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Regional Inspector General for Audit
Nairobi, Kenya

95530

Audit of the
Centre for Applied Social Sciences (CASS)
University of Zimbabwe
Grant No. 690-0251-G-00-9002-00

Report No. 3-613-95-002-N
May 25, 1995



U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT



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INTERNATIONAL
DEVELOPMENT

May 25, 1995

MEMORANDUM FOR MISSION DIRECTOR, USAID/ZIMBABWE

FROM: RIG/A/Nairobi, Everette B. Orr

SUBJECT: Agency-contracted Audit of the Centre for Applied Social
Sciences (CASS), University of Zimbabwe,
Grant No. 690-0251-G-00-9002-00, A.R. 3-613-95-002-N

*Regional
Inspector General
Audit/Nairobi*

Attached are three copies of the subject audit report by the non-Federal accounting firm of Price Waterhouse Meyernel, Johannesburg, South Africa.

USAID/Zimbabwe and the Centre of Applied Social Sciences (CASS) at the University of Zimbabwe entered into a project grant agreement with a total grant amount of \$699,000 and an effective expiration date of August 31, 1995. The purpose of the grant agreement is to provide assistance for the collection and analysis of socio-economic data in support of the Zimbabwe component of USAID/Zimbabwe's National Resources Management Project. The project was initiated to facilitate regional cooperation among participating Southern African Development Community member states in managing and protecting regional natural resources to advance social and economic development, protect the ecological diversity of the region, and disseminate knowledge of community management of wildlife research.

The objective of the audit was to examine the CASS Fund Accountability Statement (Statement) and to express an opinion as to whether the Statement presented fairly the use of funds in accordance with the grant agreement. To answer the objective, the auditors were asked to consider CASS's internal control structure to determine the auditing procedures necessary to express an opinion on the Statement and to report on significant internal control weaknesses. As part of obtaining reasonable assurance the Statement was free of material misstatement, the auditors were required to test CASS's compliance with terms of the grant agreement and to report any identified material instances of non-compliance.

The audit covered all USAID funds received and disbursed by CASS for the period September 15, 1989, through December 31, 1993. CASS project disbursements during this time period totalled \$154,898.

The auditors issued a qualified opinion on CASS's Fund Accountability Statement since the audit identified \$11,403 in questioned unsupported costs and \$2,429 in questioned ineligible costs. The audit report disclosed no material instances of non-compliance with the terms of the grant agreement and no material internal control weaknesses.

The draft report was submitted to CASS and to USAID/Zimbabwe for comments. USAID/Zimbabwe did not comment on the contents of the draft report. CASS provided extensive comments which were taken into consideration in the preparation of the final

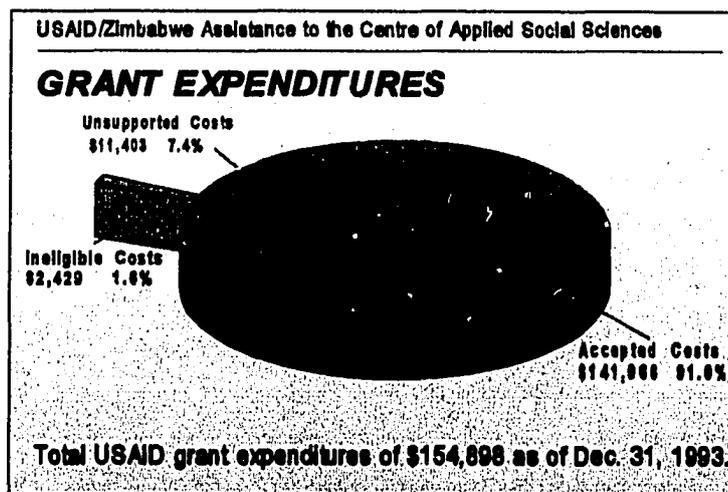
report and are included in the final report as Appendix D. CASS's comments included additional information regarding many of the questioned costs and further explanation of some of its internal procedures and controls.

The report contains 19 recommendations concerning the questioned costs, internal control weaknesses, and compliance issues. It is USAID/Zimbabwe's responsibility to ensure appropriate action is taken on all the recommendations. We are including the following recommendations in the Office of the Inspector General's audit recommendations follow-up system:

Recommendation No. 1: We recommend USAID/Zimbabwe determine the allowability and recover, as appropriate, from the Centre for Applied Social Sciences, questioned ineligible costs of \$2,429.

Recommendation No. 2: We recommend USAID/Zimbabwe determine the allowability and recover, as appropriate, from the Centre for Applied Social Sciences, questioned unsupported costs of \$11,403.

We consider the recommendations to be unresolved. Recommendation Nos. 1 and 2 may be resolved when USAID/Zimbabwe makes a final determination as to the allowability of

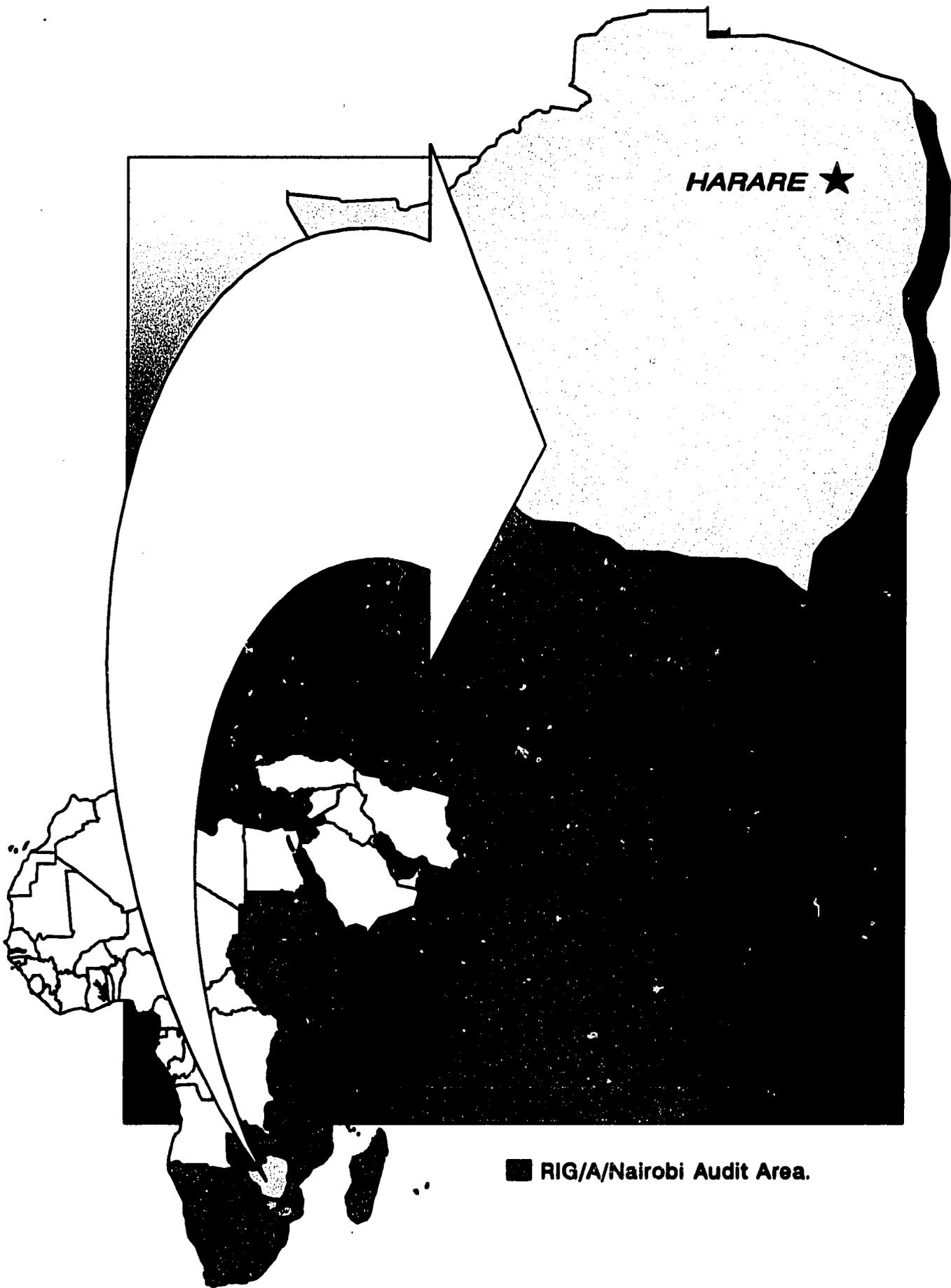


SOURCE: Audit Report

the questioned costs. These recommendations may be closed when USAID/Zimbabwe takes action appropriate to the determination. Please respond to this report within 30 days indicating action planned or taken to implement the recommendation.

Thank you for the cooperation extended to Price Waterhouse, Meyernel auditors and the Regional Inspector General for Audit representatives during the audit.

Attachments: a/s



HARARE ★

■ RIG/A/Nairobi Audit Area.

Audit of the
Centre for Applied Social Sciences (CASS)
University of Zimbabwe
Grant No. 690-0251-G-00-9002-00

A.R. No. 3-613-95-002-N

ATTACHMENTS

AGENCY-CONTRACTED AUDIT OF THE CENTRE
FOR APPLIED SOCIAL SCIENCES (CASS)
UNIVERSITY OF ZIMBABWE
GRANT AGREEMENT NUMBER 690-0251-G-00-9002-00
FOR THE PERIOD SEPTEMBER 15, 1989 TO DECEMBER 31, 1993

**AGENCY-CONTRACTED AUDIT OF THE CENTRE FOR APPLIED SOCIAL SCIENCES
(CASS) UNIVERSITY OF ZIMBABWE**

GRANT AGREEMENT NUMBER 690-0251-G-00-9002-00

FOR THE PERIOD SEPTEMBER 15, 1989 TO DECEMBER 31, 1993

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**AGENCY-CONTRACTED AUDIT OF THE CENTRE FOR APPLIED SOCIAL SCIENCES
(CASS) UNIVERSITY OF ZIMBABWE**

GRANT AGREEMENT NUMBER 690-0251-G-00-9002-00

FOR THE PERIOD SEPTEMBER 15, 1989 TO DECEMBER 31, 1993

APPENDICES

Appendix No	Title
A	Detailed Schedule of Ineligible Costs
B	Detailed Schedule of Unsupported Costs
C	List of Report Recommendations
D	Centre for Applied Social Sciences Comments on Audit Findings

1 INTRODUCTION

1.1 Background

The Centre of Applied Social Sciences (CASS) at the University of Zimbabwe was founded in 1970 as the Centre for Racial Studies, but was renamed in 1978 to its current title. The Centre was established to provide an interdisciplinary applied social science research and teaching program. CASS is one of six departments within the Faculty of Social Sciences at the University of Zimbabwe.

CASS has long term research interests in environment and development issues, and has had extensive experience regarding natural resource issues. The Centre has been involved in research on fisheries and wildlife utilization since 1983 and has assisted with the Zimbabwe Government's proposed Communal Areas Management Program for Indigenous Research (CAMPFIRE). In 1986 the investigation of Communal Land Grazing Management Schemes was initiated and in 1988 CASS launched the Research Program on Natural Resources Management in Zimbabwe's Communal Lands.

