

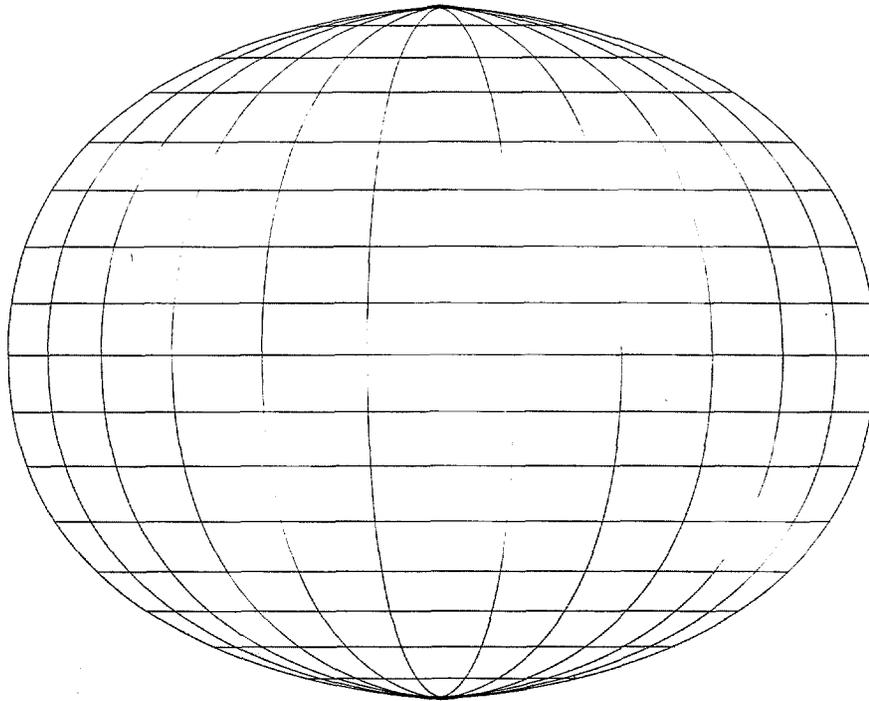
# Report of Audit

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Pre-award Audit  
of the Uzazi Na Malezi Bora  
Tanzania

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Report No. 4-621-97-006-N  
April 29, 1997



**Regional Inspector General for Audit/Pretoria**

**OFFICE OF INSPECTOR GENERAL  
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT**



April 29, 1997

U.S. AGENCY FOR  
INTERNATIONAL  
DEVELOPMENT

## MEMORANDUM

TO: Director, USAID/Tanzania, Lucretia D. Taylor

FROM: RIG/Pretoria, *Jim M. Elkins* for Joseph Farinella

SUBJECT: Agency-contracted Preaward Audit of the Uzazi Na Malezi Bora Tanzania (Audit Report No. 4-621-97-006-N)

*Regional  
Inspector General  
for Audit/Nairobi*

Attached are three copies of an Agency-contracted preaward audit of the Uzazi Na Malezi Bora Tanzania (UMATI). The accounting firm of Price Waterhouse, Kenya performed the audit.

USAID/Tanzania has received a proposal from UMATI requesting a one year USAID grant of Tsh. 198,713,920 (about \$332,854) for enhancing the quality of care and supervision in implementing the Permanent and Long Term (P&LT) Contraception Project. UMATI in collaboration with the Ministry of Health (MOH) has been implementing family planning clinic-based services through the P&LT Project for the last 8 years, and its services are now available in a total of 72 public and private sector sites. UMATI has requested a USAID grant because, at present, the Project has an insufficient supply of expendable surgical materials, inadequate infection prevention measures, inadequate supervision at Project sites, and inadequately trained service providers.

The USAID grant funds would be used to provide: (1) support for 6,000 minilap, 2,000 Norplant, and 80 vasectomy procedures; (2) approximately 2,400 liters of chlorine disinfectants per month for the 60 government and UMATI clinics involved in the Project; (3) travel funds for all regional MCH Coordinators, enabling them to provide at least 10 days of supervision visits to the Project sites per quarter; and (4) training for service providers.

UMATI has never received a grant from the U.S. Government. If their proposal is accepted, USAID/Tanzania expects to provide more than one grant to UMATI over the next three years.

The specific areas of concern were whether UMATI has:

- accounting, record keeping, and overall financial management systems that meet the Standards in Regulation 26;

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- a separate accounting system under the proposed grant that will adequately identify, segregate, accumulate, and record all costs;
- an adequate indirect cost recovery system that excludes unallowable indirect costs from the computation of the provisional indirect cost rate, in accordance with OMB Circular A-122 (UMATI will absorb all indirect costs under the current proposed grant, but may propose reimbursement for indirect costs in future grants after it has established an indirect cost rate); and
- an adequate procurement system that meets the Standards of Regulation 26 (the procurement element is more than 50 percent of the proposed grant).

The report contains various recommendations to improve UMATI's financial management systems, internal control structure, procurement of goods and services, property management systems, and indirect cost recovery system. It is the responsibility of USAID/Tanzania to ensure appropriate action is taken on all recommendations. However, we are including the following recommendation in the Office of the Inspector General's audit recommendation follow-up system.

**Recommendation No. 1: We recommend that USAID/Tanzania include a provision in any grant agreement executed with the Uzazi Na Malezi Bora Tanzania (UMATI) requiring UMATI to implement the improvements needed in its financial management systems, internal control structure, procurement of goods and services, property management systems, and indirect cost recovery system as a condition of continued USAID funding.**

A final management decision should be made and communicated to us indicating action planned or already taken to implement the recommendation. The recommendation may be closed when the Mission takes action appropriate to its 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 auditors and the Regional Inspector General representative during the audit.

Attachments: a/s

PRE-AWARD AUDIT  
OF THE UZAZI NA MALEZI BORA TANZANIA

ATTACHMENTS

AGENCY - CONTRACTED PRE-AWARD AUDIT OF  
THE UZAZI NA MALEZI BORA TANZANIA (UMATI)

APRIL 1997

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# *Price Waterhouse*



22 April 1997

Tim Elkins  
RIG/A  
PO Box 30261  
NAIROBI

Dear Mr Elkins

**CONTRACT NO 623-0000-1-00-4116-00, DELIVERY ORDER NO 4**

**PRE-AWARD AUDIT OF THE UZAZI NA MALEZI BORA TANZANIA (UMATI)**

We are pleased to provide you with our final report on the pre-award audit of UMATI.

The report covers the following areas:

- 1 Financial management system
- 2 Internal Control structure
- 3 Procurement of goods and services
- 4 Property management system
- 5 Indirect cost recovery system.

We would like to express our appreciation to USAID and UMATI for the cooperation and assistance provided to the Price Waterhouse team during the assignment.

Please do not hesitate to contact me if you require additional information or clarification on any aspect of the report.

Yours sincerely

Philip Kinisu

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AGENCY-CONTRACTED PRE-AWARD AUDIT OF  
THE UZAZI NA MALEZI BORA TANZANIA (UMATI)  
APRIL 1997

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## LIST OF ABBREVIATIONS

AGS	-	Administration and General Services
ASDM	-	Area Service Delivery Manager
AVSC	-	Association for Voluntary Surgical Contraception
CA	-	Chief Accountant
CQC	-	Comparative Quotation Chart
DFA	-	Director of Finance and Administration
DP	-	Director of Programmes
ED	-	Executive Director
FMS	-	Financial Management System
IPPF	-	International Planned Parenthood Federation
JOICFP	-	Japanese Organisation for International Cooperation in Family Planning
LPO	-	Local Purchase Order
SIDA	-	Swedish International Development Authority
OMB	-	Office of Management and Budget.
SJV	-	Standard Journal Voucher
SRV	-	Stores receipt voucher
UMATI	-	Uzazi na Malezi Bora Tanzania
USAID	-	United States of America Agency for International Development

AGENCY-CONTRACTED PRE-AWARD AUDIT OF  
THE UZAZI NA MALEZI BORA TANZANIA (UMATI)  
APRIL 1997

1 INTRODUCTION

1.1 Background

USAID/Tanzania has received a proposal from UMATI requesting a one year USAID grant of TShs 198,713,920 (about \$ 332,854) for enhancing the quality of care and supervision in implementing the Permanent and Long Term (P&LT) Contraception Project. UMATI in collaboration with the Ministry of Health (MOH) has been implementing family planning clinic-based services through the P&LT Project for the last eight years, and its services are now available in a total of 72 public and private sector sites. UMATI has requested a USAID grant because, at present, the Project has an insufficient supply of expendable surgical materials, inadequate infection prevention measures, inadequate supervision at Project sites, and inadequately trained service providers.

The USAID grant funds would be used to provide: (1) support for 6,000 minilap, 2,000 Norplant, and 80 vasectomy procedures; (2) approximately 2,400 litres of chlorine disinfectants per month for the 60 government and UMATI clinics involved in the Project; (3) travel funds for all regional MCH Coordinators, enabling them to provide at least 10 days of supervision visits to the Project sites per quarter; and (4) training for service providers.

UMATI has never received a grant from the U.S. Government. If their proposal is accepted, USAID/Tanzania expects to provide more than one grant to UMATI over the next three years.

**Areas of concern**

REDSO/ESA is concerned about UMATI's capabilities for properly managing USAID/grant funds. Specifically, REDSO/ESA is concerned about whether UMATI has:

- (a) Accounting, record keeping, and overall financial management systems that meet the Standards in Regulation 26;
- (b) A separate accounting system under the proposed grant that will adequately identify, segregate, accumulate, and record all costs;
- (c) An adequate procurement system that meets the Standards of Regulation 26 (the procurement element is more than 50 percent of the proposed grant).

1.2 Assignment objectives

Price Waterhouse was contracted by USAID to carry out a financial review of the existing financial management and procurement systems of UMATI, report on the existing systems, and make appropriate recommendation.

The objective of this assignment is to look at UMATI's financial management and procurement systems and provide assistance in setting up sound and practical financial management and procurement systems, if needed, to enable UMATI to manage USAID funds and its activities prudently and effectively.

The specific objectives were to determine whether:

- 1 UMATI's overall accounting, record keeping, and overall financial management systems meet applicable standards included in 22 CFR 226 (Regulation 26);
- 2 UMATI has a separate accounting system for the proposed USAID grant that will adequately identify, segregate, accumulate, and record all costs under the grant;
- 3 UMATI's system of internal controls is adequate. In this regard, Price Waterhouse was to consider UMATI's internal control structure and report on significant internal control deficiencies and material weaknesses;
- 4 UMATI's procurement system and property management system meets the standards included in Regulation 26; and
- 5 UMATI has an adequate indirect cost recovery system that excludes unallowable indirect costs from the computation of the provisional indirect cost rate, in accordance with OMB Circular A - 122.

The review was undertaken in accordance with the Terms of Reference included in Appendix 1.

### 1.3 **Methodology**

The review was performed using the Price Waterhouse approach. Work was carried out in the following distinct stages:

- 1) Initial Survey which included, familiarisation with Programme condition, documentation of procedures, initial assessment of UMATI books and records
- 2) Entrance meeting between Price Waterhouse and UMATI
- 3) Preparation of detailed work plan
- 4) Approval of the detailed work plan by the partner in charge
- 5) Carrying out of detailed systems review
- 6) Holding of exit meeting
- 7) Issue of the draft report to UMATI
- 8) Receipt of management comments
- 9) Finalisation of report.

### 1.4 **Summary of findings**

#### **Financial Management System (FMS)**

UMATI has a well documented Financial Management System which has met the requirements of most donors, in particular, IPPF. The Documentation is contained in the following documents.

- 1) Financial regulations, stores procedures and accounting procedures manual.
- 2) Staff Handbook.

The following weaknesses were, however, noted.

- 1) Budgetary controls are weak as UMATI Compares actual expenditure with the budget on a quarterly basis. Quarterly intervals are too long for expenditure monitoring and control purposes.
- 2) UMATI management is not familiar with the reporting requirements for USAID.
- 3) UMATI does not have written procedures for:
  - minimising time elapsing between transfer of funds to UMATI from donors and the payment for programme purposes. As a result UMATI may stay with donor funds for a long period which is against most donor requirements
  - determining the reasonableness, allocability and allowability of costs. Therefore, UMATI may incur unallowable costs and charge to USAID.
- 4) UMATI has a manual accounting system which is currently being computerised. The management of UMATI feels that the funds available for the computerisation may not be adequate.

#### **Internal Control Structure**

Our review and evaluation of the internal control structure concluded that the internal control structure of UMATI is adequate and effective. We noted the following weaknesses and made necessary recommendations for improvement.

- 1) Some allowances paid to UMATI staff are not taxed contrary to Tanzania tax law
- 2) Documents supporting petty cash payments are not stamped paid. Some documents supporting cheque payments are not stamped paid
- 3) Some payments are not adequately supported by third party invoice or cash sale receipts
- 4) Bank reconciliations prepared by the accountant are not initialled by the Chief Accountant as evidence of review
- 5) Some internal control recommendations made by the external auditor, although accepted, have not been implemented.

#### **Procurement of goods and services**

UMATI has a well documented system for procurement of goods and services. The documentation is contained in the Financial Regulations, Stores Procedures and Accounting Procedures manual.

Overseas purchases are usually done by IPPF on behalf of UMATI. Local purchases are procured by the supplies officer and authorised by the Director of Finance and Administration.

There are no clear guidelines for the following:

- 1) USAID procurement regulations
- 2) Purchase using tendering/quotations
- 3) The composition of the tender committee

- 4) Invitation of tenders/quotations
- 5) Consideration and awarding of tenders/quotations
- 6) Monitoring of contract performance.

#### **Property Management systems**

UMATI's policies and procedures for the control of Fixed assets are contained in the Financial Regulations, Stores Procedures and Accounting Procedures manual. The system has the following weaknesses:

- 1) The fixed asset register and cards are not up to date and details such as serial number, source of asset and location have not been indicated for some of the assets.
- 2) Fixed assets purchased from October 1996 have not been tagged. Some items of furniture and equipment are not correctly classified in the fixed assets register.

#### **Indirect cost recovery system**

UMATI does not have an indirect cost recovery system. Such a system has not been necessary because donors sponsor specific project costs. IPPF gives grants for meeting the following categories of costs:

- 1) Administration and general services expenses (AGS)
- 2) Project support expenses
- 3) Specific project costs.

