL WHICH WOULD BE DISALLOWED OR IF THIS IS THE FULL COST OF THE TICKETS PURCHASED OF WHICH ONLY A PORTION SHOULD BE DISALLOWED.
 - B. THE IG COVER MEMO SUGGESTS THAT THE MISSION JUST DISALLOW, RATHER THAN QUESTION, THE WHOLE DOLS 62,755. IF WE ARE TO DISALLOW THE FULL DOL 62,755 AND RECOVER THESE COSTS THROUGH DEDUCTION FROM FUTURE IITA BILLINGS OR THRU BILL FOR COLLECTION, WILL THE AUDIT REPORT SERVE AS SUFFICIENT EVIDENCE TO SUPPORT THIS RECOVERY ACTION? AND IF THE CONTRACTOR COMPLAINS DO WE JUST REFER THEM TO THE

AUDIT REPORT?

C. THE SECOND PART OF RECOMMENDATION 1 REQUIRES THE MISSION TO SUSPEND DOLS 64,493 PENDING RESOLUTION WHICH WE GUESS MEANS UNTIL SUPPORTING DOCUMENTATION IS PROVIDED OR A RULING ON THE ALLOWABILITY OF THESE COSTS IS OBTAINED FROM THE REDSO/WA RCO. HOW IS THE MISSION SUPPOSED TO DETERMINE THE VALIDITY OF THE SUPPORTING DOCUMENTATION WHEN WE HAVE NEVER SEEN ANY OF THE CONTRACTOR'S SUPPORTING DOCUMENTATION OTHER THAN A SUMMARY FINANCIAL STATEMENT? THE AUDIT REPORT ITSELF JUSTS LISTS THE ITEMS TO BE SUSPENDED BY LINE ITEM. USAID FEELS THAT THE PRICE WATERHOUSE AUDITORS SHOULD HAVE RESOLVED THE ALLOWABILITY OF ALL SUSPENDED COSTS RATHER THAN LEAVING IT TO THE MISSION WHO NEITHER HAS THE ACCESS TO THE CONTRACTOR'S SUPPORTING DOCUMENTATION IN NIGERIA NOR HAS THE AUTHORITY TO RULE ON THE ALLOWABILITY OF COSTS.

D. IN SUMMARY, WITH REGARD TO RECOMMENDATION 1, USAID FEELS FINAL AUDIT REPORT SHOULD REFLECT ONLY THOSE COSTS WHICH ARE TO BE DISALLOWED AND SHOULD PROVIDE SUFFICIENT SUPPORT IN THE REPORT FOR USAID TO EFFECT THE RECOVERY OF THESE FUNDS FROM IITA. NO COSTS SHOULD BE INCLUDED IN THE FINAL REPORT WHICH ARE TO BE SUSPENDED OR QUESTIONED BY THE MISSION. THE PRICE WATERHOUSE AUDITORS AND/OR IG SHOULD RESOLVE THESE ISSUES AS A PART OF THE SCOPE OF THE AUDIT AS THE MISSION IS NOT IN A POSITION TO RESOLVE THESE ISSUES OURSELVES.

4. RECOMMENDATION NOS. 2, 3, AND 4A: NO COMMENTS. UPON ISSUANCE OF FINAL REPORT, RCO WILL FORWARD LETTER TO IITA REQUESTING COMPLIANCE WITH THESE RECOMMENDATIONS.

5. RECOMMENDATION NO. 4B: USAID SPOKE WITH THE AUDITORS CONCERNING THE BUDGET OVERRUNS AND INFORMED THEM THAT WE BELIEVE WE HAVE SUFFICIENT LINE ITEM CONTROL TO EFFECTIVELY MONITOR BUDGET OVERRUNS. FURTHERMORE, WE INFORMED THEM THAT PRIOR WRITTEN APPROVAL BY THE AID PROJECT OFFICER IS REQUIRED ONLY ON BUDGET OVERRUNS BEYOND FIFTEEN PERCENT OF THE LIFE OF CONTRACT LINE ITEMS AND THE REQUIREMENT FOR PRIOR WRITTEN APPROVAL DOES NOT APPLY TO INDIVIDUAL ANNUAL BUDGETS. SUGGEST THIS RECOMMENDATION BE DELETED.

6. USAID WOULD APPRECIATE IF IF IG COULD CLARIFY THE
BT

UNCLAS SECTION 02 OF 02 YAOUNDE 05852

Appendix
Page 3 of

POINTS RAISED IN THIS CABLE BEFORE THE SUBJECT AUDIT
REPORT IS ISSUED IN FINAL. EDELMAN
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YAOUNDE 005852/02

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