The activities of CASS are primarily funded by University of Zimbabwe votes and specific Fund Accounts which include grants from various donors. All funds for CASS are held by the University's Bursar's Department which makes disbursements by requisition, purchase order or other form of instruction received from the Director or Administrator of CASS. Monthly statements are produced by the Bursar's Department which record all the disbursements on the USAID/Zimbabwe grant account. The Director of CASS is responsible for the control of budgets and reporting requirements of USAID/Zimbabwe. The funds provided by USAID/Zimbabwe are based on a grant designed in such a way so as to meet a specific funding requirement of CASS.

USAID/Zimbabwe and CASS have entered into the following grant agreement which is the subject of this Agency-contracted audit in accordance with generally accepted auditing standards and the standards of the US Comptroller General's "Government Auditing Standards" (1988 Revision):

- * University of Zimbabwe, Centre for Applied Social Sciences
Grant No. 690-0251-G-00-9002-00

The grant agreement was entered into on December 5, 1989 with an effective expiration date of August 31, 1995. The total estimated amount of the grant agreement during the period to expiration is US\$699,000 of which \$347,000 has already been obligated by USAID/Zimbabwe to December 31, 1993. Funds obligated under the grant agreement were available for program expenditures from September 15, 1989.

The purpose of this grant agreement is to provide assistance for the collection and analysis of socio-economic data in support of the Zimbabwe component of USAID/Zimbabwe's National Resources Management Project.

This project was initiated to facilitate regional co-operation among participating SADCC member states in managing and protecting natural resources of the region to advance social and economic development, protect the ecological diversity of the region and disseminate knowledge of community management of wildlife research among SADCC member states.

The most important terms and conditions of the grant agreement as it relates to the audit include the following:

- The Mandatory Standard Provisions for Non-US, Non-Government grantees apply to the grant agreement;
- Payments to the grantee shall be made in accordance with the procedures set forth in the standard provisions entitled "payment and periodic advances";
- CASS shall submit a report monthly but no less than quarterly in the format outlined in the standard provisions, entitled " payment and periodic advances";
- The cost principles in the Office for Management Budget (OMB) Circular A-122 apply to this grant;
- USAID/Zimbabwe funds shall not be co-mingled with other grantee owned or controlled funds; and
- Travel and procurement policies and procedures shall be in accordance with the provisions of the grant agreement.

1.2 Audit Objectives and Scope

1.2.1 Audit Objectives

Price Waterhouse was contracted by USAID/Zimbabwe to perform an Agency-contracted audit of its grant agreement no. 690-0251-G-00-9002-00 with the Centre for Applied Social Sciences of the University of Zimbabwe in accordance with generally accepted auditing standards in the US Comptroller General's "Government Auditing Standards" (1988 Revision).

The objectives of this engagement were to:

- * audit the auditee's Fund Accountability Statement and express an opinion as to whether the Fund Accountability Statement presents fairly, in all material respects and in conformity with the basis of accounting described in the report the use of funds in accordance with the grant agreement;
- * consider the auditee's internal control structure in order to determine the auditing procedures for the purpose of expressing an opinion on the Fund Accountability Statement and to report on significant internal control deficiencies and material weaknesses;
- * test the auditee's compliance with the terms of the grant agreement, as part of obtaining reasonable assurance about whether the Fund Accountability Statement is free of material misstatement, and report on any identified material instances of non-compliance; and
- * address the areas of Mission concern which resulted in USAID/Zimbabwe requesting this audit.

1.2.2 Audit Scope

The scope of the audit included an examination of the Fund Accountability Statement of CASS, a review of compliance with provisions of the grant agreement and applicable US laws and regulations and an evaluation of the internal control structure of the auditee.

The period of review of this financial audit covered all grant revenue received and expenditure incurred during the period from September 15, 1989 to December 31, 1993.

1.2.3 Scope Limitation

Price Waterhouse does not have an external quality control review by an unaffiliated audit organization as required in paragraph 46 of chapter 3 of Government Auditing Standards since no such quality control review program is offered by professional organizations in South Africa. We believe that the effect of this departure from the financial audit requirement of Government Auditing Standards is not material because we participate in the Price Waterhouse Worldwide internal quality control program which requires Price Waterhouse South Africa to be subjected, every three years, to an extensive quality control review by partners and managers from other Price Waterhouse offices.

1.2.4 Methodology

Price Waterhouse conducted the initial survey of accounting records in October 1993 at which time the identification and selection of transactions for detailed testing was completed. Price Waterhouse subsequently prepared its audit work plan and commenced its audit field work in November, 1993 at the Centre for Applied Social Sciences office at the University of Zimbabwe, Harare. During the course of the audit it was found that the audit trail of supporting documentation in the Bursar's Department made it very difficult to select documents for the audit examination. This concern was raised with the Mission, CASS and the Bursar's Department. The Mission agreed to postpone the audit until such time as the supporting documentation required for the audit could be extracted by CASS from the Bursar's Department. The audit field work was subsequently resumed in June 1994. The financial audit report was then prepared and reviewed at our offices in Johannesburg.

The principal audit steps performed included the following:

- an examination of the grant agreement including the attachments and appendices, amendments, applicable standard provisions and regulations and project correspondence, to gain an understanding of the goals and objectives of the grant, the activities being financed by USAID/Zimbabwe, the types of costs incurred under the grant and the financial procedures and requirements placed on the Centre for Applied Social Sciences by USAID/Zimbabwe.
- performance of detailed compliance work on the internal controls, audit procedures to detect errors and irregularities and audit procedures to evaluate the auditee's compliance with the grant and applicable provisions. An assessment of the adequacy of accounting systems and internal controls of the auditee, in order to obtain reasonable assurance of detecting errors, irregularities and illegal acts;
- performance of detailed testing of direct costs billed to and reimbursed by USAID/Zimbabwe. Determining the extent of non-compliance, unallowable or unallocable expenses. Identifying costs which are not supported with adequate documentation or not in accordance with the applicable grant agreement terms;
- a reconciliation of the financial reports submitted by the Centre for Applied Social Sciences to USAID/Zimbabwe to the accounting records in order to determine whether the financial submissions are accurate and supported by the relevant vouchers and other documents;
- a review of the procedures used to control the funds, including the controls existing on the bank accounts used;

- a review of project ledgers to determine whether revenues received and expenditures incurred were properly recorded, accumulated and reported.
- a review of procurement procedures to determine whether sound commercial practices, including competition, were used and reasonable prices were obtained.
- a review of travel and per diem charges to determine whether they were in accordance with the stated policy, grant agreement and regulations.
- a review of direct salary charges to determine whether salary rates are reasonable for that position, in accordance with those approved by USAID/Zimbabwe and supported by appropriate payroll records. Determining if overtime was charged to the project and whether it was allowable under the terms of the grant agreement. Determining whether allowances and fringe benefits received by employees were in accordance with the grant agreement and applicable laws and regulations.

1.3 Brief Summary of Audit Results

1.3.1 Fund Accountability Statement

Our audit tests of the Fund Accountability Statement revealed that of the total costs of US\$154,898 included in the Fund Accountability Statement, US\$13,832 were questioned costs of which US\$2,429 were ineligible costs for reimbursement and US\$11,403 were unsupported costs. In addition there was an unreconciled difference of US\$1,911 between the CASS fund statement balance and fund statement balance in the records of the Bursar's Department.

1.3.2 Internal Control Structure

Our evaluation of the internal control structure revealed several reportable conditions, none of which were considered to be material reportable conditions under the standards established by the American Institute of Certified Public Accountants. These reportable conditions were the following: the failure to maintain an adequate accounting and control system; and the failure to reconcile CASS records to the Bursar's statements. We also noted several other matters which are discussed in Section 3.3 of this report.

1.3.3 Compliance with Grant Agreement and Related Provisions

Our evaluation of compliance with the grant agreement and related provisions identified one non-material instance of non-compliance. This non-material instance of non-compliance was the failure of CASS to submit timely disbursement reports to USAID.

1.4 Brief Summary of Auditee's Comments

The detailed comments of CASS are included as Appendix D.

CASS has commented in detail on each audit finding and has, as agreed at the exit conference, provided alternative documentation to support questioned costs where possible. The detailed appendices A and B included in CASS's response which include supporting financial records and documents have been checked and where appropriate, a revision was made to the original draft fund accountability statement. In addition, CASS have made some general observations regarding factors which contributed to some of the reported problems.

1.5 Brief Summary of Mission Comments

The Mission has declined to issue formal written comments on the audit report.



In our opinion, except for the effects of the questioned costs as discussed in the preceding paragraph and the unreconciled difference between the Centre for Applied Social Sciences and the Bursar's Department, the Fund Accountability Statement examined by us presents fairly in all material aspects grant revenues and costs incurred for the period then ended in accordance with the terms of the agreement and in conformity with the basis of accounting described in the notes thereto.

Financial information contained in this report may be privileged. The restriction of 18 USC 1905 should be considered before any information is released to the public. This report is intended solely for the use of the United States Agency for International Development and the management of the Centre for Applied Social Sciences but this is not intended to limit the distribution of the report, if a matter of public record.

Price Waterhouse

July 31, 1994

2.2 Fund Accountability Statement

2.2.1 Fund A Accountability Statement of the Centre for Applied Social Sciences Grant Agreement No. 690-0251-G-9002-00 for the period September 15 1989 to December 31, 1993

	Obligated Total US\$	Actual Total Z\$	Actual Total US\$	Accepted US\$	Questioned Costs	
					Ineligible US\$	Unsupported US\$
Revenue						
- Grant disbursements	347,000	426,462	66,634			
- Interest Received		0				
Total Revenue	347,000	426,462	66,634	0	0	0
Expenditure						
- Field Researchers	105,000	463,401	85,498	79,375	1,017	5,106
- Operating Costs	62,000	295,764	54,569	52,546	883	1,140
- Project Management	54,000	76,416	14,099	8,413	529	5,157
- Training	90,000	0	0	0	0	0
- Procurement	36,000	3,967	732	732		0
Total Expenditure	347,000	839,548	154,898	141,066	2,429	11,403
					(refer 2.2.3)	(refer 2.2.4)
Balance of (under)/over expended funds:		(413,086)	(88,264)			
(refer 2.2.5)						

2.2.2 Notes to the Fund Accountability Statement

* **Basis of Accounting**

The Fund Accountability Statement is prepared on a cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles.

The accounting function is performed by the Bursar's Department of the University of Zimbabwe. USAID/Zimbabwe reimbursements are banked in the University account and credited to the CASS cost centre account. Grant expenditure is approved by the Director of the Centre for Applied Social Sciences and paid directly by the University. All CASS expenditure is then debited against their cost centre account. Claims to USAID/Zimbabwe are submitted by CASS based on expenditure incurred.

* **Revenues**

Revenues represent amounts received in cash from USAID/Zimbabwe during the period of review under the grant agreement. Revenues are translated into US dollars based on the exchange rates prevailing at the date of the reimbursement from USAID/Zimbabwe.

* **Expenditures**

Expenditures represent amounts incurred in cash during the period of review under the USAID/Zimbabwe grant agreement. Expenditures are translated into US dollars based on the weighted average exchange rate prevailing at the date of expenditure.

* **Balance of Under-Expended Funds**

The under-expended funds balance represents the excess of expenditure incurred by CASS over revenue received from USAID/Zimbabwe during the period.