Overhead costs have therefore been funded by IPPF and other internal sources like interest income, fees, subscriptions and miscellaneous income.

1.5

### **Recommendations**

#### **Financial Management Systems**

- 1) We recommend that UMATI maintains a budget book for projects to be funded by USAID. Financial reports with comparisons of actual expenditure to budget should be prepared on a monthly basis. Budget revisions should be reviewed thoroughly and donor approvals obtained where necessary.
- 2) UMATI management should familiarise themselves with USAID reporting requirements. We have provided details of reporting requirements.
- 3) We have provided a summary of procedures for:
  - a) minimising time elapsing between transfer of funds to UMATI from donors and the payment for programme purposes.
  - b) determining the reasonableness, allocability and allowability of costs.

UMATI should make more use of the computers in the office. In the short run the accounts staff should use the computers for:

- 1) Maintaining the budget book
- 2) Preparing reports.

USAID should consider assisting UMATI in the computerisation of the accounting system by providing extra funds required.

### **Internal Control Structure**

- 1) All taxable allowances paid to UMATI staff should be processed through the payroll and taxed as required by law.
- 2) All documents supporting payments should be stamped PAID to avoid the risk of double payment.
- 3) All payments should be adequately supported by third party documents to ensure adherence to USAID regulations.
- 4) The Chief Accountant should review bank reconciliations prepared by the Accountant and initial as evidence of review.
- 5) All recommendations made by external auditors should be implemented.

### **Procurement of goods and services**

We have provided guidelines for the following:

- 1) USAID procurement regulations
- 2) Purchase using tenders/quotation
- 3) The composition of the tender committee
- 4) Invitation of tenders/quotations
- 5) Consideration and awarding of tenders
- 6) Monitoring of contract performance.

UMATI management have indicated that these guidelines can be implemented.

### **Property Management Systems**

- 1) All fixed assets should be tagged or labelled with unique UMATI identification numbers.
- 2) Details of fixed assets serial numbers, source of funding, location of assets should be indicated on the fixed asset register.
- 3) The fixed asset register and Inventory cards should be updated regularly.

### **Indirect cost recovery system**

- 1) We have provided guidelines for determining whether a particular cost is allowable or not in accordance with OMB circular A-122.
- 2) We have recommended that UMATI uses the Simplified Allocation Method for allocating indirect costs to projects. A summary of the steps to be followed is provided.

1.6

### **Summary of management comments**

#### **Financial management system**

UMATI is in agreement with the recommendations.

#### **Internal control structure**

All allowances paid are now being taxed. Most of the other recommendations have been implemented.

### **Procurement of goods and services**

The proposed guidelines will be studied and implemented.

### **Property Management Systems**

The recommended system is in use. Management will ensure that updating of the fixed assets register is done preferably quarterly.

### **Indirect cost recovery system**

The recommendation will be studied and applied in charging and/or allocating indirect costs to projects.

1.7

### **Conclusion**

UMATI has a financial management system which can adequately identify, segregate, accumulate and record all costs for each grant. It also has a comprehensive procurement and property management system. The internal control systems are adequate for the purpose of controlling costs for the proposed USAID grant. All UMATI's systems are well documented.

When the current systems are taken together with the systems recommended in this report, UMATI will meet all USAID requirements for the following:

- a) Financial management system
- b) Procurement system
- c) Property management system
- d) Internal control structure
- e) Indirect cost recovery system.

## 2 FINANCIAL MANAGEMENT SYSTEM (FMS)

### 2.1 Purpose of FMS

The purpose of financial management system is to meet the following needs:

- a) Produce accurate, timely and complete reports that meet the requirements of UMATI management and donors.
- b) To enable accurate and prompt tracking of all costs
- c) To correctly analyse and allocate both direct and indirect costs to their related activities
- d) Facilitate efficient financial and cash management
- e) To enable long, and short-term financial planning.

### 2.2 Summary of Current System

UMATI has a manual accounting system. This system is well documented in the Financial regulations. Stores Procedures and Accounting Procedures manual. The FMS can be summarised in the following subsections.

- a) Revenue accounting
- b) Cash accounting
- c) Petty cash
- d) Accruals and prepayments
- e) Payroll
- f) Stocks
- g) Area office accounting
- h) General Ledger and financial reporting
- i) Budgetary controls.

#### a) **Receipts**

Accounting for receipts is described under the following headings:

- receipts from IPPF
- receipts from other International donors
- interest earned
- disposal of fixed assets
- miscellaneous Income.

#### Receipts from IPPF

- I Cash grants from IPPF are based on the terms and conditions of the Grant. Funds are sent direct through the Association's bank current account, and the Director of Finance and Administration is advised accordingly by way of a Grant Remittance Advice form from IPPF.
- II In addition, the bank on receiving the money sends a Bank Advice to the Association informing them among other things;-
  - the amount of money received in foreign currency
  - date received
  - exchange rate used to convert the currency
  - bank charges.

- III The Director of Finance and Administration on receiving the Bank Advice completes the Grant Remittance Advice forms and returns one copy to IPPF.

He/she then directs the Chief Accountant to prepare a posting summary to the cash book and general ledger. The bank advice is then filed in the cash grant file.

#### Receipts of Cash from Other International Donors

- I Cash from other international donors depends on the terms and conditions of the Project Agreement. If the funds are to finance a project, these are released according to the project work programme.
- II Sometimes the donor may require UMATI to open a separate bank account through which the money will be received. Once a bank account is opened for that purpose, all monies, received for that project are deposited into that account. All expenses incurred are charged to that account. A bank reconciliation is prepared and tabled along with project progress reports as may be required by the donor.
- III Receipts from other international donors are accounted for in the same way as receipts from IPPF.

#### Interest Earned

Interest is earned on a deposit account depending on whether it is long term or short term. Interest earned is credited directly by the bank. Interest earned is accounted for on an accrual basis. The chief accountant prepares a journal voucher for posting interest credited by the bank and accrued to the general ledger.

#### Disposal of Fixed Assets

- I Fixed assets are disposed of through tender procedures. The winning bidder is advised by a letter that he has won and that he should pay the money due to the head office cashier, according to the terms and conditions stipulated by the tender committee.
- II Terms
- 100% cash payment of the agreed tender value.

#### Miscellaneous Income

Collection and accounting for funds from membership fees, fund raising activities and other miscellaneous sources have been discussed in detail in sections on Cash Accounting and Area office accounting.

#### **Cash Accounting**

Cash accounting is described under the following headings:

- Cash Receipts
- Payments.

a) Cash Receipts

- (i) Cash receipts are received either through the mail, in which case they are listed at the time of opening the mail, or through direct payment to the cash office at the head office, UMATI clinics and at the Area Offices. Cash transfers from overseas donors are sent direct to the Association's bankers.
- (ii) The Association's mail is opened by the Executive Director's secretary who stamps and dates them. She registers all registered mail and cheques, and passes them to the Chief Accountant. The rest of the mail is taken to the Registry Clerk who distributes, as necessary.
- (iii) The Chief Accountant reviews the receipts list and passes them to the Cashier.
- (iv) The Cashier then:-
  - endorses on the cheque and other negotiable documents the Association's name and bank account number
  - ensures that the name, details and date have been correctly entered, post-dated cheques (unless otherwise agreed) and cheques which have different amounts entered in words and figures are referred to drawer for amendment
  - enters the details of the cash and cheques received in the cash book
  - files any supporting documents in folio reference order.
- (v) The Head office cashier, upon receipt of direct cash payments, which are mainly from membership fees, imprest retirement, sales of contraceptives, donations, etc. issues a pre-numbered receipt and enters the same in the cash book in sequential order.
- (vi) At the end of the day, the cashier prepares a pay-in-slip and arranges for the money to be banked intact the following day.
- (vii) The cashier, on return from the bank, shows the duplicate pay-in-slip to the Chief Accountant who initials the pay-in-slip as a proof of this check being made.
- (viii) The cashier passes copies of the pay-in slips to the financial accountant who files them in date order.
- (ix) Receipts received at the Area offices are sent to the Head Quarter bank account through their bank. Every month the Area offices send in copies of bank pay-in slips together with summary of receipts to the Chief Accountant.
- (x) The Chief Accountant, on receipt of the copies of the pay-in slips and summary of receipts from the area offices, checks and authorizes the cashier to post them into the receipts cash book. Detailed procedures for Area collection are described in the section on Area Office Accounting.

- (xi) Cash receipts are analyzed and extended into the appropriate revenue head. In cases where the collection cannot be analyzed easily, particularly where they originate from area offices the amounts are posted into a "suspense" account pending confirmation by the Area office in question.

b) Payments

- (i) The Accounts Assistant prepares cheque payment vouchers showing the invoices or other primary records due for payment. He certifies on the voucher that he has checked the arithmetic calculations of the documents to be paid.
- (ii) He attaches all the supporting documents and passes them to the Chief Accountant who checks the documents before submitting them to the Internal Auditor if payment is above shs. 5,000/= . The Internal Auditor scrutinizes the voucher to satisfy himself as to the validity, accounts codes and recommends payment by countersigning the cheque payment voucher. Checked and approved vouchers are sent to the Director of Finance and Administration for authorization and then sent to the cashier for cheque preparation.
- (iii) When the cashier receives the approved vouchers, he/she draws a cheque for each supplier, and stamps all documents with "cheque paid" stamp , and completes the necessary details on the stamp.
- (iv) The cheque, together with the supporting vouchers, are then presented to the cheque signatories who sign the cheque accordingly.
- (v) Signed cheques are returned to the cashier who removes the original copy of the payment vouchers, together with supporting documents. The duplicate copy of the payment voucher, together with the cheque, are passed to the despatch clerk who despatches them immediately. The original payment vouchers and relevant supporting documents are filed in the payment vouchers file in numerical order.
- (vi) All cheques must be crossed with the "A/C PAYEE ONLY" stamp by the cashier.
- (vii) Standing imprest for the Areas are paid by cheque through the Area current accounts.
- (viii) Travelling imprest, and other advances are paid either by cheque or cash. Imprest is supported by a duly authorized safari departure form.
- (ix) Normally cheques must be signed by the Executive Director and the Director of Finance and Administration. However in the absence of either of them, senior officers authorized for this purpose by the Executive Director could countersign. In all cases, one of the two signatories of any cheque must be from the Finance and Administration department. The officer from the Finance and Administration department will sign first and he/she is responsible for reviewing all the supporting documents to ensure that the payment has been processed properly. Cheque signatories will not sign blank cheque under any circumstances.

- (x) When there is a change to the designated cheque signatories, the bank must be informed, to note the change and amend the list of signatories immediately. A letter authorizing the bank to change the Association's bank account or transfer of funds from the account must be signed by two signatories, one of whom must be, either the Director of Finance and Administration or the Chief Accountant.
- (xi) The Financial Accountant prepares a bank reconciliation every month. He/she cross checks all items appearing in the bank statements with those in the cash book, identifying and age listing all outstanding items and agreeing the balances. The Chief Accountant reviews the bank reconciliation and investigates any items remaining outstanding for an unreasonable period of time.
- (xii) All items shown in the bank reconciliation statement are accompanied by a schedule agreeing the figure shown in the statement. Dishonoured cheques are referred to drawer and debited into the debtors account immediately.

### **Petty Cash Procedures**

Petty cash procedures are described under the following sub-headings:-

- the imprest system
- completion of petty cash vouchers
- payment and recording of claims
- reimbursement of imprest
- petty cash book.

#### **I The Imprest System**

Petty cash payments are restricted to small cash payments of a frequent nature. The cashier maintains an agreed cash imprest for approved petty cash expense payments. The cashier requests reimbursement of the cash he has spent on petty cash payments, when the agreed imprest is reduced to a certain level, to bring it to the original imprest level. At any time the cash held, plus the value of paid petty cash vouchers since the last reimbursement must add up to the agreed imprest level.

#### **II Completion of Petty Cash Vouchers**

The following are the steps for completing petty cash vouchers:

- When an employee is required to spend, or has already spent, cash on behalf of the association, he/she fills part A of the petty cash voucher, and gets it approved by the Head of Department
- Approved requests are submitted to the Chief Accountant for review, numbering and authorization
- In all cases the petty cash payment vouchers are supported by the relevant supporting documents, except under exceptional circumstances, when the Chief Accountant may use his/her discretion.

### III Payment and Recording of Claims

- Before payment is made the payees have to sign the petty cash voucher for the receipt of money. The cashier then stamps all the documents with a "PAID" date stamp and pays out cash.
- If the cash is an advance for expenditure to be incurred the amount is held against the claimant as his personal liability until he has produced evidence that he has spent the money for the intended purpose. The amount is then transferred from his personal account to the relevant expense account. The claimant will have to fill in the imprest retirement forms which will show the account to be debited with the expense before his account is credited.
- Petty cash payments should be restricted to small amounts of payments.

### IV Reimbursement of Imprest

- When the cashier has reduced his imprest fund to a low level, he prepares a reimbursement cheque payment voucher supported by a reconciliation statement of expenditure and cash balance imprest. He attaches the petty cash vouchers to the reconciliation statement and submits them to the Chief Accountant for checking and approval for reimbursement.
- After approval of the reimbursement cheque payment voucher, the cashier prepares a cheque and obtains signatures. He/she then goes to draw the money from the bank.
- Personal cheque should not be encashed through petty cash. Similarly, petty cash should never be made on unauthorized vouchers.
- The Chief Accountant is responsible for making surprise checks on the petty cash balances to ensure that the actual balance is reflected in the petty cash book.

### V Petty Cash Book

- The cashier maintains an analysis petty cash book in which he records individually and in detail all petty cash receipts and payments. The petty cash book is balanced when 75% of the cash till is used.

### VI Monthly Accounting Routines

At the end of each month the cashier prepares standard journal vouchers summarizing the receipts and payments transactions on the main cash book and the petty cash book respectively, for posting to the general and subsidiary ledgers.

After posting, the Chief Accountant ensures that the balances on the Cash Control accounts in the general ledger agrees with the balances in the cash book and petty cash book.

## Accruals and prepayment

Accruals and prepayments are set out as follows:-

- Income accruals
- expense accruals
- expense prepayments
- preparation of standard journal vouchers.

