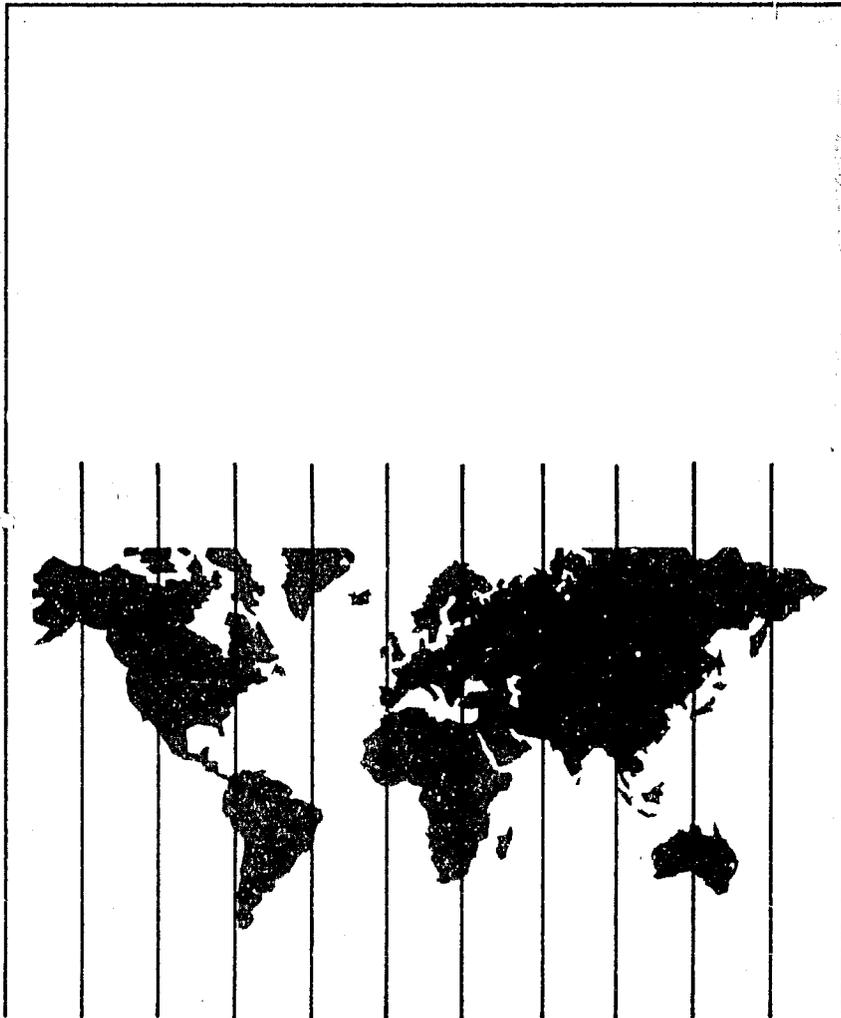


UNITED STATES
AGENCY FOR INTERNATIONAL DEVELOPMENT

THE
INSPECTOR
GENERAL



Regional Inspector General for Audit

MANILA

AUDIT OF
COMPREHENSIVE HEALTH IMPROVEMENT
PROGRAM - PROVINCE SPECIFIC - INDONESIA

Audit Report No. 2-497-90-02-N
October 3, 1989

UNITED STATES OF AMERICA
AGENCY FOR INTERNATIONAL DEVELOPMENT
REGIONAL INSPECTOR GENERAL/AUDIT
MANILA

UNITED STATES POSTAL ADDRESS
USAID/RIG/A/M
APO SAN FRANCISCO 96528

INTERNATIONAL POSTAL ADDRESS
c/o AMERICAN EMBASSY
MANILA, PHILIPPINES

Date: October 3, 1989

MEMORANDUM

TO: David N. Merrill
Director, USAID/Indonesia

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

SUBJECT: Audit of Comprehensive Health Improvement
Program - Province Specific
(Project No. 497-0325) - Indonesia
Audit Report No. 2-497-90-02-N

The accounting firm of Price Waterhouse performed a non-Federal financial audit of the Comprehensive Health Improvement Program - Province Specific (CHIPPS) in Indonesia.