Sample Selection Criteria

The scope of this audit included only the grant revenue and expenditure of the Centre for Applied Social Sciences grant agreement No. 690-0251-G-00-9002-00. CASS is responsible for maintaining all original supporting documentation of grant expenditures. Reimbursements are paid by USAID/Zimbabwe to CASS against actual expenditures claimed.

Our methodology included the selection of the following grant revenue and expenditure transactions for detailed audit testing:

Revenue

- * All (100%) of revenues received from USAID/Zimbabwe were vouched to advance reports and disbursement reports received from USAID/Zimbabwe; and
- * All (100%) of advances and reimbursements received from USAID/Zimbabwe were traced to the cash book and bank statements of the university via the Centre for Applied Social Sciences cost centre account.

Expenditure

- * A selection of expenditure transactions for detailed testing under the grant agreement was based on a predetermined amount and a judgemental selection of additional transactions based upon potential risk. The sample selection profile of expenditure is as follows:

	Total Costs (Actual)	Sample Selected	Percentage Selected	Not Reviewed
	US\$	US\$	%	US\$
* Field research	85,498	74,526	57%	10,972
* Project management	14,099	9,414	67%	4,685
* Equipment purchase	732	732	100%	-
* Operating costs	54,569	38,292	70%	16,277
Total Expenditure	154,898	122,964	79%	31,934

2.2.3 Breakdown of Ineligible Costs

Description	Finding No.	Ineligible Z\$	Ineligible US\$
Meals and food costs claimed	1	478	880
Non-USAID project expenditure	2	7,231	1,3340
Gratuities and refreshments	3	6	10
Duplicate payment of expense	4	5,456	1,0060
Total		13,171	2,4290

For a detailed breakdown of ineligible expenditure refer to Appendix A

2.2.4 Breakdown of Unsupported Costs

Description	Finding No.	Unsupported Z\$	Unsupported US\$
Inadequate support of advance liquidation	5	12,203	2,251
Inadequate supporting documentation	6	22,555	4,161
Inadequate evidence of receipt of payment	7	2,080	384
Inadequate support for vehicle costs	8	1,860	3430
No original supporting documentation available	9	12,961	2,3910
Inadequate evidence of check payment	10	10,152	1,8730
Total		61,811	11,4030

For a detailed breakdown of unsupported expenditure refer to Appendix B

2.2.5 Reconciliation of Fund Statement Balance per CASS records and per Bursar's records

Description	Finding No.	Z\$	US\$
Balance per CASS Fund Statement - Dec 31, 1993		(413,086)	(88,264)
Balance per Bursar's Fund Statement - Dec 31, 1993		(696,592)	(148,841)
Difference		283,506	60,577
Less: Receipt from USAID processed by CASS on September, 29 1993 but only processed by Bursar on February 28, 1994		(292,448)	(62,487)
Unreconciled Difference	11	(8,942)	(1,911)

2.3 Findings and Recommendations

Finding No. 1 on Meals and Food Costs Claimed - US\$88

We noted that meal, grocery and food costs were claimed for reimbursement in addition to the agreed maximum daily per diem allowance. The daily per diem allowance is supposed to cover all subsistence costs including meals. This means that actual food costs in addition to the stipulated maximum daily per diem allowances were paid to field researchers.

The mandatory standard provisions for Non-US, Non-governmental grantees which are applicable to this grant agreement in Section 1, state the following: "costs incurred are to be reasonable, allocable and allowable". These actual costs paid over and above the maximum allowable subsistence allowance are not allowable expenditure items under the terms of the grant agreement.

Recommendation No. 1

We recommend that the Mission determine the allowability and recover as appropriate the ineligible meal and food costs of US\$88.

Auditee Comments

The Centre's per diem policy (UZ Camping allowance) has always been available to staff on an unproven basis which is consistent with the University of Zimbabwe policy. Centre's policy has and does prohibit claiming meals and per diem on the same day. In respect to the audit finding there are six instances in which this policy was inadvertently not observed.

Finding No. 2 on Non-USAID/Zimbabwe Project Expenditures - US\$1,334

We noted that certain non-USAID/Zimbabwe related project expenditures of US\$1,058 had been paid for by CASS out of its USAID/Zimbabwe project account. This expenditure related to other projects funded by other donor organizations such as the Ford Foundation and NORAD.

The mandatory standard provisions for Non-US, Non-governmental grantees which are applicable to this grant agreement in Section 1, state the following: "costs incurred are to be reasonable, allocable and allowable". These non-USAID/Zimbabwe related project expenditures are not allocable to the grant agreement.

Recommendation No. 2

We recommend that the Mission determine the allowability of the ineligible non-USAID/Zimbabwe project expenditures of US\$1,334.

Auditee Comments

The Centre generally concurs that non-USAID project expenditure of US\$1,334 was paid out of the project account. Of the ten records cited five occurred because of data entry errors/weaknesses in internal control structures beyond the Centre's control within the Bursar's Department. Of the remaining five, one is due to a Centre data entry error, four were correctly charged to the project. Of these four, two charges relate to non-USAID project vehicles which were used by USAID project staff during periods when USAID project vehicles were not operable or down for repair. The Centre is not able to substantiate the charges and has requested the Bursar to credit the project account from the Centre's Ford Foundation project account. The other two charges relate to meals and gratuity. The Centre's internal controls were lacking in regards to the four errors. More care has since been given to examination of documentation for allowability and allocability within the Centre and internal control structures are being revamped in both the Centre and Bursar's Department.

Finding No. 3 on Gratuities and Refreshments - US\$1

We noted that gratuities and refreshments of US\$1 had been claimed for reimbursement from USAID/Zimbabwe. These expenditures are not unallowable costs for reimbursement by USAID/Zimbabwe under the US Government regulations (OMB A-122 cost principles) which are applicable to this grant agreement under the Mandatory Standard Provisions applicable to Non-US, Non-Government grantees.

Recommendation No. 3

We recommend that the Mission determine the allowability of the ineligible expenditure on gratuities and refreshments of US\$1.

Auditee Comments

In the case of the gratuity, we concur that the US\$1 is not allowable.

Finding No. 4 on Duplicate Payments of Expenses - US\$1,006

We noted that duplicate expenditure payments had been made to replace check payments that had gone missing. No adequate explanation could be obtained for these misappropriated check payments.

These duplicate expense payments are not allowable for reimbursement by USAID/Zimbabwe under the mandatory standard provisions applicable to Non-US, Non-Government grantees which are applicable to this grant agreement

Recommendation No. 4

We recommend that the Mission determine the allowability of the ineligible duplicate expenditure payments of US\$1,006.

Auditee Comments

We agree with the Auditor's finding: one duplicate payment of expenditure was made.

Correction/adjustment to the project account rests with the Bursar's Department. Internal controls were inadequate; better internal controls have been put in place so that duplications will not continue to be made. The Bursar's Department has been requested to credit the project account the equivalent of the duplication and recover its cost from other sources subsequently.

Finding No. 5 on Inadequate Support for Advance - US\$2,251

We noted that there was inadequate evidence that cash advances given to field researchers had been subsequently supported and liquidated by adequate documentation.

The mandatory standard provisions for Non-US, Non-Governmental grantees which are applicable to this grant agreement in Section 2 state that "the grantee shall maintain ... documents and other evidence sufficiently to substantiate charges to the grant".

Without adequate supporting documentation to substantiate the charges we were unable to determine whether the costs were reasonable, allocable and allowable for reimbursement by USAID/Zimbabwe.

Recommendation No. 5

We recommend that the Mission determine the allowability of the unsupported advances of US\$2,251.

Auditee Comments

Firstly, we advise that original vouchers for 1993 were available during the audit and that the Auditor was so advised. Certified copies of 1993 vouchers where cited are provided with this response. Secondly, it was stated at both the audit entrance and exit conferences that original financial documentation was subjected to multiple handling with ultimate hand over to the USAID/Zimbabwe Mission. Thirdly, copies on file in the Centre and Bursar's Department have been made from the original document. The Centre is well aware that documents and other evidence must be "maintained to substantiate charges to the grant". We also advise that it is not University policy for staff members to submit proof of camping per diem expenditure. Staff members are required to liquidate an advance for per diem by providing the dates for which it was incurred. Signatures are recorded on the Bursar's copy upon collection of the advance. However, if a requisition is posted instead of being collected no signature is obtained. To compensate for this Bursar's internal control weakness the Centre began last year during the initial inception of the project audit to obtain signatures for advances/accounting for advances on all Centre requisitions subsequent to collection/receipt by the Centre staff members. Where we could we have obtained and enclosed evidence of advance liquidation. The Centre and University are requesting the USAID/Zimbabwe Mission to consider total reimbursement for this expenditure.

Finding No. 6 on Inadequate Supporting Documentation for Expenditures - US\$4,161

We noted that inadequate documentation was maintained by CASS and the Bursar's Department to support expenditure payments of US\$4,161.

The mandatory standard provisions for Non-US, Non-Governmental grantees which are applicable to this grant agreement in Section 2 state that "the grantee shall maintain ... documents and other evidence sufficiently to substantiate charges to the grant".

Without adequate supporting documentation to substantiate the charges we were unable to determine whether the costs were reasonable, allocable and allowable for reimbursement by USAID/Zimbabwe.

Recommendation No. 6

We recommend that the Mission determine the allowability of the inadequately supported expenditure of US\$4,161.

Auditee Comments

We believe it unfair to lay all the blame for inadequate documentation on CASS and the Bursar's Department in light of the frequent handling and movement between the two departments and USAID.

During the period of preparation for the resumption of the audit (Jan - Feb 1994) original documents for 1990 - 1992 had to be retrieved from USAID. In some cases it was clear that somehow these documents were no longer in their original condition.

The Bursar's Department is the official keeper of all vouchers/records of salary and related payments. However, it has obtained and enclosed where possible employee affidavits. The USAID/Zimbabwe Mission is requested by the Centre and University to reimburse the total of expenditure cited under this finding.

Finding No. 7 on Inadequate Evidence of Receipt of Per Diem Payment - US\$384

We noted that there was inadequate evidence in support of per diem payments such as a signature of a researcher acknowledging receipt of the per diem payment.

The mandatory standard provisions for Non-US, Non-Governmental grantees which are applicable to this grant agreement in Section 2 state that "the grantee shall maintain ... documents and other evidence sufficiently to substantiate charges to the grant". Without adequate evidence of receipt of the per diem payment by the field researcher we were unable to determine whether payment had actually been made to a bona fide field researcher.

Recommendation No. 7

We recommend that the Mission determine the allowability of the per diem expenditure of US\$384 which is without adequate evidence of receipt of the payment by the recipient.

Auditee Comment

The USAID/Zimbabwe Mission is requested to consider the full reimbursement of this amount. The Centre has instituted measures to ensure that receipt of per diem is always confirmed by the recipients.

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Finding No. 8 on Inadequate Support of Vehicle Costs - US\$343

We noted that vehicle running costs such as fuel and repairs were not adequately supported since there was no evidence linking the costs incurred to the USAID/Zimbabwe project vehicles. For example vehicle registration numbers were not always recorded on fuel bills and log sheets were not always maintained for the use of USAID/Zimbabwe vehicles.

The mandatory standard provisions for Non-US, Non-Governmental grantees which are applicable to this grant agreement in Section 2 state that "the grantee shall maintain ... documents and other evidence sufficiently to substantiate charges to the grant".