### Income Accruals

Income accruals include all items of revenue relating to the period for which cash has not been received.

Mainly income accruals are income from IPPF and other donors.

### Expense Accruals

(i) Expense accruals cover all outstanding expenses that have not been recorded in the books of account. This involves calculating amounts which have not been recorded so that they are charged against the results of an accounting period as they are incurred rather than when payment is made.

(ii) The major expenses to be accrued include:-

- electricity
- water
- telephone/telex/fax
- goods and services for which invoices have not been received
- project funds for which projects have not been done.

(iii) Calculation of Expense Accruals

Each month the Chief Accountant examines the payments made during the month for the main expense headings including suppliers' invoices not yet processed. From the analysis, the expenses for which payments have not been made or for which full charge has not been received are identified. The amount of the accrual is then calculated on a working sheet using one of the following basis:-

- the amount (or proportion thereof) of the unentered actual invoices for the period, if these are available
- the amount based on previous expenditure allowing for seasonal factors and growth trends, where applicable
- an amount based on an estimate or the expenditure budget for the period concerned.

Brief notes showing how the accrual expenses have been calculated are maintained for reference. No standard working papers are used because of the varying nature and timing of the different expenses accrued.

### Expense Prepayments

- (ii) There are certain expenses which are normally paid for in advance, e.g. insurance premiums deposits etc. It is necessary to make adjustments for these items in the accounts to ensure that expenditure is accounted for in the period to which it relates. These adjustments are made by means of prepayment account.
- (iii) The expenses which are normally paid in advance by the Association include:-
  - fuel deposits
  - insurance and licenses
  - office rent
  - subscriptions.

### Preparation of Standard Journal vouchers

The Chief Accountant is responsible for preparing the standard journal voucher (SJV's) for accrued and prepaid expenses for posting to the General ledger. He/she is also responsible for preparing reversal SJVs for the items in the following period.

### **Payroll**

The main features of the system are as follows:-

- the Assistant Accountant - payroll opens a payroll card for each employee detailing personal information supplied by the personnel section
- on the 11th day of each month the Assistant Accountant payroll prepares the payroll for the month on a Kalamazoo System
- overtime worked the previous month is added to the basic pay of an employee to get to the gross income for those entitled to overtime
- the Assistant Accountant - payroll calculates from published tables pay-related employee PAY AS YOU EARN (P.A.Y.E) deductions, and other deductions from records kept for such deductions
- the Assistant Accountant - payroll calculates the net amount payable to each employee
- for employees receiving their salaries through the bank which includes all Area employees, a list is prepared together with deposit slips. These, together with a cheque for the net amount are sent to the bank
- employees transfer and other changes are communicated to respective sections by personnel and administrative officer
- the payroll Assistant Accountant prepares accounting entries for recording salaries and wages under the supervision of the Chief Accountant.

The principal forms used are:

Individual earnings Record & payroll analysis

Individual Pay Slip

Request to Work Overtime

Overtime Sheet

Advance Form

Sessional fees form.

### **Area Office Accounting**

#### Area office revenue

The ASDM is responsible for ensuring that revenue due to the Association is collected, recorded and banked intact. In order to achieve the foregoing, the ASDM:

- (i) Maintains a register of all UMATI Agents who are responsible for collecting the membership fees. The register shows the name, address, occupation and other relevant information which enables other UMATI personnel to follow up dues if need be.
- (ii) Issues receipt books against a control register and obtains a signature for every receipt book issued.
- (iii) Collects cash from agents on a regular basis, those within reach weekly, and those outside town, monthly. During this time a reconciliation of receipts issued to cash collected is done. Agents are paid their commission at the approved prevailing rate and a stock of the balance of their receipts taken.
- (iv) Takes the necessary action of deleting an agent from the existing list if he does not remit funds collected and arranges for necessary administrative procedures of collecting receipt books and dues already collected.
- (v) Records all cash collected in a memorandum receipt cash book.
- (vi) Prepares pay-in slips in triplicate and banks the money intact in the bank account. The bank stamps all the pay-in slips, actions the original and hands over two copies to the ASDM.
- (vii) On returning to the office, the ASDM files one copy on an Area permanent file and the other one in a temporary file for monthly reports to the head office.
- (viii) At the end of the month the ASDM prepares a summary of all the cash collected and banked. The summary, together with the copy of the pay-in slip from the temporary file, are forwarded to the Accountant - Area office.
- (ix) Money collected from fund raising activities is transferred through bank to Head quarter Bank Account.
- (x) Collection summary which is submitted to the Head office, will also make a commentary on the type of fund raising activity.

On receiving the summary of cash receipts and pay-in slips, the Area Accountant prepares a posting summary to be posted to the receipt cash books, and hands it over to the Chief Accountant.

The Area Accountant further updates the Area subsidiary ledger to take account of the cash receipts.

### Standing Imprest Area Office

The standing imprest procedures are described below under the following main headings:-

- size of float
- disbursement of floats to Area offices
- drawings
- reimbursement
- unretired imprest
- year end imprest accounting.

(a) Size of Float

I The Director of Finance and Administration in consultation with the Director of Programmes establishes the size of the float for each Area. The size of the float will depend on the following criteria:-

- size of the Area and average expenditure per month
- projects and activities planned for that Area during the year
- communication logistics. and
- average time required to communicate with Head Office bearing in mind postage delays, head office review and remittance procedures.

II After establishing the size of the float, the Director of Finance and Administration prepares a time table for each area showing amount of disbursements and expected date of retirements. The timetable is kept by the Area Accountant as a control device to follow up unretired imprests.

(b) Disbursements

I At the beginning of the year the Head office sends to the Area an opening float which should be thrice the size of the monthly approved float. The amount is sent to the Area through the imprest bank account. A letter containing the details of the amount transferred is sent to the Area for follow up and record keeping.

II The Bank, on receiving the remittance will also advise the Area by a bank advice which is filed along with the notification from Head Office.

III On receipt of funds from Head office, the ASDM records in the receipt column of the cash book.

IV Subsequent disbursements from Head office to the Areas are based on reimbursement system.

(c) Withdrawals

- (i) The Area Accountant draws money from the bank from time to time, depending on the Area cash requirements. Every drawing is recorded in the payment column of the cash book.
- (ii) It should be understood that the funds sent to the Area office are to cover all the projects within the Area.
- (iii) Each coordinator will write his/her work plan and give it to the ASDM.
- (iv) The funds given at a particular moment will be equivalent to cover the activity to be done for that time. The balance of the money remains under the control of the ASDM.
- (v) Coordinators write requests for funds to the ASDM.

(d) Reimbursement

- (i) The coordinators have to account for this money before another request for funds is approved.
- (ii) On receiving these retirements from the Coordinators the Assistant Accountant compiles the report to be verified by ASDM and retired to Headquarters office in order to be reimbursed.
- (iii) On receipt of the retirement Accountant - Area offices reviews and clears any abnormal items with the Director of Programmes.
- (iv) If there are no items to be cleared in a particular Area, the Area Accountant, prepares a journal voucher to account for the expenditure and a payment voucher for reimbursing the Area. The journal and payment vouchers are passed to the Chief Accountant for checking.
- (v) After checking, the Chief Accountant issues journal voucher number and passes the documents to the Director of Finance and Administration for signature and authority to transfer funds to the branch.
- (vi) The voucher is returned to the Area Accountant who updates the subsidiary branch ledger and files the journal voucher in the monthly journal voucher file for posting to the general Ledger at the end of the month.
- (vii) Retired imprest documents are filed serially in the respective Area records.

(e) Unretired Imprest

- (i) The Area Accountant follows up unretired imprests and reports this to the Chief Accountant and Director of Finance and Administration.
- (ii) The Area Accountant assists the branches in carrying out reconciliations and investigating the differences if any. The reconciled branch balances forms the supporting schedules for cash balances when preparing year end financial statements.

## Stock Systems

The main steps of the system are:-

- (a) Supplies Officer receives goods into the depot stores.
- (b) He/she examines the goods and ascertains that they are not damaged
- (c) He/she raises a Stores Receipt Voucher as evidence of the receipt of goods
- (d) He/she records receipts in the stock record and stores ledger, kept at the purchasing and supplies department at the head office.
- (e) The Senior Supplies Officer, on receipt of a duly authorized request for stocks, sales order or transfer note, raises:-
  - (i) Cash sale or invoice, or
  - (ii) completes the relevant section of the stock transfer note
  - (iii) raises issue note.
- (f) Storekeeper issues goods on receipt of cash sale, or invoice.
- (g) Supplies officer carries out physical stock count of selected items each month.
- (h) He/she makes a reconciliation between physical count and stock records, and stock records are agreed to the physical stock count
- (i) The Director of Finance and Administration arranges for an interim and annual physical stock count each year end.

## General ledger and financial reporting

### Summary of the System

- (i) The General ledger is the central accounting record in which all transactions are recorded in detail or in periodic control totals. The subsidiary ledgers are analysis records in which transactions like staff advances are recorded.
- (ii) For each subsidiary ledger there is a control account in the General ledger, which is therefore completely self-balancing.
- (iii) All posting to the General ledger are made from journal book, petty cash book and cash book.
- (iv) At each month end the Chief Accountant ensures that all standard journal vouchers have been received by him, he ensures that any special voucher necessary for the period accounts have been prepared. He/she then arranges for the vouchers to be posted to the journal book.
- (v) Once posting is completed, the Chief Accountant ensures that the totals of the various subsidiary ledger balances agree with the relative control accounts in the general ledger.

The basic monthly accounting routines are:-

- the preparation of monthly standard journal vouchers, summarizing the transactions of the month for posting to the General ledger
- the extraction and adjustment of a trial balance
- area office/head office reconciliations
- the preparation of reports.

(a) Subsidiary Ledgers

Subsidiary ledgers are the source document for posting to the general ledger, and no other source is recognized as a basis for posting to the ledger.

(b) Trial Balance

(i) When the Chief Accountant is satisfied that all subsidiary ledgers have been completed and posted to the general ledger, a trial balance is extracted from the general ledger. The preliminary debits and credits must be balanced and the Chief Accountant checks to ensure that:-

- control accounts balance with the subsidiary ledgers and supporting schedules
- the figures shown are reasonable

(ii) Discrepancies and errors are traced and corrected in the supporting records accordingly.

(c) Time Table

(i) The Chief Accountant issues a time table to be used in the accounts section to monitor the completion of specific tasks essential to the prompt preparation of periodical accounts and management information. A special form has been designed for this purpose.

(ii) The time table is distributed to all staff responsible for the preparation of periodical returns to monitor progress on a regular basis and is reviewed from time to time in order to determine and eliminate tasks creating bottlenecks.

(d) Monthly reports

The Director of Finance & Administration submits financial management reports to the Executive Director at least monthly, in his/her capacity as one of the senior executives of the Association. The reports concentrate on financial activities and can be designated in such a way that individual project details can be sent to the staff responsible.

(e) Quarterly Reports

The Director of Finance & Administration submits a financial report (income and Expenditure) to the Executive Director.

The Executive Director submits the report to the National Executive Council.

The report is then forwarded to the respective donors.

(f) Half Year Reports

The Director of Programmes and the Director of Finance and Administration submits both the programmatic and financial reports to the Executive Director. Executive Director submits the reports to the National Executive Council and then sends them to the donors.

(g) Annual Report

The Director of Programmes and the Director of Finance and Administration submits a detailed Annual Report for the year to the Executive Director. The Executive Director submits the report to the National Executive Council and then sends it to the donors.

The Director of Finance arranges for the External audit.

Audited Accounts - draft accounts should be ready for audit by 31st March of each year.

The Executive Director writes a formal letter of engagement to the Auditors to commence annual audit.

A copy of the engagement letter and the external auditor's acknowledgement letter should be forwarded to the Regional Director to arrive no later than August 31 of the year of the engagement.

The audited accounts are tabled at a special management meeting for discussion. And where necessary amendments are made in the light of fresh information gathered in respect of the original management replies to the queries and observations raised by the External Auditors.

The Audited accounts together with the management letter are then tabled before the National Executive Council for discussion and recommendations. These Audited Accounts comprise of:-

- (i) The balance sheet
- (ii) Statement of Income and Expenditure
- (iii) Statement of functional expenses
- (iv) Notes to the Financial statements.

Once the accounts have been adopted by the National Executive Council then they are kept as agreed accounts pending approval by the Annual general Meeting.

The Audited Accounts together with an Abortion related activities certificate and a reconciliation of Annual Report and Audited Accounts are forwarded to the donors.

The Audited Accounts are also tabled to the Annual general meeting for discussion, recommendation and approval.

Specific reports to the other donors are presented in accordance with the requirements of the Agreements entered into with them. The form and content of the reports is also established with the donors.

## Budgeting and budgetary Controls

The current planning and budgeting system has the following components:

- 1 Three year plan
- 2 Annual Work Programme and Budget
- 3 Operational budgets.

The annual budget is prepared as follows:

- 1 The annual budget is prepared in the last quarter of the year preceding the budget period.
- 2 The Area Service Delivery Managers submit their budget proposals to the Director of Programmes (DP)
- 3 The DP reviews the individual budgets and makes appropriate amendments.
- 4 The Director of Finance Prepares the Head Office budget.
- 5 The Programme and Head Office budgets are consolidated by the DFA.
- 6 The budget is discussed and reviewed by the following:
  - a) Executive Director (ED)
  - b) Director of Finance and Administration
  - c) Director of Programmes.
- 7 The budget is forwarded to the Executive Committee for review and approval.
- 8 The budget is forwarded to IPPF Africa Region for further reviews
- 9 IPPF Africa Region forwards the budget to IPPF headquarters in London for final approval.

The three year plan is prepared in a similar manner.

Budgetary control procedures are as follows:

- 1 Donors send quarterly Advances to UMATI to meet expenses for the quarter.
- 2 The Chief Accountant reviews the Work Programme and budget and prepares operational budgets for the day to day running expenses for the Area Offices.
- 3 The operational budgets are reviewed by the DP.
- 4 The ASDM submits requests for funds for carrying out specified budgeted activities.
- 5 The requests are reviewed by the Director of Programmes.
- 6 The Chief Accountant sends Funds to the ASDMs.
- 7 The ASDMs submits returns to the Accounts department. The returns are checked by the Chief Accountant.
- 8 The Accountant posts payments to the cash book and General Ledger.