The CHIPPS was an eight-year program undertaken to strengthen the delivery of health services in three provinces of Indonesia through improved targeting, management, and evaluation of specific health and nutrition activities and an increased number of paramedical personnel. A.I.D. funds of \$11 million were provided to the Government of Indonesia (GOI) to finance costs of training activities, consultants, commodities, health sector studies, and intervention trials. The project was authorized in September 1981 completed in September 1989. The audit was conducted for a 15-month period ending June 30, 1989. About \$1.5 million of A.I.D. funds were reviewed during the audit.

The audit was undertaken in addition to the financial and compliance management review conducted by Price Waterhouse for USAID/Indonesia. An audit test was performed to verify the results of the management review. The purpose of the audit was to determine whether: (a) CHIPPS statement of receipts and payments presented fairly the amount provided

and the expenses paid during the period, (b) CHIPPS internal control procedures were adequate, and (c) GOI complied with the terms of the agreement and applicable laws and regulations.

Due to the limited scope of audit work, the auditors did not express an opinion on the consolidated statement of receipts and payments. However, nothing came to the auditors' attention to indicate that the statement of receipts and payments was not fairly stated. The study and evaluation of the internal control system was more limited than would be necessary to express an opinion on the system of internal accounting controls. Accordingly, the auditors did not express an opinion on the internal control system taken as a whole. The auditors concluded that the items tested complied with the terms of the agreement and applicable rules and regulations. Nothing came to the auditors' attention to indicate that untested items were not in compliance with the terms of the agreement and applicable laws and regulations.

The draft report was discussed with project officials and their comments were considered in this report.

As a result of the Price Waterhouse report, I am including the following recommendation in the Office of the Inspector General audit recommendation follow-up system.

Recommendation No. 1

We recommend that USAID/Indonesia conduct an extended review of the close-out transactions for the Comprehensive Health Improvement Program - Province Specific.

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

Kantor Akuntan
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Price Waterhouse

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Drs. Hadi Sutanto



September 15, 1989

890707

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

Dear Mr. Montoney,

This report presents the results of our non federal audit review of the Comprehensive Health Improvement Program Province Specific (CHIPPS) for the fifteen months period ended June 30, 1989. This audit of CHIPPS was performed in Indonesia under the IQC A.I.D. No.497-000-I-00-7172-00.

1.1 BACKGROUND

On September 30, 1981 and on August 27, 1982 USAID/Indonesia and the Republic of Indonesia signed agreements for the provision of funds amounting to \$11,000,000. The principal purpose of the Program was to assist the Government of Indonesia to strengthen its capabilities to deliver health services in the provinces. The Program was also to assist in improving the capabilities of provincial health officials to target, manage and evaluate specific health and nutrition activities.

CHIPPS established provincial bank accounts to handle the receipt of funds from USAID/Indonesia and to fund expenditure incurred. CHIPPS was responsible for all reporting purposes and the reports prepared for USAID/Indonesia were based on those received from its field offices. During the period under review the value of funds received by CHIPPS from USAID/Indonesia amounted to \$1,497,779.

1.2 SCOPE OF EXAMINATION

As noted by the delivery order our examination was in addition to the financial and compliance management review carried out by PT Price Waterhouse Siddik Konsultan.

Mr. William C. Montoney
September 15, 1989



As required by the delivery order dated July 12, 1989 :

- i. the examination was based on generally accepted auditing standards, the Government Auditing Standards (1988 Revision)" and accordingly included such tests as we considered necessary in the circumstances. (see Audit Opinion Statements)
- ii. recommendations, if any, arising from the audit have been prepared as required by Chapter 4 of the "Guidelines for Financial and Compliance Audits of AID - Financed Agreements by Non-Federal Auditors".
- iii. the period under audit was from April 1, 1988 to June 30, 1989. This extended the period covered by PT Price Waterhouse Siddik Konsultan by three months, i.e. April 1, 1989 to June 30, 1989.