Without adequate supporting documentation to substantiate the charges we were unable to determine whether the costs were reasonable, allocable and allowable for reimbursement by USAID/Zimbabwe.

Recommendation No. 8

We recommend that the Mission determine the allowability of the unsupported vehicle running costs of US\$343

Auditee Comments

Although the Centre was not aware that it was a requirement to record vehicle registration numbers on fuel invoices it affirms that fuel purchases and field travel were USAID project related and in accordance with the "mandatory" standard provisions for Non-US, Non-Governmental grantees. Registration numbers and log sheets were not consistently recorded. Measures have since been introduced to ensure that mileage log sheets and registration numbers are recorded and checked routinely as a matter of course. For the cited records we submit herewith copies of fuel invoices on which vehicle registration numbers are now recorded. Schedules of estimated kilometres travelled are enclosed for cited claims.

Under the circumstances we are requesting USAID/Zimbabwe to reimburse the total US\$343.

Finding No. 9 on No Original Supporting Documentation - US\$2,391

We noted that only photocopies and not original supporting documentation were available to support charges to the grant.

USAID/Zimbabwe requires the grantee to submit to the Mission for reimbursement original supporting documentation and photocopies are not acceptable since the photocopies may be presented for reimbursement on more than one occasion or to more than one donor.

We were consequently unable to determine whether the photocopied documents had been submitted for reimbursement on more than one occasion or to more than one donor.

Discussion

Up to November 1991 CASS was under the understanding that it could present certified copies of vouchers for reimbursement to USAID/Zimbabwe. Upon CASS's first submission of claims in December 1991 USAID/Zimbabwe issued advice that original supporting documentation was required. All previous original supporting documents had already been submitted to the Bursar's Department of the University of Zimbabwe. From December 1991 CASS began keeping original supporting documentation. A re-submission of vouchers for the period from October 1, 1990 to December 31, 1992 was then submitted to USAID/Zimbabwe in 1993. The bulk of this being in the form of original documentation. In preparation for the audit CASS then had to retrieve all the original documentation back from USAID/Zimbabwe. In the process of re-submission and retrieval some of the vouchers have been misplaced.

Recommendation No. 9

We recommend that the Mission determine the allowability of the expenditure of US\$2,391 which could not be supported by original documentation.

Auditee Comments

We did advise during both audit conferences that original documentation covering the period 1990 - 1992 was submitted to the USAID/Zimbabwe Mission. It is therefore no longer possible for either the Centre or the Bursar's Department to produce original vouchers. Of the four records of expenditure referred to only one is a 1993 voucher; the original of this voucher and all other 1993 original vouchers were located in the Centre's library where the audit test was conducted. The files of original 1993 records were shown to the auditor. It is our belief that the copies of the 1992 records are sufficient evidence to determine allowability and allocability. Original documentation for these are with the USAID/Zimbabwe Mission.

Finding No. 10 on Inadequate Evidence of Check Payments - US\$1,873

We were unable to inspect returned bank stamped paid checks as evidence that payment had actually been made to the payee designated on the check requisition voucher. The Bursar's Department of the University of Zimbabwe is responsible for maintaining all the returned paid checks.

The mandatory standard provisions for Non-US, Non-Governmental grantees which are applicable to this grant agreement in Section 2 state that "the grantee shall maintain ... documents and other evidence sufficiently to substantiate charges to the grant".

Without adequate supporting documentation such as returned paid checks to substantiate the charges and verify the payee, we were unable to determine whether the costs were reasonable, allocable and allowable for reimbursement by USAID/Zimbabwe.

Recommendation No. 10

We recommend that the Mission determine the allowability of US\$1,873 of expenditure relating to payments which could not be supported by returned bank stamped paid checks.

Auditee Comments

Subsequent to the exit conference attempts were once again made by Centre and Bursar's staff to locate paid up checks in the Bursar's Department. At no time prior to the audit was either the Centre or Bursar's Department advised that paid checks would be required for presentation during an audit. For those checks which have been found we enclose herewith certified copies following this response. Where checks have not been found the Centre has requested suppliers and individuals to provide confirmation of receipt of payment.

The Centre and the Bursar's Department affirm that the expenditure referred to in the Auditor's reports was incurred solely for and in connection with the USAID project. Most of the relevant records relate to 1991 and 1992 expenditure and many suppliers and University records are no longer available or readily accessible.

We are therefore requesting the USAID/Zimbabwe Mission to consider reimbursement on the evidence of the available documentation. Measures have been instituted in the Bursar's Department to ensure that paid checks are systematically filed and easily retrieved. The USAID/Zimbabwe Mission is requested to consider the reimbursement of the total amount of US\$1,873.



Control environment

- * General awareness of grant provisions and regulations;
- * Personnel, travel and procurement procedures;
- * Organization structure and management.

Accounting system

- * General record keeping;
- * Bank account and reconciliations;
- * Reporting to USAID/Zimbabwe;
- * Claiming reimbursements from USAID/Zimbabwe.

Control procedures

- * Authorization of payments;
- * Disbursement control procedures; and
- * Travel and per diem control procedures.

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 the control risk.

We noted certain matters involving the internal control structure and their operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgement, could adversely affect the entity's ability to record, process, summarize and report financial data consistent with the assertions of management in the Fund Accountability Statement.

The following reportable conditions were noted:

- * Failure to maintain adequate accounting systems;
- * Failure to reconcile the Bursar's statements to CASS's own records.
- * Failure to maintain an adequate audit trail;



- Inadequate controls over expenditure;
- Incorrect charging to the grant account.

A material weakness is a reportable condition in which the design or operation of one or more of the 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 and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we believe that none of the reportable conditions described above constitute a material weakness.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses under standards established by the American Institute of Certified Public Accountants.

We also noted certain other matters involving the internal control structure and its operation which we have reported in Section 3.3 of this report.

Financial information contained in this report may be privileged. The restrictions of 18 USC 1905 should be considered before any information is released to the public. This report is intended solely for the information of the United States Agency for International Development and the management of the Centre for Applied Social Sciences, but this is not intended to limit the distribution of the report if a matter of public record.

Pricewaterhouse

July 31, 1994

3.2 Introduction

3.2.1 Definition

American Institute of Certified Public Accountants (AICPA) Codification of Auditing Standards, section 319, defines an organization's internal control structure as consisting of the policies and procedures established to provide reasonable assurance that a specific entity's objectives will be achieved. The internal control structure is composed of three elements:

- * the control environment;
- * the accounting system; and
- * control procedures.

The control environment reflects the overall attitude, awareness and actions of management. The accounting system consists of methods and records established to identify, assemble, analyze, classify, record and report transactions. Control procedures are those policies and procedures in addition to the control environment and accounting system that management has established to safeguard the organization's resources.

In Section 3.3 below, we have described our findings and recommendations arising under these three elements of the auditee's internal control structure.

3.2.2 Work Performed

Our review of the internal control structure was directed towards those significant policies and procedures which relate to the nature of project funding arrangements. These policies and procedures are as follows:

Control environment

- * General awareness of grant provisions and regulations;
- * Personnel, travel and procurement policies and procedures;
- * Organization structure and management.

Accounting system

- * General record keeping;
- * Bank account and reconciliation;

- * Reporting to USAID/Zimbabwe;
- * Claiming advances from USAID/Zimbabwe.

Control procedures

- * Authorization of payments;
- * Disbursement control procedures;
- * Travel and per diem control procedures.

3.3 Findings and Recommendations

Finding No. 11 on Failure to Adequately Reconcile and Review the Bursar's Monthly Statements

CASS and the Bursar's Department of the University of Zimbabwe each maintain a record of CASS USAID/Zimbabwe grant expenditure, however, these records have never been properly reconciled. The result of this is that as at December 31, 1993 there was an unreconciled difference of US\$1,911 (Z\$8,942) between the balance on the Fund Statement per CASS and the balance on the Fund Statement per the Bursar's Department.

The differences between the Bursar's statements and those of CASS arise primarily due to the fact that CASS records its transactions on the transaction date whereas the Bursar's Department records its transactions on the data capture date which can be several weeks later. The reconciling item indicated in Section 2.2.5 arose due to the fact that the Bursar's Department could not identify the origin of the receipt from USAID/Zimbabwe for allocation to a project code which resulted in the receipt remaining unallocated for five months in the Bursar's Department.

Recommendation No. 11

We recommend that the Bursar's statements be reconciled to the records maintained by CASS on a monthly basis and that this reconciliation be reviewed by a senior official.

Auditee Comments

Firstly, it should be noted that the University's Bursar's Department is responsible for all financial reporting not University Departments. Departments are expected to keep a commitment register. The Bursar's Department is required to reconcile project expenditure to University bank account statements. The Centre did however attempt to reconcile its records with the University Bursar's Department; this

attempt was not successful due to the reasons stated in the Auditor's finding on this matter and in our paragraph 11 above. The Bursar's Department has been requested by the Centre to provide accurate balances on the project account and to use a transaction date for data entry of expenditure. Doing so will increase the Centre's capability to balance its records of expenditure with the Bursar's monthly. Computerisation changes which have been made within the Bursar's Department have virtually eliminate delays in posting expenditure to the project account and has ensured that every credit is immediately receipted.

Finding No. 12 on Failure to Maintain an Adequate Accounting System

During the course of the audit we noted that the accounting and control systems in the Bursar's Department which are used to record, accumulate and report USAID/Zimbabwe grant agreement expenditures were inadequate. The accounting and control system could not be relied upon by CASS to provide the necessary complete, accurate and timely information for submission of claims for reimbursement to USAID/Zimbabwe. This resulted in CASS having to maintain their own independent records of each transaction as an alternative to the Bursar's Departments accounting records.

The failure to maintain an adequate accounting and control system to substantiate charges to the grant has resulted in the submission of unsupported claims which have been rejected by USAID/Zimbabwe. In addition the inadequate accounting system has also caused a delay in the submission of claims to USAID/Zimbabwe.

Recommendation No. 12

We recommend that an adequate accounting and control system be established which would ensure compliance with USAID/Zimbabwe's reporting requirements.

Auditee Comments

Agreed. The accounting and control system which is now in place in the Bursar's Department ensures that receipts and payments are accounted and recorded instantaneously to the relevant cost centres. Measures have been taken to ensure that the Centre is provided with complete, accurate and timely information for the submission of claims for reimbursement to USAID.

Finding No. 13 on Inadequate Audit Trail of Transactions to Supporting Documentation

During the course of our audit we noted that the audit trail of a transaction originating from CASS through to the original supporting documentation in the

Bursar's Department was inadequate. We experienced considerable difficulty in tracing documents through the accounting system and CASS had to contract-in outside accountants to retrieve original source documentation from the Bursar's Department.

The failure to have an adequate audit trail to source documentation also makes it difficult for CASS to submit claims for reimbursement on a timely basis with all the supporting details required by USAID/Zimbabwe.

Recommendation No. 13

We recommend that an adequate audit trail of all transactions to supporting documentation should be maintained.

Auditee Comments

Agreed. The system of filing checks which was in place in the Bursar's Department needed overhauling. This has since been done and an adequate audit trail of all transactions to paid up checks is now in place. The Bursar's Department has also had difficulty in the filing and retrieval of salary documentation and journal records.