- 9 At the top of each general ledger expense account the budgeted amount is indicated.
- 10 At the end of each quarter the Chief Accountant prepares reports containing a comparison between actual expenditure and budgets.

2.3 Findings and recommendations

**Budget revisions**

UMATI finance staff are not familiar with USAID requirements for budget revisions.

Recommendation No 1

UMATI finance staff should familiarise themselves with USAID regulations. The following is a summary of budget revision regulations.

UMATI should report deviations from budget and programme plans and request prior approvals for budget and programme plan revisions. USAID approvals are required for each of the following reasons:

- a) change in the scope or the objective of the project or programme (even if there is no associated budget revision requiring prior written approval)
- b) change in a key person specified in the application or grant agreement
- c) The absence for more than three months, or a 25 percent reduction in the time devoted to the project by the approved Project Director
- d) The need for additional USAID funds
- e) The transfer of amounts budgeted for indirect costs to absorb increases in direct costs or vice versa
- f) Transfer of funds allotted for training allowances to other categories of expenses
- g) The inclusion of costs prohibited by the grant agreement. Such costs include advertising, bad debts, contingencies, entertainment, fines, penalties, interest, fund raising, investment management costs, losses on other awards and first class airfare.

Except for the requirements of (a) and (d) above USAID may waive cost-related and administrative prior written approvals.

UMATI should notify USAID if funds are transferred between budget lines and the cumulative transfers are expected to exceed 10 percent of the total budget.

UMATI should notify USAID in writing when the amount of USAID funds is expected to exceed UMATI needs by more than US\$ 5000 or five percent of the grant. This notification shall not be required if an application for additional funding is submitted for a continuation award.

Within 30 calendar days from the date of receipt of the request for budget revisions, USAID shall review the request and notify UMATI whether the budget revisions have been approved. If the revision is still under consideration at the end of 30 calendar days, the Federal awarding agency shall inform UMATI in writing of the date when the recipient may expect the decision.

Management comment

UMATI finance staff will familiarize themselves with USAID regulations and adhere to them.

**Budgetary Controls**

- 1 UMATI budgetary controls are weak, as actual expenditure is compared with the budget on a quarterly basis. This is too long and a review of 1995 accounts revealed several variations between actual expenditure and budget.

Recommendation No 2

We recommend the following system.

- (a) The Chief Accountant should obtain the approved budget from the Executive Director and record in the budget book every line item of expenditure that appears in the approved budget for USAID funded projects.
- (b) The Chief Accountant should enter against each budget code (line item) the total allocation during the year in the column "approved budget".
- (c) At the end of each month record revisions during the month, if any, in the column "budget revisions" and repeat this monthly.
- (d) Using the cashbook, he should post total payments for each budget line to the budget book. While sending advances to the Area offices the chief accountant should send a copy of the relevant page of the budget book.
- (e) The ASDM should record each payment on the copy of the budget book. The completed budget book should be submitted while accounting for imprests.
- (f) Where the budget is exceeded the CA should enter the negative number in red ink (brackets) to highlight over expenditure.
- (g) The CA should compile monthly reports for UMATI management.

This report should take the following format:

Budget Line Items	Opening Balance	Current Expenditure	Cumulative Expenditure	Total Budget	Budget Balance

Repeat this at the end of each month.

- (h) Every quarter, the CA should compile a quarterly report to USAID using the same format in (g) above

- (i) In consultation with the Director of Programmes the DFA should review the activities for the next quarter and determine the projected costs.
- (j) Compare the projected costs with the budget.
- (k) Determine whether budget revisions are required.
- (l) Document the revisions required and seek the Executive Director's approval
- (m) Refer to the grant agreements and determine whether the budget revisions require donor approvals.
- (n) Obtain donor approvals where necessary.

Management comment

Taking into account the volume of work and the manual accounting system which is in practice, monthly reports have not been prepared. The recommendation will be implemented immediately the accounts are computerised.

**USAID reporting requirements**

UMATI is not familiar with USAID reporting requirements.

Recommendation No 3

We recommend that UMATI finance staff should familiarise themselves with USAID reporting requirements. The following is a summary of the requirements:

- 1 Quarterly financial reports: Financial status report/Public Voucher for Purchases and Services Other Than Personal

Assuming that UMATI will receive periodic advances from USAID the following regulations shall be complied with:

- a) Periodic advances shall be limited to the minimum amounts needed to meet current disbursement needs and shall be scheduled so that the funds are available to UMATI as close as is administratively feasible to the actual disbursements by UMATI for programme costs.
- b) USAID funds shall not be commingled with other UMATI owned funds or controlled funds. UMATI shall deposit all USAID cash advances in a separate Bank account and shall make all disbursements for goods and services from this account.
- c) Each quarter, after the initial cash advance, UMATI shall submit to the AID Controller, voucher SF 1034 (original) and SF 1034-A (three copies), entitled "Public Voucher for purchases and Services Other Than Personal". (See appendix 2)
- d) Each quarter, after the initial advance UMATI shall submit to the USAID controller a "Federal Cash Advance Status Report" (see appendix 2).
- e) The Federal cash advance status report shall be accompanied by :
  - i) Cumulative detailed report on disbursements by budget line item showing the disbursements for the current quarter separately (see appendix 2).

- ii) A summary of projected disbursements for the next quarter, by budget line item (see appendix 2).
- iii) The following certificate.

The undersigned hereby certifies that:

- 1 The amount in paragraph B9 of the status report represents the best estimate of funds needed for the disbursements to be incurred over the period described.
- 2 Appropriate refund or credit to the grant will be made in the event of disallowance in accordance with the terms of the grant.
- 3 appropriate refund or credit to the grant will be made in the event funds are not expended and.
- 4 any interest accrued on the funds made available herein will be refunded to USAID

BY.....

DATE..... TITLE.....

- e) USAID shall prescribe whether the status report shall be on cash or accrual basis and shall be submitted in three copies (original plus two copies). This report shall be prepared quarterly but a final report shall be required at the completion of the grant or cooperative agreement.
- f) The financial status report shall be submitted no later than 30 days after the end of each quarter, and 90 days for the final reports.

2 Quarterly reports: Federal cash transactions report

- a) When funds are advanced to UMATI through letters of credit or periodic treasury cheques, UMATI shall submit a "Federal cash transactions report and its continuation form (SF 272 and SF 272 A) (see appendix 2).
- b) UMATI shall forecast Federal cash requirements in the remarks section of the report.
- c) UMATI shall report in the remarks section the amount of cash advances in excess of 30 days. UMATI shall provide short narrative explanations of actions taken to reduce the excess balances.
- d) UMATI shall submit not more than an original and one copy of the Federal cash transactions report within 15 working days following the end of each quarter. A monthly report shall be submitted if UMATI receives advances totalling US\$ 1 million or more per year.
- e) The grant officer may waive the requirements for submission of the "Report of Federal cash transactions when monthly advances do not exceed US\$ 10,000 provided that such advances are monitored through others forms or if, in USAID'S opinion, UMATI accounting controls are adequate to minimize excessive Federal advances.

- f) The request for advance or reimbursement: (SF 270). shall be a standardized form for all nonconstruction programs when letter of credit or periodic treasury cheque advances method are not used. (see appendix 2)

UMATI will be authorised to submit requests for advances and reimbursement at least monthly when letters of credit and periodic treasury cheques are not used. UMATI will not be required to submit more than the original and two copies of the request for advance or reimbursement.

3 Annual reports and audit requirements

- a) UMATI shall be subject to the audit requirements contained in OMB circular A-133. "Audits of Institutions. of higher Education and other nonprofit Institutions".
- b) For the audit to be carried out UMATI will be required to prepare annual accounts for the whole organisation. UMATI shall select an independent auditor in accordance with the " Guidelines for financial Audits contracted by foreign recipients" issued by the USAID Inspector General. The audit shall be a financial audit performed in accordance with such guidelines and in accordance with Generally Accepted Government Auditing Standards issued by the Comptroller General of the United States, and shall determine whether the grant funds have been used in accordance with the grant agreement.
- c) The audit report shall be submitted to USAID within 30 days after the completion of the audit, but the audit shall be completed not later than 13 months after the close of UMATI's fiscal year. The USAID Inspector General will review the audit report to determine whether it complies with the audit requirements of the grant agreement.
- d) UMATI should prepare the annual financial statements within 90 days after the end of the financial year.

4 Performance Reports

- a) UMATI shall monitor the performance under grants and cooperative agreements and, where appropriate, ensure that time schedules are being met, projected work units by time periods are being accomplished, and other performance goals are being achieved. This review shall be made for each program, function or activity of each grant or cooperative agreement as set forth in the award document.
- b) USAID shall prescribe the frequency with which the performance reports shall be required. Reports will not be required more frequently than Quarterly or, less frequently than annually. Annual reports shall be due 90 calendar days after the grant year. Quarterly reports shall be due 30 days after the reporting period. The final performance reports are due 90 calendar days after the expiration or termination of the award.
- c) If inappropriate, a final performance report shall not be required, after completion of the project.
- d) Performance reports shall generally contain, for each award, brief information on each of the following:
  - i) A comparison of actual accomplishments with the goals and objectives established for the period. Whenever appropriate, and the output of programs or projects can be readily quantified, such quantitative data should be related to cost data for computation of unit costs.

- ii) Reasons why established goals were not met.
  - iii) Other pertinent information including when appropriate, analysis and explanation of cost overruns or high unit costs.
- e) UMATI shall submit the original and two copies of the performance reports.
- f) UMATI shall immediately notify USAID of developments that have a significant impact on the award supported activities. Also, notification shall be given in the case of problems, delays, or adverse conditions which materially impair the ability to meet the objectives of the award. This notification shall include a statement of the action taken or contemplated, to resolve the situation.

Management comment

UMATI is ready to study, follow and adhere to the USAID reporting system.

**Time between receipt and disbursement of funds**

UMATI has no guidelines on the minimisation of time between receipt and disbursement of funds.

Recommendation No 4

UMATI should minimise the time between receipt and disbursement of funds as much as possible. To do this the work programme and budget should be followed. A Summary of Projected Disbursements should be prepared for the next quarter. This should be supported by detailed schedules for each project. The detailed schedules should be prepared by the Programme Officers. The detailed schedules should be reviewed thoroughly by the Chief Accountant. The Summary of Projected costs should be authorised by both the Director of Programmes and the Director of Finance and Administration.

The Summary of Projected Disbursements for the Next Quarter should be submitted to USAID every quarter. USAID should use this in the payment of the advance for the quarter.

This will ensure that UMATI does not hold donor funds for more than three months.

**Costs charged to grants**

UMATI does not have guidelines on the type of costs that should be charged to grants.

Recommendation No 5

We recommend the following:

1. UMATI shall incur expenses and charge donor grants if the payments are reasonable, allocable and allowable. The following is an explanation of these three terms:
  - a) **Reasonable** - shall mean those costs which are generally recognised as ordinary and necessary and would be incurred by a prudent person in the conduct of normal business.

- b) **Allocable costs** - shall mean those costs which are incurred specifically for the grant. A cost must be beneficial to an award, directly or indirectly. Generally, this means that a cost must be incurred in order to perform the work of the award; or it must be incurred in a way that benefits the award on other activities of the grantee institution. There are, however, certain types of institutional costs that are restricted from being charged to a Federal award because they provide so little benefit to the award.
- c) **Allowable costs** - shall mean those costs which conform to any limitations of the grant. To be allowable under the general standards a cost must be:
- reasonable, in nature and amount. Generally a cost is considered reasonable if it would have been incurred by a prudent person in the circumstances surrounding the incurrence of the cost
  - necessary for the performance of the agreement
  - allocable (of benefit to the award), directly or remotely
  - net of any applicable credits such as purchase discounts, rebates and so on
  - in conformity to any limitations or exclusions in the award
  - treated in the same fashion as costs incurred by the grantee with non-federal funds
  - accorded consistent treatment
  - determined in accordance with generally accepted accounting principles applicable to the type of grantee
  - excluded as a charge to other Federal programs in the current or prior period
  - adequately documented.

More details on allowability of costs are provided in chapter 6.

- 2 UMATI shall review all grant agreements and prepare guidelines for allowable costs under each grant. The relevant guideline should be distributed to budget holders at the head office and area offices. A copy of the guidelines should be retained in the accounts office. If the general guidelines summarised in (1) above are adequate this should be communicated to the appropriate budget holders.
- 3 Before approving payments one should ensure that the payment meets the general and specific guidelines on allowability of costs.

Management comment

This is a new area which UMATI will look into, study it and use it in computing the costs to be charged to grants from various donors.

## **Computerisation**

UMATI's accounting system is manual. Currently, UMATI is in the process of computerising the system. However, according to management the funds allocated to this exercise may not be adequate.

### Recommendation No 6

The accounts staff should use the computer in the accounting department for the following:

- i) Maintenance of budget book
- ii) Preparation of financial reports
- iii) Preparation of budgets.

USAID should consider extending assistance in the computerisation of UMATI's accounting systems.

### Management comment

UMATI is currently undergoing computerisation exercise though still in its initial stages. We anticipate a number of changes when the exercise is completed. As a result of this we anticipate to have accurate and timely reports.

The training component should be given priority.

We sincerely request USAID to assist UMATI in this exercise.

3 **INTERNAL CONTROL STRUCTURE**

3.1 **Introduction**

The American Institute of Certified Public Accountants (AICPA) Codification of Auditing Standards, Section 319, defines an organisation 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 comprises three elements:

- the control environment
- the accounting system
- 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, analyse, 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 organisations resources.

In section 3.3 below, we have classified our findings and recommendations by these categories.

3.2 **Work Performed**

**Control Environment**

Our review of UMATI control environment covered the following main areas:-

- management philosophy and operating style
- organizational structure
- methods of assigning authority and responsibility
- management's control methods, and
- personnel policies and practices.

**Accounting System**

The accounting system review covered the following areas:-

- budgeting and funds management
- general record keeping
- reporting to donors.

**Control Procedures**

We reviewed and evaluated UMATI's control procedures and covered the following:-

- proper authorization of transactions and activities
- design and use of adequate documents and records

- adequate safeguards over access to and use of assets and records
- independent checks on performance and proper valuation of recorded amounts.