The nature and extent of our audit work was set out in Article III - Statement of Work, as attached to the delivery order dated July 12, 1989. The audit methodology and procedures required :

- i. initial meetings and interviews with the USAID/Indonesia Project Manager.
- ii. a review of the workpapers and findings of PT Price Waterhouse Siddik Konsultan.
- iii. a limited field audit to confirm the findings of PT Price Waterhouse Siddik Konsultan.
- iv. a limited audit of head office for funds received and disbursed, expenditures incurred, record keeping and report preparation.
- v. an audit exit meeting with representatives of; USAID/Indonesia - Office of Finance, Regional Inspector General/Manila, the Project Manager, and the Non Federal Auditor.

The audit work was carried out at of the CHIPPS office in Jakarta. The field audit work was carried out in the region of Banda Aceh.

Mr. William C. Montoney
September 15, 1989



The statement of receipts and payments (refer page 6) represents a consolidated statement for the CHIPPS projects (PIL) and these are identified in the footnote to the statement of receipts and payments. For purposes of this report an exchange rate of Rp1,774 to US\$1.00 has been used to translate rupiah transactions and balances.

1.3 AUDIT OBJECTIVES

- i. to perform limited audit work including one site visit to allow us to report on the consolidated statement of receipts and payments for the CHIPPS project in accordance with audit procedures delineated in the basic IQC and the statement of work attached to the delivery order number 6 dated July 12, 1989. This involved reperformance checks on work previously carried out by PT Price Waterhouse Siddik Konsultan.
- ii. provide a supplement to the report to be prepared by PT Price Waterhouse Siddik Konsultan. This will include our opinions in respect of :
 - consolidated statement of receipts and payments
 - internal controls
 - compliance with A.I.D. agreements and other regulations.
- iii. our opinions will be suitably qualified to reflect the fact that we have not performed the level and extent of work required by an audit conducted in accordance with generally accepted auditing standards.

1.4 RESULTS OF THE AUDIT

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

i. Statement of receipts and payments

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

Mr. William C. Montoney
September 15, 1989



ii. Internal control system

Our limited review generally confirmed the conditions documented by PT Price Waterhouse Siddik Konsultan. A summary of their conclusions is included as appendix I to our report.

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

Nothing came to our attention during our restricted review to indicate that the Grant was not substantially in compliance with applicable laws, regulations and agreements.

Yours sincerely,

Sulanta

Enclosure

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**NON FEDERAL AUDIT OF
COMPREHENSIVE HEALTH IMPROVEMENT PROGRAM
PROVINCE SPECIFIC
(CHIPPS)**

**CONSOLIDATED STATEMENT OF RECEIPTS AND PAYMENTS
AUDITOR'S OPINION**

We have reviewed the consolidated statement of receipts and payments set out on page 6 for the Comprehensive Health Improvement Programme Province Specific (CHIPPS) for the fifteen months ended June 30, 1989. Our examination was based on generally accepted auditing standards but limited by the statement of work attached to the delivery order. Accordingly the nature and extent of work carried out was not sufficient to allow us to give an opinion on the attached consolidated statement of receipts and payments.

However, nothing came to our attention during the course of our restricted audit that causes us to believe that the balances recorded in the statement of receipts and payments are not fairly stated.

Sutanto

September 15, 1989

**NON FEDERAL AUDIT OF
COMPREHENSIVE HEALTH IMPROVEMENT PROGRAM
PROVINCE SPECIFIC
(CHIPPS)**

**STATEMENT OF RECEIPTS AND PAYMENTS
FOR THE PERIOD APRIL 1, 1988 TO JUNE 30, 1989**

	\$ -----
Funds received from USAID/Indonesia	1,497,779
Payments	1,253,413 -----
Balance of funds	244,366 -----

Footnote :

The above statement comprises PILs 129, 146, 151, 147/154, 148/155, 157, 167, 168, 169, 171/171A, 172, 173.