Measures have been taken to ensure that all original records are available, accessible and accounted for at all times.

Finding No. 14 on Inadequate Controls over Expenditure

We noted that for the majority of expenses, including advances, no formal official orders were issued and approved prior to payment of the expense.

The failure to make use of official authorized orders could result in unauthorized expenditure being incurred. This is a particular problem since CASS does not always analyze the Bursar's statements for possible unauthorized expenditures.

Recommendation No. 14

We recommend that expenditure be approved using an official order form before it is incurred and not only on payment.

Auditee Comments

Firstly, we advise that the Auditor's comments are not applicable to travel advances. The finding refers to purchases made on official University purchase order forms.

The Centre affirms that only in a few isolated instances did it not obtain and submit formal authorized purchase orders for purchases prior to the payment of expenses incurred.

The Centre has always and continues to scrutinise every supplier invoice before it authorizes the University's Creditor's Department to issue payment to the supplier. Whenever an invoice has been attributed incorrectly to the Centre the Bursar's Department has been requested to make the necessary correction. However, such corrections have not usually been made timeously.

The Centre understands from the Bursar's Department that the internal control structures have been improved to sufficiently correct errors as well as to ensure that official orders when required are issued prior to payment of expenses. The Bursar's Department does however make certain direct block charges of an administrative nature (ie. telephones, licensing, insurance) to all University votes. However, in these cases departmental approval is not requested prior to debit. The Centre has been advised that it is too cumbersome to implement and operate a system that would obtain departmental approval prior to the debit of such costs.

Finding No. 15 on Incorrect Charges to the USAID/Zimbabwe Grant Account

We noted several instances during the course of the audit of the Fund Accountability Statement where non-USAID/Zimbabwe related expenditure was charged against the USAID/Zimbabwe project account. This was caused by the failure of CASS to review the Bursar's statement on a regular basis. The failure to review the Bursar's statements means that there are no controls in place to ensure that only USAID/Zimbabwe grant related expenditure is charged to the grant account.

Discussion

We, however, noted in correspondence between CASS and the Bursar's Department that attempts were made to report these mischarges to the grant account ledger but not all these mischarges were identified and corrected.

Recommendation No. 15

We recommend that the monthly Bursar's statement be scrutinized to ensure that only USAID/Zimbabwe grant related expenditures are charged against the grant account.

Auditee Comments

The Centre objects to the Auditor's comments as the implications are that it was

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negligent in its responsibility to note errors of misposting and to take steps to have these corrected. Correspondence on Centre's file (available since the initial audit exercise and throughout the resumed audit) testifies that CASS did review Bursar's statements regularly and endeavour to have corrections made.

If the Centre were not regularly reviewing the Bursar's statements more than the seven records cited in the Auditor's report could have been included here. The Centre has discussed with the Bursar's Department on numerous occasions the need for immediate response/action to Centre requests for adjustments to the project account. We do not believe the finding is an accurate reflection on the Centre's administration of grant funds on this matter.

Finding No. 16 on Fuel Vouchers Without Vehicle Registration Numbers

~~During the course of the audit we noted that fuel vouchers do not always have~~ vehicle registration numbers recorded on them and that vehicle log sheets are not always maintained up-to-date. The failure to record the vehicle registration number on the fuel vouchers makes it difficult to determine whether the fuel costs relate to only the CASS-USAID/Zimbabwe vehicles. In addition, the failure to maintain an up to date vehicle log sheets reduces the level of control that CASS has over the use of its USAID/Zimbabwe vehicles.

Recommendation No. 16

We recommend that CASS implement controls to ensure that all fuel bills have vehicle registration numbers recorded on them and that vehicle log sheets are completed for all trips. The vehicle log sheets should be reviewed by a senior official on a regular basis.

Auditee Comments

Agreed. The Centre has recorded vehicle registration numbers on fuel vouchers cited in the Auditor's report and included copies of these and mileage estimates. Controls have been implemented within the Centre to ensure that all fuel bills/repair bills have vehicle registration numbers recorded on them and that log sheets are completed for all trips and reviewed at regular intervals by the project leader.

Finding No. 17 on Failure to Cancel Documents Processed for Payment

We noted that documents supporting payment requisitions were not stamped "paid" once processed for payment. This could result in a duplicate payment of the same expenditure voucher.

Recommendation No. 17

We recommend that documents supporting payment be stamped "paid" once processed for payment in order to avoid duplicate payment of expenditure.

Auditee Comments

Agreed. The Centre will ensure that in future all documents supporting payment against requisitions are stamped "paid" once processed for payment to avoid duplication of payment of the same payment voucher.

Price Waterhouse Meyernel



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4 COMPLIANCE WITH GRANT PROVISIONS AND US GOVERNMENT REGULATIONS

4.1 Independent Auditor's Report

We have audited the Fund Accountability Statement of the Centre for Applied Social Sciences for the period September 15, 1989 to December 31, 1993 (see Section 2.2) and have issued our report thereon dated July 31, 1994 (see section 2.1).

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 Government Auditing Standards (1988 Revision) issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Fund Accountability Statement are free of material misstatements.

Compliance with laws, regulations, contracts and grants applicable to the Centre for Applied Social Sciences is the responsibility of the management of the Centre for Applied Social Sciences. As part of obtaining reasonable assurance about whether the Fund Accountability Statement is free of material misstatement, we performed tests of the Centre for Applied Social Sciences compliance with certain provisions of laws, regulations, contracts and grants. However, our objective was not to provide an opinion on overall compliance with such provisions.

We noted a number of immaterial instances of non-compliance, that we have reported in Section 4.3.

The results of our tests of compliance indicate that, with respect to the items tested, the Centre for Applied Social Sciences complied, in all material respects, with the provision referred to in the third paragraph of this report, and with respect to items not tested, nothing came to our attention that caused us to believe that the Centre for Applied Social Sciences had not complied, in all material respects, with those provisions.

Financial information contained in this report may be privileged. The restrictions of 19 USC 1905 should be considered before any information is released to the public. This report is intended solely for the use of the Centre for Applied Social Sciences, and the United States Agency for International Development, but this is not intended to limit the distribution of the report, if a matter of public record.

Price Waterhouse

July 31, 1994

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4.2 Introduction

USAID requires all grantees regardless of the country or legal entity, to comply with the terms of conditions included in the grant agreement, attached provisions and referenced procurement regulations. In general, such compliance cannot be waived by a Mission or by USAID/Washington.

Procedures performed in this audit to test compliance with the agreement and related provisions included:

- * a review of grant agreement provisions and related regulations to identify those provisions and regulations which could have a material affect on the financial statements; and
- * audit procedures including detailed testing to evaluate the Centre for Applied Social Sciences compliance with these provisions and regulations.

4.3 Findings and Recommendations

Finding on No. 18 on No Separate Bank Account for USAID/Zimbabwe Funds

We noted that CASS did not maintain a separate bank account for USAID/Zimbabwe grant funds but used the University of Zimbabwe Bursar's Department to make grant disbursements. The mandatory standard provision applicable to Non-US, Non-Governmental grantees state that "the grantee shall deposit all USAID/Zimbabwe advances in a separate bank account and shall make disbursements for goods and services from this bank account".

Discussion

The grant agreement provided for periodic advances by USAID/Zimbabwe to CASS. However, by mutual agreement between USAID/Zimbabwe and CASS all disbursements have been in the form of reimbursements for eligible expenses instead of advances. Consequently CASS did not open up a separate bank account since no advances were received from USAID/Zimbabwe.

Recommendation No. 18

We recommend that this mutual agreement whereby funds are only provided by USAID/Zimbabwe to CASS on a reimbursive basis instead of by means of advances be formally documented.

Auditee Comments

Firstly, it was not the Centre's responsibility to maintain a separate bank account for project funds but the University's as it is the grant recipient on behalf of CASS. The Centre does not have the mandate to open a separate bank account. The Bursar's Department is the recognised financial representative and administrator of all University funds.

Secondly, the "failure" to open a separate bank account was not as implied a deliberate neglect/disregard for the relevant US mandatory standard provision. The departure from the US mandatory standard provision was as indicated in the discussion section of the Auditor's finding, "by mutual agreement".

We therefore object to the substance and wording of this finding. It should be clearly stated as in the minutes of the meeting between USAID, CASS and the Bursar's Department (May 1990) that the University had been mandated by its governing bodies to operate only one bank account. Because of this limitation, not a deliberate decision it was agreed at this meeting that the University of Zimbabwe would advance money to CASS for project activity and subsequently submit claims to USAID for reimbursement.

We do agree with the Auditor's recommendation that this mutual agreement should be formally documented beyond the minutes referred to above.

Finding No. 19 on Failure to Comply with Reporting Requirements Concerning Cost Reimbursement Reports

We noted that the Centre for Applied Social Sciences has been very slow in submitting its financial reports to USAID/Zimbabwe for reimbursement. The mandatory standard provision applicable to Non-US, Non-Governmental grantees state that "the grantee shall submit to the USAID Controller Public Voucher SF 1034 ... on a monthly basis and in no event no later than on a quarterly basis. As indicated in our findings on the fund accountability statement, US\$88,204 of long overdue expenditure claims have still not been submitted for reimbursement to USAID/Zimbabwe.

Recommendation No. 19

We recommend that complete and accurate financial reports be submitted on a monthly basis but no less often than on a quarterly basis to USAID/Zimbabwe for the reimbursement of expenditure.

Auditee Comments

It is our position that this comment should be incorporated under the Internal Controls Section of the Auditor's report. Firstly, the Centre was not receiving periodic advances from USAID/Zimbabwe but was by mutual agreement operating on a cost reimbursement basis.

Secondly, as indicated to the Auditor throughout the audit exercise, there were extenuating circumstances to the lack of timeous submission of claims for reimbursement to the USAID/Zimbabwe Mission. These were the major illness of key Centre staff responsible for grant administration, delays and complications in the Bursar's Department, and lack of timeous advice from the USAID/Zimbabwe Mission regarding its requirements for original documents involving sales tax.

Nevertheless, the Centre agrees that the delayed submission of claims is not appropriate and is making efforts to ensure that future claims following the conclusion of this audit and the submission of outstanding claims are submitted on at least a quarterly basis. The Centre is in the process of hiring a qualified accountant who amongst other responsibilities will be expected to scrutinise and process all Centre project expenditure in keeping with required donor standards.

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APPENDIX A

DETAILED SCHEDULE OF INELIGIBLE COSTS

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CENTER FOR THE APPLIED SOCIAL SCIENCES
GRANT AGREEMENT NO. 690-0251-G-9002-00

APPENDIX A

DETAILED SCHEDULE OF INELIGIBLE COSTS

FOR THE PERIOD December 5, 1989 to December 31, 1993.