3.3

### **Findings and Recommendations**

#### **Control Environment**

The overall management of UMATI is adequate and effective. UMATI is run by a team of professionals in the Family Planning field who are professionally qualified and experienced. Personnel policies and practices are clearly defined and lines of authority and responsibility are clearly spelt out in the staff Handbook and financial regulations, Stores procedures and Accounting manual.

#### **Accounting system**

The accounting system of UMATI is adequate and effective in identifying, classifying, recording and reporting transactions and maintaining accountability for assets and liabilities. The current accounting system is manual. General ledger, Cashbook, Local purchase orders and Payment vouchers are some of the documents and records used by UMATI. A fixed assets register is maintained.

Separate bank accounts are maintained for donors to ensure separate accounting of donor funds.

UMATI prepares a Work Programme and Budget every year to guide activities and expenditure. All expenditure for UMATI are supposed to be incurred in accordance with the budget.

#### **Control Procedures**

Transactions and activities of UMATI are authorised by the Director of Finance and Administration and the Executive Director. There are limits where the DFA and ED can sign. Anything above TShs 5 million requires volunteers approval. Procedures for processing transactions and carrying out activities are clearly set out in the Financial Regulations, Stores Procedures, and Accounting Procedures Manual. Sufficient physical security is provided to safeguard UMATI's fixed assets. Motor vehicles and other UMATI fixed assets are comprehensively insured.

An internal auditor is employed by UMATI to provide independent checks on transactions.

We noted the following weaknesses in the internal control structure:

#### **Taxation of allowances**

Some allowances are paid to UMATI staff without being taxed in contravention of Tanzanian Tax Law. These allowances include transport allowance, duty allowance and fuel allowance.

#### **Recommendation No 7**

UMATI should tax all allowances paid to staff except house allowance as required by Tanzanian Tax Law.

#### **Management Comment**

All allowances are currently being taxed.

### **Supporting documents**

A few payments made through the main cashbook and the petty cash system did not have third party supporting documents such as invoices or cash sale receipts.

#### Recommendation No 8

All payments made should be supported as far as possible by third party documents such as invoices or cash sale receipts.

#### Management comment

This is actually the normal procedure. The example found/quoted might have been an oversight.

### **Cancellation of documents**

Some invoices and other documents supporting cheque and petty cash payments have not been stamped PAID.

#### Recommendation No 9

All documents supporting payments should be stamped PAID

#### Management Comment

This is also the normal procedure. Measures will be taken to ensure that all documents are stamped "PAID".

### **Review of Bank reconciliations**

The bank reconciliations prepared by the accountant are not initialled by the Chief Accountant as evidence of review.

#### Recommendation No 10

The Chief Accountant should review bank reconciliations prepared by the accountant and initial them as evidence of review. The date of preparation and review of bank reconciliations should be indicated.

#### Management comment

The recommendation will be implemented.

### **Implementation of prior year recommendations**

UMATI's external auditors have made several internal control recommendations to assist UMATI in improving its internal control structure.

#### Recommendation No 11

UMATI should implement all recommendations made by external auditors.

#### Management Comment

This is already done.

## 4 PROCUREMENT OF GOODS AND SERVICES

### 4.1 Purpose of procurement of goods and services procedures

The purpose of procurement procedures is to ensure that:

- Procurement is made to the maximum extent possible on practical, open and free competition basis
- UMATI obtains the maximum value for money on all its procurement of goods and services
- procured goods and services are delivered in the correct quantity and quality and in a timely manner
- UMATI meets donor (USAID) requirements in regard to procurement.

### 4.2 Summary of current system

#### **Local Purchases**

The main features of local purchase system are as follows:

- a) User sections raise purchases requisitions, obtain the appropriate authorization and pass the requisitions to the Supplies Officer at Head Office. At the Area Offices, petty purchases are carried out under the supervision and approval of the Area Service Delivery Manager.
- b) Supplies Officer accepts properly authorized requisitions, raises and actions local purchase orders.
- c) Goods are delivered to the office and the Supplies Officer checks them before issuing stores receipt voucher (SRV).
- d) Transport Officer checks reports of service rendered on maintenance on motor vehicles. He also inspects motor vehicles before they are collected from the garage.
- e) Stores receipt vouchers are issued for all inspected and accepted goods and services.
- f) Payment is effected after the invoices have been properly matched with Local Purchase Orders and Stores Receipt Vouchers (SRVs).

#### **Overseas Purchases**

The main features of the overseas purchases system are as follows:-

- a) Commodity list in the yearly work programme and budget is agreed between UMATI and IPPF.
- b) IPPF places orders for manufacture if applicable and supply the commodities.
- c) IPPF informs UMATI by telex, letter or other convenient communication media of the orders placed.
- d) IPPF's Supplies and Purchasing Department sends "Notice of Commodity shipment" to UMATI.

- e) UMATI applies for relevant import licenses, tax exemption certificates and await shipping documents from the suppliers.
- f) Manufacturer/Supplier provide the appropriate Bill of Lading, Airway Bill, Packing list and Invoice in accordance with normal IPPF export supply procedures to UMATI.
- g) On arrival, goods are cleared either by the Supplies department or by the clearing and forwarding agents, who will have received the documents referred to in (e) and (f) above.
- h) Goods are received into UMATI stores and distributed accordingly.
- i) IPPF and the Regional Office are notified of the receipt.

4.3

**Findings and recommendation**

**Purchase requisition form**

The Purchase requisition form does not have the following important information:-

- (i) Account code
- (ii) Cost
- (iii) An indication as to whether the purchase is within the budget.

**Recommendation No 12**

The purchase requisition form should be modified to include the following information:

- (i) Account code
- (ii) Cost.

The Budget holder should review the budget and ensure that the purchase is within the budget. He/She should sign the purchase requisition form.

**Management comment**

The forms will be reviewed to accommodate the suggested changes.

**Local purchase orders**

The local purchase order does not show the delivery date.

**Recommendation No 13**

The local purchase order (LPO) should be modified to include the delivery date.

**Management comment**

The LPOs will be improved to include the delivery date.

## Procurement procedures

There are no clear guidelines for the following:

- (i) USAID Procurement Regulations
- (ii) Purchase using tendering/quotation system
- (iii) the composition and functions of the tender Committee
- (iv) Invitation of tenders/quotations
- (v) Consideration and awarding of tenders/quotations
- (vi) Monitoring of contract performance.

### Recommendation No 14

We recommend the following:

#### 1 USAID Procurement Regulations

UMATI should familiarise themselves with USAID procurement regulations. The following is a summary of the regulations.

To meet USAID procurement regulations the procurement system should have the following features:

- a) The organisation shall maintain a code of conduct that shall govern the performance of its officers, employees, or agents engaged in the awarding and administration of contracts. No employee, officer, or agent shall participate in the selection, award, or administration of a contract where, to his/her knowledge he/she or his/his immediate family or partner has a financial interest or with whom he/she is negotiating or has any arrangement concerning prospective employment. The organisation's officers or agents shall neither solicit nor accept gratuities, favours or any thing of monetary value from contractors or potential contractors. Such a code of conduct shall provide for disciplinary actions in the event of violations by the organisation's officers, employees and agents.
- b) All procurement transactions shall be conducted in a manner to provide open, free and fair competition. The organisation shall be alert to organisational conflict of interest or non-competitive practices among contractors that may restrict or eliminate competition or otherwise restrain trade.
- c) The organisation shall establish procurement procedures that provide for the following requirements:
  - proposed procurement actions shall assure the avoidance of purchasing unnecessary or duplicate items. When appropriate, an analysis shall be made on alternative purchase options that would be most practical and economical to the organisation.
  - solicitation for goods and services shall be based upon clear and accurate description of technical requirements for the material, product, or service to be procured.

contracts shall be made only with responsible contractors who possess the ability to perform successfully under the terms and conditions of a proposed procurement.

procurement records and files for purchase in excess of \$10,000 shall include (a) basis for contractor selection, (b) justification for lack of competition if competitive offers/bids are not obtained, and (c) basis for award price.

a system for contract administration shall be maintained to assure conformance with the terms, conditions, and specifications of the contract, and to assure adequate and timely follow-up of all purchases.

## 2 Tendering

UMATI should establish a tender Committee comprising of the following:

- National Executive Committee members
- The Executive Director
- Director of Finance and Administration
- Director of Programmes.

The Committee should meet regularly, proper minutes of all Committee meetings should be maintained. The meetings should be signed by all the members of the tender Committee.

All goods and services valued at US\$ 2,000 and over should be procured by tendering. The tender must include complete clear and accurate information on:

- a) Name of material or product (goods)
- b) Description of the technical requirements for the material or product. (goods).
- c) Responsibilities of contractor (specifications of tasks/type of service required) (services)
- d) Minimum qualifications and experience required (service)
- e) Terms of service (service)
- f) Identification of UMATI as the originator, giving full details of where and by when (date and time of bid closing) the offer must be submitted. (goods and services)
- g) Time frame for proposed order, from issue of order to final delivery (goods and services).

## 3 Quotations

Goods and services valued at less than US\$ 2,000 but more than US\$ 1,000 should be procured through quotations. The procedures are as follows:

- i) Obtain a list of known suppliers for the required goods or services. Review the list and eliminate suppliers with a bad reputation and suppliers who have failed to deliver the required qualities/quantities in the past.

- ii) Obtain quotations from at least 3 different suppliers from the list in (i) above.
- iii) Fill in the Comparative Quotation Chart (CQC) to analyse and provide justification to recommend a particular vendor. (see Appendix 2)
- iv) In the CQC in (iii) above, in addition to prices other factors such as reliability, previous satisfactory performance with UMATI, quality products/services and delivery schedules will be considered. Goods and services valued at less than US\$ 1,000 should be purchased after obtaining the approval of the Director of Finance and Administration. UMATI should develop a list of reliable suppliers to expedite future purchases.

4 Invitation of tenders/Quotations

The purpose of this activity is to invite tenders/quotations. This activity will be carried out by the DFA/ED. The detailed instructions are as follows:

- (a) The invitation for tenders or quotations as the case may be, should be advertised in the local and international dailies giving full particulars of where and by when (date and time of bid closing) offer must be submitted. The invitation for tenders or quotations is the responsibility of the tender committee.
- (b) Immediately after closure of the tender/quotations the Executive Director shall ensure their safe custody. Thereafter, she shall convene a meeting of the tender committee.

5 Consideration, awarding and signing of tenders/quotations

The purpose of this activity is to analyse the tenders/quotations and to chose the most appropriate. This function will be performed by the tender committee.

The detailed instructions are as follows:

- a) The tender/quotations shall be opened in a meeting of the tender committee.
- b) In consideration of the tender/quotation for goods and services the tender committee shall basically be guided by the following:
  - Integrity of suppliers/consultants
  - Record of past performances
  - Qualifications and experience
  - Financial/technical capability
  - Price and cost.

For the consideration of consultants, the "Consultants' Appraisal Forms" should be filled in for each consultant. Analysis and selection of consultants should be based on the awarded scores. (See Appendix 2)

The deliberations and decisions of the tender committee shall be minuted for each tender. For tenders and quotations for the goods CQC shall be filled. The minutes and CQC shall be signed by the Chairperson of the tender committee. This shall form part of the documents supporting payment for goods and services. The minutes should indicate:

- a) Names of suppliers/consultants who bid for the services
- b) Deliberations carried out in selecting consultant/suppliers i.e whether price, cost or other reason.
- c) Where there is only one source for the goods/services or where only one bid has been received the tender committee shall approve the tender and indicate that there was only one bid/source.
- d) Where appropriate, the Tender committee should take positive steps to ensure that small businesses, minority owned firms and women enterprises are used to the fullest extent practicable.
- e) Following the acceptance by the tender committee of tender/quotation a written contract will be drawn up and signed by the selected consultant and the Executive Director (for UMATI). Under no circumstances shall oral contracts be entered into on behalf of UMATI.

For ordinary/minor procurement a Local Purchase Order shall be filled by the Supplies Officer and authorised by the Director of Finance and Administration.

6 Persons/Parties excluded from competing for contracts

- 1 No employee, officer or agent of UMATI shall participate in the selection, award or administration of a contract if a real or apparent conflict of interest would be involved.

The standards of conduct governing performance of officers, agents or employees engaged in administration of contracts and any disciplinary action to be taken against them if in violation of these standards are enumerated in the following section.

- 2 No contractor involved in developing or drafting specification requirements, statements of work or request for proposal shall be considered for such procurement.
- 3 For USAID sponsored activities, no contracts shall be made to firms/individuals whose names appear on the "List of parties excluded from Federal procurement and non procurement programs". In addition, all procurement of services shall be made in accordance with the "AID ELIGIBILITY RULES FOR GOODS AND SERVICES (June 1993)" as set out in the Standard Provisions. (These can be obtained from USAID project/grant officer upon request)

Management comment

The procedures are being practised, only that they are not documented. Updating of our manual will be done and the recommended procedures followed.

**Code of Conduct for employees involved in procurement**

UMATI does not have a code of conduct for employees involved in procurement.

Recommendation No 15

The character, integrity, independence, discretion, judgement or financial habits of staff involved in procurement should be unquestionable.

The relationship with suppliers/consultants is a professional one and must always be viewed as such. As a result of day-to-day contact with suppliers/consultants, staff members are often invited to join them socially. Certainly these invitations should be accepted and, when appropriate, reciprocated, but the fact that the relationship is a professional one must never be forgotten. Staff should not solicit suppliers/consultants for discounts on their products and services, and nor should they request cash advances from suppliers/consultants.

As representatives of UMATI, staff should never place themselves in a position of being under an obligation to suppliers/consultants. Employees involved in procurement should always ensure that there is no conflict of interest.

Employees involved in procurement must remain independent at all times. Examples of relationships or situations that could impair independence are:

- a) Direct or indirect financial interest in a supplier/consultant.
- b) Circumstances in which staff members are virtually part of management or act as employees of the suppliers/consultants.
- c) Business, family or personal relationships with suppliers/consultants.
- d) The acceptance of gifts or favours from suppliers/consultants.

If any member of staff has any doubts as to his/her independence in any particular relationship or situation he/she should immediately refer the matter to the Executive Director.