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**NON FEDERAL AUDIT OF
COMPREHENSIVE HEALTH IMPROVEMENT PROGRAM
PROVINCE SPECIFIC (CHIPPS)**

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

We have reviewed the financial reports, books and records of the Comprehensive Health Improvement Program Province Specific (CHIPPS) for the fifteen months ended June 30, 1989, and we have issued our opinion thereon dated September 15, 1989. As part of our examination, and in accordance with the statement of work attached to the delivery order, we carried out a limited review of CHIPPS's system of internal control.

Our limited review as described in the first paragraph would not necessarily disclose all material weaknesses in the system of internal control and accordingly, we do not express an opinion on the system of internal accounting control of CHIPPS taken as a whole. However, our limited review did confirm the conditions documented by PT Price Waterhouse Siddik Konsultan and their conclusions and our comments are enclosed as attachment I to this report.

Sutanto
—

September 15, 1989

Drs. Hadi Sutanto



**NON FEDERAL AUDIT OF
COMPREHENSIVE HEALTH IMPROVEMENT PROGRAM
PROVINCE SPECIFIC
(CHIPPS)**

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

We have reviewed the financial reports, books and records of the Comprehensive Health Improvement Program Province Specific (CHIPPS) for the fifteen months ended June 30, 1989 and we have issued our opinion thereon dated September 15, 1989. Our review which was made in accordance with the statement of work attached to the delivery order was more limited than that required by generally accepted auditing standards and the U.S. Comptroller General's "Government Auditing Standards" (1988 Revision), which includes standards and requirements for the limited review of compliance with applicable laws, regulations and agreements.

The results of our review indicated that, except for minor areas of non compliance which were identified by PT Price Waterhouse Siddik Konsultan and confirmed by us (refer to appendix II), for the items tested, CHIPPS complied with applicable terms of A.I.D. agreements, laws and other regulations. With respect to items not tested, nothing came to our attention that causes us to believe that untested items were not in compliance with applicable laws, regulations and agreements.

Sutanto

September 15, 1989

NON FEDERAL AUDIT OF
COMPREHENSIVE HEALTH IMPROVEMENT PROGRAM
PROVINCE SPECIFIC
(CHIPPS)

EXTRACT FROM PT PRICE WATERHOUSE SIDDIK KONSULTAN
FINANCIAL AND COMPLIANCE REVIEW
SYSTEM OF INTERNAL CONTROLS

Based on our financial and compliance review we found that the internal control system was adequate and in compliance with GOI accounting procedures and regulations.

However USAID internal control standards are not fully adhered to because of the following :

- Understaffing that leads to time pressure to properly file documents, record transactions and report financial status.
- High staff turnovers leading to continuous learning curves and inadequate supervision.
- The accounting system has not been specifically designed to satisfy A.I.D. regulations.

Recommendation

USAID/Indonesia should assist with the implementation of a standard accounting system that is in compliance with GOI and A.I.D. regulations and is properly documented, prior to commencement of the project.

Non federal audit comment

No further action required as the Program has been completed.

**NON FEDERAL AUDIT OF
COMPREHENSIVE HEALTH IMPROVEMENT PROGRAM
PROVINCE SPECIFIC
(CHIPPS)**

**EXTRACT FROM PT PRICE WATERHOUSE SIDDIK KONSULTAN
FINANCIAL AND COMPLIANCE REVIEW
COMPLIANCE WITH A.I.D AGREEMENTS AND OTHER REGULATIONS**

The limited review indicates some areas of non compliance with A.I.D. regulations. However these are not considered to be highly material.

Recommendation

- Establish standard accounting system for A.I.D. recipients that satisfies both GOI and A.I.D. regulations.
- Support the system with adequate training.
- Conduct regular compliance testing for A.I.D. recipients.

Non federal audit comment

The areas of non compliance do not require further follow up except for the accountability of fixed assets acquired from Program funds. A report identifying all such assets should be prepared by CHIPPS and forwarded to USAID/Indonesia to enable them to close out the Program. USAID/Indonesia should ensure that any items of a consumable nature be expensed in the close out financial reports.

APPENDIX III

Report Distribution

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