Sample No.	Date	Payee	Doc Ref	Total	Field	Project	Operating	Training	DETAILS
				Ineligible	Research Ineligible	Management Ineligible	Costs Ineligible	Costs Ineligible	
				Z\$	Z\$	Z\$	Z\$	Z\$	
149	08.02.92	S Chikandi	XTR0193	61			61		Various meals when per diems were claimed.
90	17.03.92	Prof M W Murphree	C405733	6			6		Drinks claimed when per diem was already claimed
67	16.12.91	J Jackson	J6903	68			68		Groceries paid but per diem already claimed of \$68.
96	29.04.92	E Madzudzo	PC506	240			240		Various meals when per diems were claimed.
15	19.04.91	Zimbabwe Trust	C89827	62	62				Meal costs disallowed as per diems were claimed.
90	17.03.92	Prof M W Murphree	C405733	41			41		Meal costs claimed when per diems were paid.
Meals and food costs claimed in addition to per diem				478	62	0	416	0	
97	18.05.92	Pegasus T.	J1480	1,011			1,011		Service of Reg 496-051K which is a FORD Foundation vehicle.
68	31.12.91	Zimitra Motors	C209523	1,013			1,013		Service of Datsun 1800 pick-up Not a CASS vehicle.
94	03.04.92	J Jackson for L King	C209545	81			81		Fuel used for FORD Foundation vehicle Reg 496-051K.
32	30.08.91	R Hasler	L73762	1,643		1,643			Expenditure on a Non-USAID research trip to Kanyemba, Mashumbi.
51	28.11.91	George Hotel	J4982	485		485			Non USAID Project expenditure
114	23.07.92	Car Guard	J3145	305			305		Supply and fitting of steering locks and cut-off switches on non-USAID
124	11.09.92	Prof L King	C46366	689		689			Non USAID Project expenditure
125	11.09.92	Prof L King	R920817	324		324			Non USAID Project expenditure
1	24.07.90	R Hasler	C73762	1,643		1,643			FORD Foundation expenditure charged to USAID
133	22.10.92	UZ	J1509	37			37		Fax costs. Internal charge. Fax on NORAD project mischarged to USAID.
Non-USAID project expenditure				7,231	0	4,784	2,447	0	

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APPENDIX A

DETAILED SCHEDULE OF INELIGIBLE COSTS

FOR THE PERIOD December 5, 1989 to December 31, 1993.

Sample No.	Date	Payee	Doc Ref	Total Ineligible Z\$	Field Research Ineligible Z\$	Project Management Ineligible Z\$	Operating Costs Ineligible Z\$	Training Costs Ineligible Z\$	DETAILS
90	17.03.92	Prof M W Murphree	C405733	6			6		Gratuity
156	25.08.93	L A King	C440477	5,456	5,456				Replacement of cheque on selection # 119 when it was paid. Whole amount
				5,456	5,456	0	0	0	
TOTAL in Z\$				13,171	5,518	4,784	2,869	0	
TOTAL in US\$				2,430	1,018	883	529	0	

APPENDIX B

DETAILED SCHEDULE OF UNSUPPORTED COSTS

CENTER FOR THE APPLIED SOCIAL SCIENCES
 GRANT AGREEMENT NO. 690-0251-G-9002-00

APPENDIX B

DETAILED SCHEDULE OF UNSUPPORTED COSTS

FOR THE PERIOD September 15, 1989 to December 31, 1993.

Sample No.	Date	Payee	Doc Ref	Total	Field	Project	Operating	Training	DETAILS
				Unsupported	Research	Management	Costs	Costs	
				Z\$	Z\$	Z\$	Z\$	Z\$	
106	29.05.92	Zimbabwe Trust	R17350	4,183			4,183		Unsupported reimbursements. Cash advances, no vouchers. Per CASS originals with AID. Cash advances, but no vouchers.
94	03.04.92	J Jackson for L King	C209545	695			695		
24	18.06.91	M Murphree	C94409	7,000			7,000		
94	03.04.92	J Jackson for L King	C209545	325			325		
Inadequate original support of advance liquidation				12,203	0	0	12,203	0	

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CENTER FOR THE APPLIED SOCIAL SCIENCES
GRANT AGREEMENT NO. 690-0251-G-9002-00

APPENDIX B

DETAILED SCHEDULE OF UNSUPPORTED COSTS

FOR THE PERIOD September 15, 1989 to December 31, 1993.

Sample No.	Date	Payee	Doc Ref	Total	Field	Project	Operating	Training	DETAILS
				Unsupported	Research	Management	Costs	Costs	
				Z\$	Z\$	Z\$	Z\$	Z\$	
103	21.05.92	S Chikandi	R920429	1,636			1,636		No original vouchers available for field research expenses in Hwange and Binga.
94	03.04.92	J Jackson for L King	C209545	136			136		No original supporting voucher available for cost of accommodation.
111	15.07.92	Gross Salaries	J2897	7,926	7,926				Unsupported portion of gross salary earning (ie Z\$10,426 - Z\$ 7926)
94	03.04.92	J Jackson for L King	C209545	120			120		No original voucher
74	27.02.92	F Hanyane	J355	450	450				No original evidence of payment
106	29.05.92	Zimbabwe Trust	R17350	500			500		No original supporting documentation available for vehicle expenses
106	29.05.92	Zimbabwe Trust	R17350	47			47		No original supporting documentation available for vehicle expenses
53	10.12.91	CIMAS	J5227	2,361	2,361				No CIMAS (medical aid fund) voucher to support payments for CASS employees.
94	03.04.92	J Jackson for L King	C209545	300			300		No supporting documentation for accommodation.
3	12.10.90	Madzudzo	J1022	6,214	6,214				Salary and medical aid. Payroll not found.
94	03.04.92	J Jackson for L King	C209545	20			20		No original voucher for purchase of key service and reflective disk.
135	25.11.92	Salaries-Other Allowan	J1718	935	935				Other allowances-Oct 92. Payroll not found. Disallowed as it was not considered
119	18.08.92	Prof L King		664			664		No original accomodation and meal vouchers not available.
15	19.04.91	Zimbabwe Trust	C89827	300	300				No original supporting documentation available for vehicle expenses
15	19.04.91	Zimbabwe Trust	Inv3765	945	945				No original suppliers invoice.
Inadequate original supporting documentation				22,555	19,131	0	3,424	0	

CENTER FOR THE APPLIED SOCIAL SCIENCES
GRANT AGREEMENT NO. 690-0251-G-9002-00

APPENDIX B

DETAILED SCHEDULE OF UNSUPPORTED COSTS

FOR THE PERIOD September 15, 1989 to December 31, 1993.

Sample No.	Date	Payee	Doc Ref	Total Unsupported	Field Research Unsupported	Project Management Unsupported	Operating Costs Unsupported	Training Costs Unsupported
				Z\$	Z\$	Z\$	Z\$	Z\$
15	19.04.91	Zimbabwe Trust	C89827	620	620			
23	18.06.91	W Muhwava	C94408	1,460			1,460	
Inadequate evidence of receipt of payment				2,080	620	0	1,460	0

DETAILS

Per diem was not signed for.

No signed and authorized per diem schedule/ advance cancelled but not reimbursed.

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GRANT AGREEMENT NO. 690-0251-G-9002-00

APPENDIX B

DETAILED SCHEDULE OF UNSUPPORTED COSTS

FOR THE PERIOD September 15, 1989 to December 31, 1993.

Sample No.	Date	Payee	Doc Ref	Total	Field	Project	Operating	Training
				Unsupported	Research	Management	Costs	Costs
				Z\$	Z\$	Z\$	Z\$	Z\$
149	08.02.92	S Chikandi	XTR0193	1,337			1,337	
119	18.08.92	Prof L King		523			523	
Inadequate support of vehicle costs				1,860	0	0	1,860	0

DETAILS

No log sheets were submitted with fuel claims.

Fuel bills with no supporting vouchers.

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APPENDIX B

DETAILED SCHEDULE OF UNSUPPORTED COSTS

FOR THE PERIOD September 15, 1989 to December 31, 1993.

Sample No.	Date	Payee	Doc Ref	Total Unsupported	Field Research Unsupported	Project Management Unsupported	Operating Costs Unsupported	Training Costs Unsupported
				Z\$	Z\$	Z\$	Z\$	Z\$
137	21.12.92	Prof M W Murphree	Inv025823	5,985			5,985	
91	23.03.92	E Madzudzo	C406007	799			799	
101	21.05.92	M W Murphree	R8650	6,177		6,177		
Inadequate support as no original documentation availa				12,961	0	6,177	6,784	0

DETAILS

No original supporting vouchers available for expenditure on field research
Subsistence. Only photocopies of vouchers are on file.

No original supporting vouchers were available for costs of field research assistants

CENTER FOR THE APPLIED SOCIAL SCIENCES
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APPENDIX B

DETAILED SCHEDULE OF UNSUPPORTED COSTS

FOR THE PERIOD September 15, 1989 to December 31, 1993.

Sample			Total	Field	Project	Operating	Training	
No.	Date	Payee	Unsupported	Research	Management	Costs	Costs	DETAILS
		Doc Ref	Z\$	Unsupported	Unsupported	Unsupported	Unsupported	
			Z\$	Z\$	Z\$	Z\$	Z\$	
120	19.08.92	Golden Stairs	C414224	984			984	Unable to locate paid check
113	20.07.92	Gross salaries	J2920	7,926	7,926			Unable to locate paid check
35	25.07.91	Golden Stores Garage	J3222	742			742	Unable to locate paid check
7	31.12.90	E Madzudzo	S10541	500			500	Unable to locate paid check
Inadequate support of actual payment				10,152	7,926	0	2,226	0

APPENDIX C

LIST OF REPORT RECOMMENDATIONS

APPENDIX C

Number	Recommendation
1	We recommend that the Mission determine the allowability appropriate the ineligible meal and food costs of US\$88.
2	We recommend that the Mission determine the allowability of the ineligible non-USAID/Zimbabwe project expenditure of US\$1,334.
3	We recommend that the Mission determine the allowability of the ineligible expenditure on gratuities and refreshments of US\$1.
4	We recommend that the Mission determine the allowability of the ineligible duplicate expenditure payments of US\$1,006.
5	We recommend that the Mission determine the allowability of the unsupported advances of US\$2,251.
6	We recommend that the Mission determine the allowability of the inadequately supported expenditure of US\$4,161.
7	We recommend that the Mission determine the allowability of the per diem expenditure of US\$384 which is without adequate evidence of receipt of the payment by the recipient.
8	We recommend that the Mission determine the allowability of the unsupported vehicle running costs of US\$343.
9	We recommend that the Mission determine the allowability of the expenditure of US\$2,391 which could not be supported by original documentation.
10	We recommend that the Mission determine the allowability of US\$1,873 expenditure relating to payments which could not be supported by returned bank stamped checks.

Number	Recommendation
11	We recommend that the Bursar's statements be reconciled to the records maintained by CASS on a monthly basis and that this reconciliation be reviewed by a senior official.
12	We recommend that an adequate accounting and control system be established which would ensure compliance with USAID/Zimbabwe's reporting requirements.
13	We recommend that an adequate audit trail of all transactions to supporting documentation should be maintained.
14	We recommend that expenditure be approved using an official order form before it is incurred and not on payment.
15	We recommend that the monthly Bursar's statement be reviewed to ensure that only USAID/Zimbabwe grant related expenditure is charged against the account.
16	We recommend that CASS implement controls to ensure that all fuel bills have vehicle registration numbers recorded on them and that vehicle log sheets be completed for all trips. The vehicle log sheets should be reviewed by a senior official on a regular basis.
17	We recommend that documents supporting payment be stamped "paid" once processed for payment in order to avoid duplicate payment of expenditure.
18	We recommend that this mutual agreement whereby funds are only provided by USAID/Zimbabwe to CASS on a reimbursive basis instead of by means of advances be formally documented.