Violation of the requirements of the above will result in disciplinary action on the employee concerned. Disciplinary action will be in accordance with the staff handbook. After the warnings are given the Executive Director could take any of the following actions depending on the extent of violation:

- . Transfer of officer to another division
- . Suspend the officer from duty
- . Interdict the officer
- . Dismiss the officer
- . Take legal action if the conduct of the officer has resulted in loss to UMATI.

Management comment

We concur with the recommendations given.

**Monitoring of contract performance**

UMATI does not have guidelines for monitoring of contract performance.

Recommendation No 16

We recommend the following:

- a) The DP/DFA should be charged with the responsibility of ensuring that the contractors conform with the terms, conditions and specifications of the contract. He/she shall mid-way through the period of the contract review progress and report in writing to the Executive Director on progress in contract performance.
- b) The Supplies Officer shall be responsible for ensuring that all goods ordered for have been delivered in time. He shall compare the quantity and quality delivered with the quantity, quality or other specifications on the LPO. In case of any delays, this shall be brought to the attention of the Director of Finance and Administration and further follow-up performed with the suppliers.

Management comment

- a) This is already being done.
- b) The senior supplies officer informs the management on delays.

The recommendations will be followed.

5 **FIXED ASSETS MANAGEMENT SYSTEM**

5.1 **Introduction**

The fixed assets of UMATI consist of motor vehicles, office equipment, medical equipment, furniture and audio visual equipment. Most of these assets are purchased by IPPF for UMATI and others are donated to UMATI by donors such as JOICFP, AVSC, Pathfinder, Population Concern and SIDA among others. The other assets are purchased directly by UMATI.

Fixed assets are capitalized and depreciated over their estimated useful economic lives.

5.2 **Administrative controls**

- 1 All fixed assets are under the Control of the Executive Director.
- 2 Plans for purchase and disposal of fixed assets must be approved by the National Executive Council.
- 3 Purchases of fixed assets from local sources are done by supplies department under the supervision of the Director of Finance & Administration.
- 4 Disposal of all UMATI movable & immovables (Fixed Assets) are by tender.

5.3 **Accounting policies for Fixed Assets**

Freehold land and buildings are capitalized at cost. Such property may be revalued in the balance sheet based on a valuation performed by a reputable independent valuer.

Land and buildings held under a long term lease which qualifies as capital lease under the relevant generally accepted accounting principles are capitalized and amortized in accordance with the applicable accounting standards. Revaluation of such leaseholds are permitted if appropriate.

Leasehold improvements are capitalized and amortized over the estimated economic life or the term of the lease whichever is shorter.

All other fixed assets are capitalized at COST and cannot be revalued subsequently (unless their value is impaired in which case the asset shall be written down to its realizable value).

Fixed assets received from IPPF are capitalized at LANDED COST of the asset at port of entry, with any customs, clearing and forwarding charges being expended during the year of acquisition.

Fixed Assets donated by third party donors are capitalized at their ESTIMATED FAIR MARKET VALUE if determinable, or ESTIMATED REPLACEMENT COST. In cases where the estimated value is not provided by the Donor and is otherwise not obtainable, valuation should be established by using the current IPPF commodity price list, or, where this is not applicable by consulting with the IPPF Regional Office.

Fixed assets except freehold land, are depreciated, assuming NIL scraps or residual value on a straight line basis in accordance with the following recommended useful lives.

	<u>Recommended</u>	<u>Acceptable range</u>
Buildings	20 years	15 - 30 years
Fixtures & Fittings	10 years	5 - 12 years
Computer equip	5 years	3 - 7 years
M/Vehicles	5 years	3 - 7 years
Audio visual equip	3 years	3 - 5 years
Others - typewriters, office equipment	5 years	As appropriate

However where local regulations stipulate different depreciation and revaluation methods from the above, these may be followed but the notes to the accounts should fully disclose the method used.

Sales or other disposal of fixed assets whether capitalized or not should be credited to the asset replacement fund. These proceeds often are not freely usable by the Association. The income would be credited to a designated reserve such as Asset Replacement Fund.

In any event, the gross capitalized amount and related accumulated depreciation/amortization of the asset should be removed from the balance sheet upon sale or other disposition the asset.

5.4

#### **Summary of current procedures**

Fixed Assets procedures are described under the following main headings:-

- Ordering and Supply
- Fixed Asset Records
- Care of Equipment.

#### **Ordering and Supply**

- I Durable items are normally supplied by IPPF based on the Commodity Budget Requests. Therefore, the Association will have already decided where items ordered are to be used. Items are therefore despatched to their place of use soon after arrival.
- II If durable items have been requested in anticipation of an increased programme or a new project which has not started before receipt of the items, the items are held in the main store. These are distributed only when the need arises. Should the need cease to exist subsequently, the items should be reported to the Regional Supplies Officer for disposal instructions.
- III When selecting items for IPPF supply, UMATI should ensure that there are local facilities for repair and maintenance. Although this is not always possible, the Association should endeavour to arrange for maintenance contracts with local agents for regular and skilled maintenance.

### **Fixed Assets Records**

— Every establishment (Head Office, Area Office) storing or using durable equipment should keep a fixed assets register. The register shows:

- a) FPA identification and programme year of acquisition
- b) location
- c) custodian.

### **Care of Equipment**

- (i) The useful life of all equipment can be considerably prolonged by using it carefully and maintaining it correctly
- (ii) In most cases, the manufacturers provide hand books and operating instructions with the equipment. These books contain useful hints on how to take care of the equipment
- (iii) In general, equipment must be kept clean, dry and cool when not in use. When in use, equipment must be protected against dust and damp and physical shock.

5.5

### **Findings and Recommendations**

#### **Some fixed assets are not tagged**

All fixed assets purchased since October 1996 have not been tagged or labelled with unique UMATI identification numbers.

#### **Recommendation No 17**

All fixed assets should be tagged or labelled with unique UMATI identification numbers.

#### **Management comment**

The updating of fixed assets register is currently being done.

#### **Fixed asset register does not have some important details**

Serial numbers, location and source of fixed assets have not been indicated in the fixed asset register for a number of items. In addition, the person entering information in the register does not sign and date the register as required.

#### **Recommendation No 18**

Serial numbers, location and source of fixed assets should be indicated for all fixed assets on the fixed asset register. In addition, the person entering information in the register should sign and date the register as required.

#### **Management comment**

The recommended procedure is actually what is being done.

**Some fixed assets not properly classified**

A number of items in the fixed asset register are not properly classified. For example tractors, trailers, disc ploughs, mounted harrows, and planters are classified as motor vehicles. A boat is classified as office equipment.

Recommendation No 19

Fixed assets in the fixed asset register should be properly classified.

Management comment

The recommendation will be implemented.

6 **INDIRECT COST RECOVERY SYSTEM**

6.1 **Introduction**

OMB circular A - 122 (Cost Principles for Nonprofit Organisations) defines indirect costs as those costs that have been incurred for common or joint objectives and cannot be readily identified with a particular final cost objective. Direct costs are those that can be identified specifically with a particular final cost objective. Direct costs of minor amounts may be treated as indirect costs for reasons of practicality where the accounting treatment for such cost is consistently applied for all final cost objectives.

The total cost of an award is the sum of the allowable direct and allowable indirect costs. To be allowable under an award, costs must meet the following general criteria:-

- be reasonable for the performance of an award and be allocable thereto
- Conform to any limitations or exclusions set fourth in General Principles of the OMB Circular number A - 122 or in the award as to types or amount of cost items
- be consistent with policies and procedures that apply uniformly to both federally financed and other activities of the organization
- be accorded consistent treatment
- be determined in accordance with generally accepted accounting principles
- not be included as a cost or used to meet cost sharing or matching requirements of any other federally financed program in either the current or prior period
- be adequately documented.

A cost is reasonable if, in its nature or amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the costs. A cost is allocable to a particular cost objective, such as a grant, project, service or other activity, in accordance with the relative benefits received.

6.2 **Current Indirect Cost for UMATI**

The expenses of UMATI are currently classified into three broad categories:-

- project expenses
- project support expenses
- administration and general services expenses (AGS).

Project expenses relate to specific projects run by the association. These are the direct project expenses. Project support expenses are those expenses incurred in relation to programme management and supervision and cannot be specifically associated with a particular project. Administration and general services expenses are those expenses incurred for general administration of the association. During the financial year 1995 (1996 accounts have not been prepared), the following project support and administration and general services expenses were incurred:-

Cost category	Project support TShs'000	AGS TShs'000	Total Indirect TShs'000	Notes
Employee benefits	83,633	50,783	134,416	1
Vehicle running costs	31,672	12,765	44,437	2
Printing and stationery	7,021	5,974	12,995	3
Occupancy costs	9,575	3,797	13,372	4
Workshop/seminar	-	2,361	2,361	5
Repairs and maintenance	3,102	16,231	19,333	6
Volunteers meeting	-	1,561	1,561	7
Clearing and forwarding	3,889	-	3,889	8
Supervision costs	274	224	498	9
Consultancy and Prof. fees	1,035	1,336	2,371	10
Meals and accommodation	-	2,665	2,665	11
Communications	389	360	749	12
Tuition fees and training	2,955	3,125	6,080	13
Others	1,053	8,007	9,060	14
Travelling costs	8,001	4,034	12,035	15
Local purchases	-	5,483	5,483	16
Depreciation	-	29,723	29,723	17
Contraceptives and medical consumable	-	66,534	66,534	18
<b>TOTAL</b>	<b>152,599</b>	<b>214,963</b>	<b>367,562</b>	

Total project expenses for 1995 were TShs 1,004,031,665.

Below we discuss the nature of the project support and AGS expenses and indicate whether they are allowable or not. We have determined the allowability or otherwise of the expenses from our discussion with management as to the nature and composition of expenses.

**1 Personnel cost and employee benefits**

This is compensation for personnel services.

It includes all compensation paid currently or accrued by UMATI for services provided by employees. The costs of compensation are allowable to the extent that compensation to individual employees is reasonable for the services rendered and conforms to the established policy of UMATI.

For purposes of the computation of indirect cost rate we recommend that the project support employee benefits be treated as direct costs. This could be achieved by coming up with ratios for allocating the project support employee benefits to specific projects or by requiring the project support employees to complete time sheets on a monthly basis. (See FF10).

**2 Vehicle running costs**

These are costs of fuel, repair and insurance of vehicles used by the UMATI administrators. These costs are allowable.

**3 Printing and stationery**

These are costs of stationery, library magazines and other office supplies. These costs are allowable.

4           **Occupancy costs**

Occupancy costs include costs incurred by UMATI for land rent, electricity, water, office accommodation, cleaning and sanitation. These costs are generally allowable.

5           **Workshop/Seminar costs**

There are costs incurred by UMATI in organising workshops and seminars which are not funded specifically by donors. Participant support costs are allowable with the prior approval of USAID.

6           **Repairs and maintenance costs**

These are costs of repair and maintenance of vehicles and equipment. Costs incurred for necessary maintenance, repair, or upkeep of buildings and equipment which neither add to the permanent value of the property nor appreciably prolong its intended life, but keep it in an efficient operating condition, are allowable. Costs incurred for improvements which add to the permanent value of the buildings and equipment or appreciably prolong their intended life are treated as capital expenditures. Equipment and other capital expenditures are unallowable as indirect costs.

7           **Volunteers meeting costs**

These are costs incurred by UMATI in organising and attending of meetings such as:-

- The Annual General Meeting
- National Executive council
- Executive management committee
- Regional council meetings.

These meetings are important for the general administration of UMATI and are allowable so long as they meet criteria for allowability described in Attachment A of the OMB Circular number A - 122. Cost of meetings and conferences held to conduct the general administration of the organization are allowable.

8           **Clearing and forwarding**

These are costs of freight, express and postage charges relating to goods purchased or delivered. These costs are allowable.

9           **Supervision costs**

These are costs incurred by administration staff in supervising projects in the field. These are allowable.

10          **Consultancy and professional fees**

These are costs of professional and consultant services rendered by medical doctors not working for UMATI at the Family Planning clinics. Such costs are allowable.

11          **Meals and accommodation**

There are meals and accommodation charges for UMATI administration personnel when attending seminars and workshops and when writing reports. These are allowable.

- 12           **Communications**
- There are costs incurred for telephone, postage, telex, telegrams and fax by UMATI. Communication costs are allowable.
- 13           **Tuition fees and training**
- These are costs of training staff incurred by UMATI to increase the vocational effectiveness of the employees. These costs are allowable.
- 14           **Other expenses**
- These include audit fees, bank charges, staff tea and lunch, staff welfare and sundry expense. Such costs are allowable.
- 15           **Travelling costs**
- These are the expenses for transportation, lodging, substances and related items incurred by employees of UMATI travelling on official business. Local travel charges are generally allowable. Direct charges for foreign travel costs are allowable only when the travel has received prior approval by USAID/Tanzania.
- 16           **Local purchases**
- These are purchases of mobile phones for Executive Director, Director of Finance and Administration and Director of Programmes. Under USAID regulations, such costs are of a capital nature and are not allowance. Depreciation on the assets is allowable.
- 17           **Depreciation**
- Depreciation is charged on office equipment, motor vehicles, motor cycles, audio visual equipment, medical equipment and furniture. The straight line depreciation method is used. Depreciation charge is allowable as an indirect cost.
- 18           **Contraceptives and medical consumables**
- These are contraceptives and medical consumables utilised during the year. Most of the contraceptives and medical consumable are donated by IPPF. The value of donated supplies is not reimbursable either as a direct or indirect cost.
- For a full and comprehensive discussion of allowability or otherwise of expenses, the UMATI management should refer to OMB circular number A - 122 and the specific award agreement they will have with USAID.
- 6.3           **Purpose of an Indirect Cost Recovery System**
- The purpose of an indirect cost recovery system is to determine allowable indirect costs and allocate them to a particular cost objective using an indirect cost rate. UMATI receives funding from various donors for different projects and therefore it is necessary to have an indirect cost recovery system to determine the indirect cost chargeable to those projects and be able to request for funding for overheads from donors. For USAID funding, an indirect cost recovery system is important in computing the provisional indirect cost rate. The provisional indirect cost rate is a temporary indirect cost rate applicable to a specified period which is used for funding, interim reimbursement, and reporting indirect costs on awards pending the establishment of a final rate for the period.

**Findings and recommendations****Indirect Cost Recovery system**

UMATI does not have a system in place for allocating indirect costs to projects. This is mainly because current UMATI donors do not pay for indirect or overhead costs. These are met by IPPF and UMATI's own funds.

**Recommendation No 20**

We recommend that UMATI uses the Simplified Allocation Method for allocating indirect costs to projects. The following steps should be followed.

- 1 Classify UMATI's total costs for the period as either direct or indirect costs.
- 2 Determine the allowability of both the direct and indirect costs.
- 3 Allocate all allowable direct costs to projects.

Using 1995 figures the following is a computation of total direct costs:

	TShs'000
Project costs per accounts	1,004,032
Add: Project support employee benefits	83,633
Allowable direct costs	1,087,665

- 4 Accumulate all allowable indirect costs to obtain a total figure for indirect costs.

Using 1995 figures the following is a computation of total indirect costs for UMATI.

	Project costs TShs'000	AGS TShs'000	Total TShs'000
Total indirect expenses per accounts	152,599	214,963	367,562
Less:			
Contraceptives and medical consumables	-	( 66,534)	( 66,534)
Project support employee benefits	( 83,633)	-	( 83,633)
Allowable indirect costs	68,966	148,429	217,395

- 5 Divide the total indirect costs with total direct costs and express the result as a percentage.  $(217,395 \div 1,087,665 \times 100) = 20\%$

- 6 Use the resultant indirect cost rate to allocate indirect costs to projects as follows:-

Allocable indirect costs = total project costs multiplied by the indirect cost rate.

- 7 Use the computed indirect cost rate as a provisional rate for USAID awards pending the establishment of a final rate.
- 8 In determining allowability or otherwise of expenditure, UMATI management should refer to OMB Circular A - 122 and conditions in their agreements with USAID.

Management comments

We have noted the model for calculation of the indirect cost rate and we will apply it in future.

**APPENDIX 1**  
**TERMS OF REFERENCE**

1.1 BACKGROUND

USAID/Tanzania has received a proposal from UMATI requesting a one year USAID grant of Tsh. 198,713,920 (about \$332,854) for enhancing the quality of care and supervision in implementing the Permanent and Long Term (P&LT) Contraception Project. UMATI in collaboration with the Ministry of Health (MOH) has been implementing family planning clinic-based services through the P&LT Project for the last 8 years, and its services are now available in a total of 72 public and private sector sites. UMATI has requested a USAID grant because, at present, the Project has an insufficient supply of expendable surgical materials, inadequate infection prevention measures, inadequate supervision at Project sites, and inadequately trained service providers.

The USAID grant funds would be used to provide: (1) support for 6,000 minilap, 2,000 Norplant, and 80 vasectomy procedures; (2) approximately 2,400 liters of chlorine disinfectants per month for the 60 government and UMATI clinics involved in the Project; (3) travel funds for all regional MCH Coordinators, enabling them to provide at least 10 days of supervision visits to the Project sites per quarter; and (4) training for service providers.

UMATI has never received a grant from the U.S. Government. If their proposal is accepted, USAID/Tanzania expects to provide more than one grant to UMATI over the next three years.

AREAS OF CONCERN

REDSO/ESA is concerned about UMATI's capabilities for properly managing USAID/grant funds. Specifically, REDSO/ESA is concerned about whether UMATI has:

- a. accounting, record keeping, and overall financial management systems that meet the Standards in Regulation 26;
- b. a separate accounting system under the proposed grant that will adequately identify, segregate, accumulate, and record all costs;
- c. an adequate indirect cost recovery system that excludes unallowable indirect costs from the computation of the provisional indirect cost rate, in accordance with OMB Circular A-122 (UMATI will absorb all indirect costs under the current proposed grant, but may propose reimbursement for indirect costs in future grants after it has established an indirect cost rate); and
- d. an adequate procurement system that meets the Standards of Regulation 26 (the procurement element is more than 50 percent of the proposed grant).

If adequate systems identified above are not in place, or are weak, REDSO/ESA needs to know what improvements can be made.

1.2 TITLE

Activity Title: Family Planning Services

Title: The Preaward Audit of the Uzazi Na Malezi Bora Tanzania (UMATI)

1.3 OBJECTIVE

The objective of this review is to look at UMATI's financial management and procurement systems and provide assistance in setting up sound and practical financial management and procurement systems, if needed, to enable UMATI to manage USAID funds and its activities prudently and effectively.

It is expected that at the completion of this assignment, the contractor shall have documented a functional set of procedures in a comprehensive report covering the financial management and procurement systems of UMATI. The selected audit firm (contractor) will perform a financial review of the existing financial management and procurement systems of UMATI, report on the existing systems, and make appropriate recommendations. The specific audit objectives to be addressed by the contractor include determining whether:

UMATI's overall accounting, record keeping, and overall financial management systems meet applicable standards included in 22 CFR 226 (Regulation 26);

UMATI will have a separate accounting system for the proposed USAID grant that will adequately identify, segregate, accumulate, and record all costs under the grant;

UMATI's system of internal controls is adequate. In this regard, the contractor will consider the auditee's internal control structure and report on significant internal control deficiencies and material weaknesses;

UMATI's procurement system and property management system meets the standards included in Regulation 26; and

UMATI has an adequate indirect cost recovery system that excludes unallowable indirect costs from the computation of the provisional indirect cost rate, in accordance with OMB Circular A-122.

1.4 STATEMENT OF WORK

UMATI shall provide the contractor with all the documentation and information needed about its financial management system, internal control system, procurement system, and indirect cost recovery system. The contractor shall review and document these systems and policies with a view to satisfying the needs of REDSO/ESA.

Internal Control Structure

The internal control structure should consist of the control environment, the accounting system, and control procedures.

Control Environment

The control environment for UMATI should cover, among other things:

management philosophy and operating style;  
organizational structure;  
methods of assigning authority and responsibility;  
management's control methods; and  
personnel policies and practices.

Accounting System

The accounting system should consist of the methodology and recording system established by UMATI to identify, classify, record and report on UMATI's transactions (including the separate identification of the direct and indirect cost transactions related to the USAID grant) and to maintain accountability for assets and liabilities.

Control Procedures

Control procedures pertain to, among other things:

proper authorization of transactions and activities;  
segregation of duties;  
design and use of adequate documents and records;  
adequate safeguards over access to and use of assets and records;  
and  
independent checks on performance and proper valuation of recorded amounts.

The contractor shall determine which of the above areas of the auditee's internal control structure are weak, and make necessary recommendations for improvement.

**Procurement Policies**

UMATI's procurement policies should satisfy the following requirements:

- a. The organization shall maintain a code of conduct that shall govern the performance of its officers, employees, or agents engaged in the awarding and administration of contracts. No employee, officer or agent shall participate in the selection, award, or administration of a contract where, to his/her knowledge he/she or his/her immediate family or partner has a financial interest or with whom he/she is negotiating or has any arrangement concerning prospective employment. The organization's officers or agents shall neither solicit nor accept gratuities, favors or anything of monetary value from contractors or potential contractors. Such a code of conduct shall provide for disciplinary actions in the event of violations by the

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organization's officers, employees and agents.

- b. All procurement transactions shall be conducted in a manner to provide open, free and fair competition. The organization shall be alert to organizational conflict of interest or non-competitive practices among contractors that may restrict or eliminate competition or otherwise restrain trade.
- c. The organization shall establish procurement procedures that provide for the following requirements:
  - 1. Proposed procurement actions shall assure the avoidance of purchasing unnecessary or duplicate items. When appropriate, an analysis shall be made on alternative purchase options that would be most practical and economical to the organization.
  - 2. Solicitation for goods and services shall be based upon a clear and accurate description of the technical requirements for the material, product, or service to be procured.
  - 3. Contracts shall be made only with responsive contractors who possess the ability to perform successfully under the terms and conditions of a proposed procurement.
  - 4. Procurement records and files for purchase in excess of \$10,000 shall include (a) basis for contractor selection, (b) justification for lack of competition if competitive offers/bids are not obtained, and (c) basis for award price.
  - 5. A system for contract administration shall be maintained to assure conformance with the terms, conditions, and specifications of the contract, and to assure adequate and timely follow-up of all purchases.

The contractor will determine which of the above conditions are not satisfied by the current UMATI procurement system and make necessary recommendations for improvement.

The review contractor shall also examine the following documents to become familiar with the applicable regulations and cost principles.

A.I.D. Handbooks or Automated Directives System (ADS)

HB 3 or ADS (if applicable)	Project Assistance
HB 13 or ADS (if applicable)	Grants and Cooperative Agreements (especially Ch. 1 Para. IU "Procurement Standards" and Para. IT "Property Management Standards")

AID 1420-53

Mandatory Standard Provisions for Non-U.S.  
Nongovernmental Grantees

Code of Federal Regulations

22 CFR Part 226

Administration of Assistance Awards to  
U.S. Non-Governmental Organizations

Office of Management and Budget (OMB) Circulars

Circular A-110

Grants and Agreements with Institutions of  
Higher Education, Hospitals and Other  
Nonprofit Organizations (procurement  
standards included in Attachment O of OMB  
Circular A-110)

Circular A-122

Cost Principles for Nonprofit  
Organizations (especially Section C  
"Indirect Costs" and Section  
D "Allocation of Indirect Costs and  
Determination of Indirect Cost Rates")

DETAILED REVIEW WORK

The detailed review steps shall consist of the following:

1. Examine agreements, Handbooks, Circulars and other pertinent information. Obtain copies of documents, records, reports, and correspondence for inclusion with the review work papers and in preparation for the review report.
2. Meet with USAID personnel to discuss the various concerns and to examine prior audit reports covering UMATI operations.
3. Examine UMATI's financial management system and determine whether it meets applicable standards included in 22 CFR 226. UMATI's financial management system should prescribe standards for financial management systems, methods for making payments and rules for: satisfying cost sharing and matching requirements, accounting for program income, budget revision and approvals, determining allowability for costs and establishing funds availability, and performing audits.
4. Obtain from REDSO/ESA or UMATI the proposed goods and/or services to be procured under the agreement and determine whether the grantee has a procurement plan which would be adequate to meet USAID requirements (the procurement standards should meet the requirements included in 22 CFR 226). In determining whether an adequate plan is in place the contractor should consider:

recipient contractual responsibilities;  
code of conduct (i.e. conflict of interest, etc.);  
open and free competition;

cost and price analysis;  
procurement records;  
which contracts should be awarded by the grantee;  
critical dates for the work/services under the contracts;  
time required to obtain, evaluate, prequalify, and advertise for  
technical proposals;  
need for waivers;  
need for use of a procurement agent; and  
other pertinent information.

5. Prepare a program to accomplish the review. The program should establish the specific review objectives and procedures for making the detailed examination.
6. Examine and evaluate UMATI's internal control structure related to financial management (including both direct and indirect costs applicable to the proposed USAID grant) and procurement. As part of the final report, arrive at a conclusion as to whether the internal control structure is adequate and effective. The contractor should issue a written report on the evaluation of UMATI's internal control structure.

Note: The reviewer should report on whether UMATI meets and adheres to the standards set forth in paragraph 1U of HB 13, subparagraphs 6, 7 and 8 and HB 13 paragraph 1T. The reviewer should also state whether UMATI's procurement system meets the standards set forth in paragraphs 1I, 1J, 1L and 1M of HB 13.

7. Examine and evaluate UMATI's indirect cost recovery system. The reviewer should report on whether UMATI meets and adheres to the requirements of OMB Circular A-122, Cost Principles for Nonprofit Organizations (Section C "Indirect Costs" and Section D "Allocation of Indirect Costs and Determination of Indirect Cost Rates")
8. Convene an exit conference with the auditee and REDSO/ESA to discuss the findings and recommendations. RIG/AIN should be informed and may attend.

#### 1.5 REPORTS

The report must include the following:

Report Cover  
Title Page  
Table of Contents

Summary  
- Background  
- Audit Objectives and Scope  
- Results of Audit  
- Management Comments (synopsis)

Financial Management System

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- Document UMATI's current accounting, record keeping and overall financial management system
- Discuss UMATI's internal control structure - report should cover the control environment, accounting system, and control procedures
- Discuss UMATI's capability to properly manage USAID grant funds by using a separate accounting system to segregate, accumulate and record costs
- Report areas needing improvement and recommendations

Procurement and Property Management System(s)

- Document the existing system(s)
- Discuss whether system(s) meets and adheres to USAID requirements
- Report areas needing improvement and recommendations

Indirect Cost Recovery System

- Document the existing system
- Discuss whether it meets or is capable of meeting USAID requirements
- Report areas needing improvement and recommendations

The report shall be in English. Preparation of the draft report will be coordinated by the audit contractor with REDSO/ESA and RIG/A/N. The audit contractor will submit the draft report for review by UMATI and RIG/A/N. UMATI will be requested to provide written comments. These comments should be considered and incorporated in the final report. The final report should then be sent to REDSO/ESA and RIG/A/N. The report shall be subject to approval and acceptance by RIG/A/N and REDSO/ESA.