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Number	Recommendation
19	We recommend that complete and accurate financial reports be submitted on a monthly basis but no less often than on a quarterly basis to USAID/Zimbabwe for reimbursement of expenditure.

APPENDIX D

**CENTRE FOR APPLIED SOCIAL SCIENCES
COMMENTS ON AUDIT FINDINGS**

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Centre for Applied Social Sciences



UNIVERSITY OF ZIMBABWE

RESPONSE TO THE USAID/ZIMBABWE MISSION
AGENCY-CONTRACTED AUDIT OF
THE CENTRE FOR APPLIED SOCIAL SCIENCES'
NATURAL RESOURCES MANAGEMENT PROJECT
GRANT AGREEMENT NUMBER 690-0251-G-00-9002-00
FOR THE PERIOD OF 15 SEPTEMBER 1989 TO DECEMBER 31 1993

In accordance with the audit exit conference (25 October 1994), the Bursar and the Centre submit herewith the required auditee comments on the draft audit report prepared by Price Waterhouse as contracted by the USAID/Zimbabwe Mission. Our response consists of 6 sections: a) background, b) method of response, c) response to the audit findings, d) comments on the Auditor's accuracy, Appendix A and Appendix B. Appendix B is accompanied by various supporting financial records and documents (Appendices B 1 - B 6). Appendices B 1 - B 6 follow the order and headings of the Auditor's Appendix B and documentation within both Centre appendices can be referenced easily to the Auditor's detailed schedules.

W Kawadza
Mrs W Kawadza
PROGRAMME ADMINISTRATOR

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A. Background

The Centre's USAID funded natural resource management project account was audited for the period of 1990-1993 by Price Waterhouse. This was a USAID agency contracted audit. The audit was initially begun in November 1993 but was postponed due to extenuating circumstances.

In the interim Price Waterhouse (Harare) was contracted by the Centre to identify locate, retrieve and organized documentation within the Bursar's Department which would be required during the resumption of the audit. This exercise was carried out during January and February 1994. The audit was resumed in June from the 6th to the 10th. All Centre records relevant to the project account were made available to the Auditor and Centre staff responsible for grant administration were available for consultation, did provide advice and responded to queries throughout the audit.

The audit report was received on 25 October 1994, at the exit conference held in the Centre's library. Representatives of the Centre, USAID/Zimbabwe, the University's Bursar's Department and Price Waterhouse were in attendance. The Agenda for the exit conference was decided and agreed to as follows:

1. Status of the audit
2. Process of Agency contracted audit
3. Lead through the audit report and
4. Discussion
5. Recommendations

It was the Centre's and the Auditor's view that the clearest audit trail of Centre Financial administration of project funds would only be possible if the Centre has its own separate bank account for this project. The Centre and the University's Bursar's Department were expected to make a joint response to the audit report within 30 days of the exit conference.

B. Method of Response

All audit findings have been considered by the Centre and the Bursar's Department. The Centre has reviewed and responded to each record and comment listed in the

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Auditor's report, appendices A - B. Relevant financial documentation was re-examined in light of the Auditor's specific comments. Required corrections to the project account have been noted and the Bursar's Department has made the necessary adjustments to the project account ledger.

This response is made to the Auditor's report sections 2 - 4: the fund accountability statement, internal control structures, and compliance with grant provisions and US Government regulations. Detailed responses to individual cited records of expenditure are contained in our appendices A and B. Titles and the order of our appendices are the same as those contained in the Auditor's appendices.

D. Response To Findings

Fund Accountability Statement

1. Meals and Foods costs claimed - US\$ 315 (ZD\$ 1,708)

The Centre's per diem policy (UZ Camping allowance) has always been available to staff on an unproven basis which is consistent with the University of Zimbabwe policy. Centre policy has and does prohibit claiming meals and per diem on the same day. In respect to the audit finding there are 6 instances out of 16 in which this policy was inadvertently not observed. The Centre wishes it noted however that 10 of the 16 cited instances of violation of Centre per diem policy and the "mandatory" standard provisions for Non-US, Non-governmental grantees, Section 1 were in actual fact not in contravention to either Centre or US Governmental regulations. We have made detailed responses to the individual records pertaining to this finding in our Appendix A, pages 1 through 9. Centre per diem policy was explained to the Auditor during the audit. The amount of time involved in re-examining the relevant records could have been avoided had more care and attention been given to accurate application of Centre policy to the record samples. We also advise that record number 149, Appendix A under this section is ineligible as the accounting for the expenditure was found unacceptable by the Centre prior to the audit. Advice was given to the Bursar's Department and this documentation was on file during the audit. The Bursar

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has been requested to credit the project vote in respect of the total value of this record. It is the Centre's view that of the ZD\$ 1708 cited as ineligible only ZD\$ 954 is ineligible according to Centre per diem policy.

We also wish to note that at no time during the period of 1990 - 1993 did Centre per diem allowance exceed US Government rates. Furthermore it should be noted that the Centre's per diem rates were always below University set rates until 1993 when Centre rates were rationalised to the University's. The Centre and the University are requesting the USAID/Zimbabwe Mission to consider the total reimbursement of funds under this finding.

2. Non USAID/Zimbabwe Project Expenditure - US\$ 1 059 (Z\$ 5,733)

The Centre generally concurs that non-USAID project expenditure of US\$ 1 059 was paid out of the project account. Of the 10 records cited five occurred because of data entry errors/weaknesses in internal control structures beyond the Centre's control within the Bursar's Department. Of the remaining 5, one is due to a Centre data entry error; 4 were correctly charged to the project. Of these 4 two charges relate to non-USAID project vehicles which were used by USAID project staff during periods when USAID project vehicles were not operable or down for repair. The Centre is not able to substantiate the charges and has requested the Bursar to credit the project account from the Centre's Ford Foundation project account. The other 2 charges relate to meals and gratuity. The Centre's internal controls were lacking in regards to the 4 errors. More care has since been given to examination of documentation for allowability and allocability within the Centre and internal control structures are being revamped in both the Centre and Bursars Department.

3. Gratuities and Refreshments - US\$ 2 (ZD\$ 10.00)

The Centre notes that claims referred to into this finding have been included already under finding 2 of the Auditor's report. In the case of the gratuity, we concur that the \$6 ZD is not allowable. However in the case of refreshments we advise that the staff member was entitled to \$40 per diem which she did not take in

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full. We believe that "refreshment" can be interpreted to mean food. In any event expenditure of ZD\$4 out of a ZD\$40 per diem when no other food costs were charged is in our opinion reasonable, allocable and allowable. Consideration to reimbursement of these charges is requested by the Centre and University.

4. Duplicate Payments of Expenses US\$ 1,172 (ZD\$ 6,355)

We agree with the Auditor's finding : two duplicate payments of expenditure were made. Our response to the relevant records (our Appendix A, section 2, nos. 105, 156) refers.

Correction/adjustment to the project account rests with the Bursar's Department. Internal controls were inadequate; better internal controls have been put in place so that duplications will not continue to be made. The Bursar's Department has been requested to credit the project account the equivalent of the duplication and recover its costs from other sources subsequently.

5. Inadequate Support for Advance - US\$ 3,252 (ZD\$ 417,626)

Firstly, we advise that original vouchers for 1993 were available during the audit and that the Auditor was so advised. Certified copies of 1993 vouchers where cited are provided with this response. Secondly, it was stated at both the audit entrance and exit conferences that original financial documentation was subjected to multiple handling with ultimate hand over to the USAID/Zimbabwe Mission. Thirdly, copies on file in the Centre and Bursar's Department have been made from the original document. The Centre is well aware that documents and other evidence must be "maintained to substantiate charges to the grant". We also advise that it is not University policy for staff members to submit proof of camping per diem expenditure. Staff members are required to liquidate an advance for per diem by providing the dates for which it was incurred. Signatures are recorded to the Bursar's copy upon collection of an advance. However if a requisition is posted instead of being collected no signature is obtained. To compensate for this Bursar's internal control weakness the Centre began last year during the initial inception of the project audit to obtain signatures for advances/accounting for advances on all Centre requisitions subsequent to collection/receipt by

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signatures for advances/accounting for advances on all Centre requisitions subsequent to collection/receipt by the Centre staff members. Where we could we have obtained and enclosed evidence of advance liquidation. The Centre and University are requesting the USAID/Zimbabwe Mission to consider total reimbursement for this expenditure.

6. Inadequate Support in Documentation for Expenditures
US\$ 6,407 (ZD\$ 34,726)

Our comments under paragraph 5 above refer. We believe it unfair to lay all the blame for inadequate documentation on CASS and the Bursar's Department in light of the frequent handling and movement between the two departments and USAID.

During the period of preparation for the resumption of the audit (Jan - Feb 94) original documents for 1990 - 1992 had to be retrieved from USAID. In some cases it was clear that somehow these documents were no longer in their original constitution.

Where possible the Centre has obtained supporting documentation for this expenditure and this is submitted at the end of our response. In respect of the detailed records of expenditure the Centre has managed to obtain supporting vouchers for ZD\$ 25,622.

The Bursar's Department is the official keeper of all vouchers/records of salary and related payments. The Centre is unable to produce the mentioned supporting documents for salary and related payments. However it has obtained and enclosed where possible employee affidavits. The USAID/Zimbabwe Mission is requested by the Centre and University to reimburse the total of expenditure cited under this finding.

7. Inadequate evidence of receipt of per diem payment -
US\$ 1,569 (ZD\$ 8,305)

The Centre advises that of the 12 records cited under this section 2 (records 125 and 23) have been referred to the Bursar again for removal from the project account. Our detailed comments in Appendix B 3 refer. The Centre has obtained and encloses confirmations of receipt for the remaining 10 records of expenditure. The USAID/Zimbabwe Mission is requested to consider the full reimbursement of this amount. The Centre has

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instituted measures to ensure that receipt of per diem is always confirmed by the recipients.

8. Inadequate Support of Vehicle Costs - US\$ 2,182 (ZD\$ 11,828)

Though the Centre was not aware that it was a requirement to record vehicle registration numbers to fuel invoices it affirms that fuel purchases and field travel were USAID project related and in accordance with the "mandatory" standard provisions for Non-US, Non Governmental grantees. Registration numbers and log sheets were not consistently recorded. Measures have since been introduced to ensure that mileage log sheets and registration numbers are recorded and checked routinely as a matter of course. For the cited records we submit herewith copies of fuel invoices on which vehicle registration numbers are now recorded. Schedules of estimated kilometres travelled are enclosed for cited claims.

Under the circumstances we are requesting USAID/Zimbabwe to reimburse the total ZD\$11,828. We advise that record number 149 is not an eligible cost as indicated in paragraph D1 above and in Appendix B4.

9. Original Supporting Documentation

We find the Auditor's comments baffling. We did advise during both audit conferences that original documentation covering the period 1990 - 1992 was submitted to the USAID/Zimbabwe Mission. It is therefore no longer possible for either the Centre or the Bursar's Department to produce original vouchers. Of the 4 records of expenditure referred to only one is a 1993 voucher; the original of this voucher and all other 1993 original vouchers were located in the Centre's library where the audit test was conducted. The files of original 1993 records were shown to the auditor. The Centre has enclosed a certified copy of the 1993 voucher following this report. It is our belief that the copies of the 1992 records are sufficient evidence to determine allowability and allocability. Original documentation for these is with the USAID/Zimbabwe Mission. Comment within the Auditor's report (finding 9 p. 17 discussion) refers.

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10. Inadequate Evidence of Cheque Payments - US\$ 11,504
(ZD\$ 62,350)

We would like to note that some of the references, payees and amounts in the Auditor's schedule are incorrect.

Subsequent to the exit conference attempts were once again made by Centre and Bursary staff to locate paid up cheques in the Bursar's Department. At no time prior to the audit was either the Centre or Bursar's Department advised that paid up cheques would be required for presentation during an audit. For those cheques which have been found we enclose herewith certified copies following this response. Where cheques have not been found the Centre has requested suppliers and individuals to provide confirmation of receipt of payment. Confirmations have been received and is on file from suppliers/individuals.

The Centre and the Bursars Department affirm that the expenditure referred to in Appendix B, p.6 of the Auditor's report was incurred solely for and in connection with the USAID project. Most of the relevant records relate to 1991 and 1992 expenditure and many suppliers and University records are no longer available or readily accessible.

We are therefore requesting the USAID/Zimbabwe Mission to consider reimbursement on the evidence of the available documentation. Measures have been instituted in the Bursar's Department to ensure that paid up cheques are systematically filed and easily retrieved. The USAID/Zimbabwe Mission is requested to consider the reimbursement of the total amount of ZD\$ 62,350.

11. Difference between the Centre for Applied Social Sciences financial record and the University of Zimbabwe's Bursar's Department financial records US\$ 1,911 (ZD\$ 8,942)

The Centre believes that its fund accountability statement is an accurate reflection of expenditure incurred during administration of the project over the period 1990 - 1993. Attempts were made to reconcile Centre accounts to Bursar Department accounts without success. This inability is mainly due to 2 factors in the Bursar's Department during the reporting period:

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1) delayed data entry and 2) inconsistent balances on the project account ledgers.

The University does not reconcile its accounts to departmental accounts and records kept by CASS were never intended for reconciliation with those kept in the Bursar's Department.

Records kept by CASS have been expenditure records only. The Centre will institute the University required commitment register for this project account. The Bursar's Department has been requested by the Centre to reconcile the difference of US\$ 1,911 (Z\$ 8,942).

Internal Control Structure

12. Failure to Maintain an Adequate Accounting System

Agreed. The accounting and control system which is now in place in the Bursar's Department ensures that receipts and payments are accounted and recorded instantaneously to the relevant cost centres. Measures have been taken to ensure that the Centre is provided with complete, accurate and timely information for the submission of claims for reimbursement to USAID.

13. Inadequate Audit Trail of Transactions to Supporting Documentation

Agreed. The system of filing cheques which was in place in the Bursar's Department needed overhauling. This has since been done and an adequate audit trail of all transactions to paid up cheques is now in place. The Bursar's Department has also had difficulty in the filing and retrieval of salary documentation and journal records.

Measures have been taken to ensure that all original records are available, accessible, and accounted for at all times.

14. Inadequate Controls over Expenditure

Firstly, we advise that the Auditor's comments are not applicable to travel advances. The finding refers to purchases made on official University purchase order forms.

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The Centre affirms that only in a few isolated instances did it not obtain and submit formal authorised purchase orders for purchases prior to the payment of expenses incurred.

The Centre has always and continues to scrutinise every supplier invoice before it authorises the University's Creditors Department to issue payment to the supplier. Whenever an invoice has been attributed incorrectly to the Centre the Bursar's Department has been requested to make the necessary correction. However such corrections have not usually been made timeously.

The Centre understands from the Bursar's Department that the internal control structures have been improved to sufficiently correct errors as well as to ensure that official orders when required are issued prior to payment of expenses. The Bursar's Department does however make certain direct block charges of an administrative nature (i.e. telephones, licensing, insurance) to all University votes. However in these cases departmental approval is not requested prior to debiture. The Centre has been advised that it is too cumbersome to implement and operate a system that would obtain departmental approval prior to the debiture of such costs.

15. Failure to Adequately Reconcile and Review the Bursar's Monthly Statements

Firstly, it should be noted that the University's Bursar's Department is responsible for all financial reporting not University departments. Departments are expected to keep a commitment register. The Bursar's Department is required to reconcile project expenditure to University bank account statements. The Centre did however attempt to reconcile its records with the University Bursar's Department; this attempt was not successful due to the reasons stated in the Auditor's finding on this matter and in our paragraph 11 above. The Bursar's Department has been requested by the Centre to provide accurate balances on the project account and to use a transaction date for data entry of expenditure. Doing so will increase the Centre's capability to balance its records of expenditure with the Bursar's monthly. Computerisation changes which have been made within the Bursar's Department have

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virtually eliminated delays in posting expenditure to the project account and has ensured that every credit is immediately receipted.

16. Incorrect Charges to the USAID/Zimbabwe Grant Account

The Centre objects to the Auditor's comments as the implications are that it was negligent in its responsibility to note errors of misposting and to take steps to have these corrected. Correspondence on Centre file (available since the initial audit exercise and throughout the resumed audit) testifies that CASS did review Bursar's statements regularly and endeavour to have corrections made.

If the Centre were not regularly reviewing the Bursar's statements more than the 7 records cited in the Auditor's report could have been included here. The Centre has discussed with the Bursar's Department on numerous occasions the need for immediate response/action to Centre requests for adjustments to the project account. We do not believe the finding is an accurate reflection on the Centre's administration of grant funds in this matter. Our comment for record nos. # 68, 32, 114 and 1 under section 2 of Appendix A refers.

17. Fuel Vouchers Without Vehicle Registration Numbers

Agreed. The Centre has recorded vehicle registration numbers on fuel vouchers cited in the Auditor's report and included copies of these and mileage estimates in Appendix B 4. Controls have been implemented within the Centre to ensure that all fuel bills/repair bills have vehicle registration numbers recorded on them and that log sheets are completed for all trips and reviewed at regular intervals by the project leader.

18. Failure to Cancel Documents Processed for Payment

Agreed. The Centre will ensure that in future all documents supporting payment against requisitions are stamped "paid" once processed for payment to avoid duplication of payment of the same payment voucher.

Compliance

19. Failure to Maintain a Separate Bank Account for USAID/
Zimbabwe Funds

Firstly, it was not the Centre's responsibility to maintain a separate bank account for project funds but the University's as it is the grant recipient on behalf of CASS. The Centre does not have the mandate to open a separate bank account. The Bursar's Department is the recognised financial representative and administrator of all University funds.

Secondly, the "failure" to open a separate bank account was not as implied a deliberate neglect/disregard for the relevant US mandatory standard provision. The departure from the US mandatory standard provision was as indicated in the discussion section of the Auditor's finding, "by mutual agreement".

We therefore object to the substance and wording of this finding. It should be clearly stated as in the minutes of the meeting between USAID, CASS and the Bursar's Department (May 1990) that the University had been mandated by its governing bodies to operate only one bank account. Because of this limitation, not a deliberate decision it was agreed at this meeting that the University of Zimbabwe would advance money to CASS for project activity and subsequently submit claims to USAID for reimbursement.

We do agree with the Auditor's recommendation that this mutual agreement should be formally documented beyond the minutes referred to above.

20. Failure to Comply with Reporting Requirements Concerning
Cost Reimbursement Reports

It is our position that this comment should be incorporated under the Internal Controls Section of the Auditor's report. Firstly, the Centre was not receiving periodic advances from USAID/Zimbabwe but was by mutual agreement operating on a cost reimbursement basis.

Secondly, as indicated to the Auditor throughout the audit exercise, there were extenuating circumstances to

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the lack of timeous submission of claims for reimbursement to the USAID/Zimbabwe Mission. These were the major illness of key Centre staff responsible for grant administration, delays and complications in the Bursar's Department, and lack of timeous advice from the USAID/Zimbabwe Mission regarding its requirements for original documents involving sales tax.

Nevertheless the Centre agrees that the delayed submission of claims is not appropriate and is making effort to ensure that future claims following the conclusion of this audit and the submission of outstanding claims are submitted on at least a quarterly basis. The Centre is in the process of hiring a qualified accountant who amongst other responsibilities will be expected to scrutinize and process all Centre project expenditure in keeping with required donor standards.

21. Inadequate level of Awareness of Mandatory Standard Provisions Applicable to Non-US, Non-Governmental Grantees

Again, as far as the Centre is concerned this is not an instance of non-compliance but weak internal controls.

Firstly, we have already stated in 20 above that the delayed submission of reimbursement claims was not deliberate but due to extenuating factors all of which involved not only the Centre but also the Bursar's Department and the USAID/Zimbabwe Mission. Secondly, we have already advised that original documentation for 1990 - 1992 was submitted to USAID/Zimbabwe. Thirdly, much of the adequate supporting documents referred to in this finding (such as receipts, paid up cheques, salary records etc) are not kept by the Centre but by the University's Bursar's Department and is not always readily available for retrieval at the Centre's request.

The Centre wishes to advise that it is making every effort within the sphere of its control to ensure that the US mandatory standard provisions are adhered to and that reimbursement claims it submits include all the necessary supporting details required by USAID/Zimbabwe Mission.

Concluding Comment.

Claims for expenditure were submitted to USAID/Zimbabwe and reimbursed as follows:

1. October 1990 - 31 December 1991 (ZD\$ 1,401.66):

<u>Submission</u>	<u>Reimbursement</u>	<u>Withheld</u>
Operating Cost \$1,401.66	\$1,401.66	-0-

2. 1st October 1990 - 31 December 1991 (ZD\$ 126,323.29):

<u>Submission</u>	<u>Reimbursement</u>	<u>Withheld</u>
Field research \$20,841.13	-0-	\$20,841.13
Operating Costs 80,819.88	\$44,111.57	36,708.31
Project Management 20,508.32	13,186.39	7,361.93
Equipment 4,153.96	4,153.96	-0-
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\$126,323.29	\$61,451.92	\$64,911.37

3. 1st January - December 1992 (ZD\$ 95,173.69):

<u>Submission</u>	<u>Reimbursement</u>	<u>Withheld</u>
Project Management \$15,298.19	\$13,891.19	\$1,407.00
Operating Costs 66,173.69	50,312.60	16,313.72
Field Researchers 7,288.89	578.67	6,710.22
-----	-----	-----
\$95,173.69	\$64,782.46	\$24,430.94

4. September 1990 - August 1993 (ZD\$ 292,448.04)

<u>Submission</u>	<u>Reimbursement</u>	<u>Withheld</u>
Salaries \$292,448.04	\$292,448.04	-0-

TOTALS

<u>Submission</u>	<u>Reimbursement</u>	<u>Withheld</u>
\$515,346.68	\$420,084.08	\$89,342.31

D. Comment on Auditor's Accuracy

The Centre wishes it to be noted that it has identified at least 36 errors within the Auditor's report. These errors caused substantial inconvenience in terms of Centre time and energy and in some cases contribute to and are examples of the incompetence and neglect implied in the audit report. These are recorded below by record number and in order of their sequence in the Auditor's appendices A and B. In general records would have been easier to follow up had the entire amount of the claim also been referenced and if the questioned amounts had always been specifically referenced to the particular voucher by date or name. This would have been most helpful as many man hours were spent just trying to identify the Centre record and the voucher related to the questioned cost.

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