**APPENDIX 2**

**FORMS**

**FORMS****APPENDIX 2**

	<u>Description</u>	<u>Reference</u>
1	Comparative Quotation Chart	FF1
2	Consultants Appraisal Form	FF2
3	Federal Cash Advance Status Report	FF3
4	Financial Report - Quarterly	FF4
5	Projected Disbursements - Quarterly	FF5
6	Income and expenditure statement - annual	FF6
7	Final Income and Expenditure Statement	FF7
8	Balance Sheet	FF8
9	Budget Book	FF9
10	Umati Monthly Time Sheet	FF10
	<b>STANDARD FORMS</b> (Prescribed by Office of Management and Budget)	
11	Public Voucher for Purchases and Services other Than Personal	SF1034/ SF1034-A
12	Financial Status Report	SF269
13	Request for Advance or Reimbursement	SF270
14	Federal Cash Transactions Report	SF272/ SF272-A



CONSULTANTS APPRAISAL FORM

NAME OF CONSULTANT

QUALITY/CRITERIA	POINTS	SCORE
Level of education	10	
Professional qualifications	20	
Experience-Total number of years	10	
Relevance of experience	30	
Acceptability by parties in conflict	10	
Performance on Previous ADC assignments	10	
Other qualities	10	
<b>Total points</b>	<b>100</b>	<b>Total Score</b>

	Designation	Signature	Date
Prepared by			
Authorised by	Executive Director		

UZAZI NA MALEZI BORA TANZANIA (UMATI)  
FEDERAL CASH ADVANCE STATUS REPORT

FF3

A. Period covered by this report:

FROM (Month, day, year) \_\_\_\_\_

TO (Month, day, year) \_\_\_\_\_

Period covered by next report:

FROM (Month, day, year) \_\_\_\_\_

TO (Month, day, year) \_\_\_\_\_

B. Cash Advance Use and Needs:

1. Cash advance on hand at the beginning of this reporting period..... \$ \_\_\_\_\_

2. U.S. Treasury check advance(s) received during this reporting period..... \$ \_\_\_\_\_

3. Interest earned on cash advance during this reporting period..... \$ \_\_\_\_\_

4. GROSS cash advance available during this reporting period (Lines 1,2 & 3)..... \$ \_\_\_\_\_

5. LESS, Interest remitted to AID during this reporting period..... \$ \_\_\_\_\_

6. NET cash advance available during this reporting period (Line 4 minus Line 5)..... \$ \_\_\_\_\_

7. Total disbursements during this reporting period, including subadvances ..... \$ \_\_\_\_\_

8. Amount of cash advances available available at the end of this reporting period (Line 6 minus Line 7)..... \$ \_\_\_\_\_

9. Projected disbursements, including subadvances, for the next reporting period ..... \$ \_\_\_\_\_

10. Additional cash advance requested for the next reporting period (Line 9 minus Line 8)..... \$ \_\_\_\_\_

11. Total interest earned on cash advance from the start of the grant to the end of this reporting period, but not remitted to AID..... \$ \_\_\_\_\_

12. Total cash advances to subgrantees, if any, as of the end of this reporting period..... \$ \_\_\_\_\_

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INCOME AND EXPENDITURE STATEMENT

FOR THE YEAR ENDED 31 DECEMBER \_\_\_\_\_

DONOR	USAID	DONOR 1	DONOR 2	DONOR 3	TOTAL
<b><u>INCOME</u></b>					
Grants					
Interest income					
Other income					
<b>Total Income</b>					
<b><u>EXPENSES</u></b>					
Travel					
Per diems					
Local Transport					
Conference expenses					
etc					
<b>Total Expenses</b>					
<b>Surplus/(Deficit) for the year</b>					
<b>Surplus/(Deficit) brought forward</b>					
<b>Surplus/(Deficit) carried forward</b>					

FINAL INCOME AND EXPENDITURE STATEMENT

FOR USAID GRANT NUMBER \_\_\_\_\_

COVERING THE PERIOD FROM JANUARY 1, \_\_\_\_\_

TO SEPTEMBER 30, \_\_\_\_\_

	PROJECT 1	PROJECT 2	PROJECT 3	PROJECT 4	TOTAL
<b><u>INCOME</u></b>					
Grants					
Interest income					
Other income					
<b>Total Income</b>					
<b><u>EXPENSES</u></b>					
Travel					
Per diems					
Local Transport					
Conference expenses					
etc					
<b>Total Expenses</b>					
<b>Surplus/(Deficit)</b>					

UZZAZI NA MALEZI BORA TANZANIA (UMATI)  
 BALANCE SHEET AS AT 31 DECEMBER \_\_\_\_\_

FF8

	<u>Local Currency</u>		<u>US\$ (note 2)</u>	
<u>ASSETS</u>	19____	19____	19____	19____
<b>CURRENT ASSETS</b>				
<u>Cash:</u>				
In current account				
in hand				
Time deposits (note 4)				
Earmarked accounts (note 4)				
 <u>Receivables:</u>				
IPPF				
Other donors (note 5)				
Payments in advance				
Debtors				
Staff loans				
Others		_____		_____
		_____		_____
 <b>DEFERRED ASSETS</b>				
Investments (note 6)				
Staff Loans				
Others (specify)		_____		_____
		_____		_____
		_____		_____
 <b>FIXED ASSETS (note 7)</b>				
		_____		_____
 <b>CURRENT LIABILITIES</b>				
Accounts payables and accrued expenses				
IPPF				
Other donors (note 8)				
Subscriptions in advance				
Deferred Income		_____		_____
		_____		_____
		_____		_____
 <b>DEFERRED LIABILITIES (specify)</b>				
		_____		_____
 <b>RESERVES, as per statements of changes in reserves:</b>				
Restricted				
Unrestricted		_____		_____
		_____		_____
		_____		_____
		_____		_____

Signed: Chairperson: \_\_\_\_\_ Date: \_\_\_\_\_  
 Treasurer: \_\_\_\_\_ Date: \_\_\_\_\_

Provide notes to the items indicated

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# FINANCIAL STATUS REPORT

(Follow instructions on the back)

3. RECIPIENT ORGANIZATION (Name and complete address, including ZIP code)

1. FEDERAL AGENCY AND ORGANIZATIONAL ELEMENT TO WHICH REPORT IS SUBMITTED

Agency for International Development

2. FEDERAL GRANT OR OTHER IDENTIFYING NUMBER

3. RECIPIENT ACCOUNT NUMBER OR IDENTIFYING NUMBER

4. EMPLOYER IDENTIFICATION NUMBER

OMB Approved No. 50-RD180

5. FINAL REPORT

6. PERIOD COVERED BY THIS REPORT

7. BASIS

CASH

ACCRUAL

PAGE OF

PAGES

8. PROJECT/GRANT PERIOD (See instructions)

FROM (Month, day, year) TO (Month, day, year)

## STATUS OF FUNDS

PROGRAMS /FUNCTIONS/ACTIVITIES ▶	(a)		(b)		(c)		(d)		(e)		TOTAL (g)
	Net outlays previously reported	Total outlays this report period	Less: Program income credits	Net outlays this report period (Line b minus line c)	Net outlays to date (Line a plus line d)	Less: Non-Federal share of outlays	Total Federal share of outlays (Line e minus line f)	Total unliquidated obligations	Less: Non-Federal share of unliquidated obligations shown on line h	Federal share of unliquidated obligations	
a. Net outlays previously reported	\$										\$
b. Total outlays this report period											
c. Less: Program income credits											
d. Net outlays this report period (Line b minus line c)											
e. Net outlays to date (Line a plus line d)											
f. Less: Non-Federal share of outlays											
g. Total Federal share of outlays (Line e minus line f)											
h. Total unliquidated obligations											
i. Less: Non-Federal share of unliquidated obligations shown on line h											
j. Federal share of unliquidated obligations											
k. Total Federal share of outlays and unliquidated obligations											
l. Total cumulative amount of Federal funds authorized											
m. Unobligated balance of Federal funds											

9. TYPE OF RATE (Place "X" in appropriate box)  PROVISIONAL  PREDETERMINED  FINAL  FIXED

10. CERTIFICATION I certify to the best of my knowledge and belief that this report is correct and complete and that all outlays and unliquidated obligations are for the purposes set forth in the award documents.

11. SIGNATURE OF AUTHORIZED CERTIFYING OFFICIAL

12. TYPED OR PRINTED NAME AND TITLE

13. REMARKS (Attach any explanations deemed necessary or information required by Federal sponsoring agency in compliance with governing legislation.)

DATE REPORT SUBMITTED

TELEPHONE (Area code, number and extension)

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I certify that to the best of my knowledge and belief the data on the reverse are correct and that all outlays were made in accordance with the grant conditions or other agreement and that payment is due and has not been previously requested.	SIGNATURE OF AUTHORIZED CERTIFYING OFFICIAL	DATE REQUEST SUBMITTED
	TYPED OR PRINTED NAME AND TITLE *	TELEPHONE AREA CODE, NUMBER, EXTENSION *

\*This space for agency use

Public reporting burden for this collection of information is estimated to average 60 minutes per response, including time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding the burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Office of Management and Budget, Paperwork Reduction Project (0348-0004), Washington, DC 20503.

PLEASE DO NOT RETURN YOUR COMPLETED FORM TO THE OFFICE OF MANAGEMENT AND BUDGET. SEND IT TO THE ADDRESS PROVIDED BY THE SPONSORING AGENCY.

### INSTRUCTIONS

Please type or print legibly, items 1, 3, 5, 9, 10, 11c, 11e, 11f, 11g, 11i, 12 and 13 are self-explanatory; specific instructions for other items are as follows:

Item	Entry	Item	Entry
2	Indicate whether request is prepared on cash or accrued expenditure basis. All requests for advances shall be prepared on a cash basis.		activity. If additional columns are needed, use as many additional forms as needed and indicate page number in space provided in upper right; however, the summary totals of all programs; functions, or activities should be shown in the "total" column on the first page.
4	Enter the Federal grant number, or other identifying number assigned by the Federal sponsoring agency. If the advance or reimbursement is for more than one grant or other agreement, insert N/A; then show the aggregate amounts. On a separate sheet, list each grant or agreement number and the Federal share of outlays made against the grant or agreement.	11a	Enter in "as of date", the month, day, and year of the ending of the accounting period to which this amount applies. Enter program outlays to date (net of refunds, rebates, and discounts), in the appropriate columns. For requests prepared on a cash basis, outlays are the sum of actual cash disbursements for goods and services, the amount of indirect expenses charged, the value of in-kind contributions applied, and the amount of cash advances and payments made to subcontractors and subrecipients. For requests prepared on an accrued expenditure basis, outlays are the sum of the actual cash disbursements, the amount of indirect expenses incurred, and the net increase (or decrease) in the amounts owed by the recipient for goods and other property received and for services performed by employees, contracts, subgrantees and other payees.
6	Enter the employer identification number assigned by the U.S. Internal Revenue Service, or the FICE (institution) code if requested by the Federal agency.	11b	Enter the cumulative cash income received to date, if requests are prepared on a cash basis. For requests prepared on an accrued expenditure basis, enter the cumulative income earned to date. Under either basis, enter only the amount applicable to program income that was required to be used for the project or program by the terms of the grant or other agreement.
7	This space is reserved for an account number or other identifying number that may be assigned by the recipient.	11d	Only when making requests for advance payments, enter the total estimated amount of cash outlays that will be made during the period covered by the advance.
8	Enter the month, day, and year for the beginning and ending of the period covered in this request. If the request is for an advance or for both an advance and reimbursement, show the period that the advance will cover. If the request is for reimbursement, show the period for which the reimbursement is requested.	13	Complete the certification before submitting this request.
No te:	The Federal sponsoring agencies have the option of requiring recipients to complete items 11 or 12, but not both. Item 12 should be used when only a minimum amount of information is needed to make an advance and outlay information contained in item 11 can be obtained in a timely manner from other reports.		
11	The purpose of the vertical columns (a), (b), and (c), is to provide space for separate cost breakdowns when a project has been planned and budgeted by program, function, or		

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# FEDERAL CASH TRANSACTIONS REPORT

(See instructions on the back. If report is for more than one grant or assistance agreement, attach completed Standard Form 272-A.)

Approved by Office of Management and Budget, No. 80-RO182

1. Federal sponsoring agency and organizational element to which this report is submitted

Agency for Int'l Development

## 2. RECIPIENT ORGANIZATION

Name :

Number and Street :

City, State and ZIP Code :

4. Federal grant or other identification number

5. Recipient's account number or identifying number

6. Letter of credit number

7. Last payment voucher number

*Give total number for this period*

8. Payment Vouchers credited to your account

9. Treasury checks received (whether or not deposited)

## 10. PERIOD COVERED BY THIS REPORT

## 3. FEDERAL EMPLOYER IDENTIFICATION NO. ▶

FROM (month, day, year)

TO (month, day, year)

11. STATUS OF  FEDERAL  CASH   (See specific instructions on the back)	a. Cash on hand beginning of reporting period	\$
	b. Letter of credit withdrawals	
	c. Treasury check payments	
	d. Total receipts (Sum of lines b and c)	
	e. Total cash available (Sum of lines a and d)	
	f. Gross disbursements	
	g. Federal share of program income	
	h. Net disbursements (Line f minus line g)	
	i. Adjustments of prior periods	
	j. Cash on hand end of period	\$
12. THE AMOUNT SHOWN ON LINE 11J, ABOVE, REPRESENTS CASH REQUIREMENTS FOR THE ENSUING  Days	13. OTHER INFORMATION	
	a. Interest income	\$
	b. Advances to subgrantees or subcontractors	\$

## 14. REMARKS (Attach additional sheets of plain paper, if more space is required)

15. CERTIFICATION			
I certify to the best of my knowledge and belief that this report is true in all respects and that all disbursements have been made for the purpose and conditions of the grant or agreement	AUTHORIZED  CERTIFYING  OFFICIAL	SIGNATURE	DATE REPORT SUBMITTED
		TYPED OR PRINTED NAME AND TITLE  <div style="text-align: right; margin-top: 10px;">Controller</div>	TELEPHONE (Area Code, Number, Extension)

THIS SPACE FOR AGENCY USE

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# FEDERAL CASH TRANSACTIONS REPORT CONTINUATION

Approved by Office of Management and Budget No. 80-RO182

*(This form is completed and attached to Standard Form 272 only when reporting more than one grant or assistance agreement.)*

4. FEDERAL SPONSORING AGENCY AND ORGANIZATIONAL ELEMENT TO WHICH THIS REPORT IS SUBMITTED

Agency for Int'l Development

3. RECIPIENT ORGANIZATION (Give name only as shown in item 6, SF 272)

5. PERIOD COVERED BY THIS REPORT (As shown on SF 272)

FROM (month, day, year) TO (Month, day, year)

4. List information below for each grant or other agreement covered by this report. Use additional forms if more space is required.

FEDERAL GRANT OR OTHER IDENTIFICATION NUMBER  <i>(Show a subdivision by other identifying numbers if required by the Federal Sponsoring Agency)</i>	RECIPIENT ACCOUNT NUMBER OR OTHER IDENTIFYING NUMBER	FEDERAL SHARE OF NET DISBURSEMENTS	
		NET DISBURSEMENTS (Gross disbursements less program income received) FOR REPORTING PERIOD	CUMULATIVE NET DISBURSEMENTS
(a)	(b)	(c)	(d)
		\$	\$
<p>5. TOTALS (Should correspond with amounts shown on SF 272 as follows: column (c) the same as line 11h; column (d) the sum of lines 11h and 11i of this SF 272 and cumulative disbursements shown on last report. Attach explanation of any differences.)</p>		\$	\$