

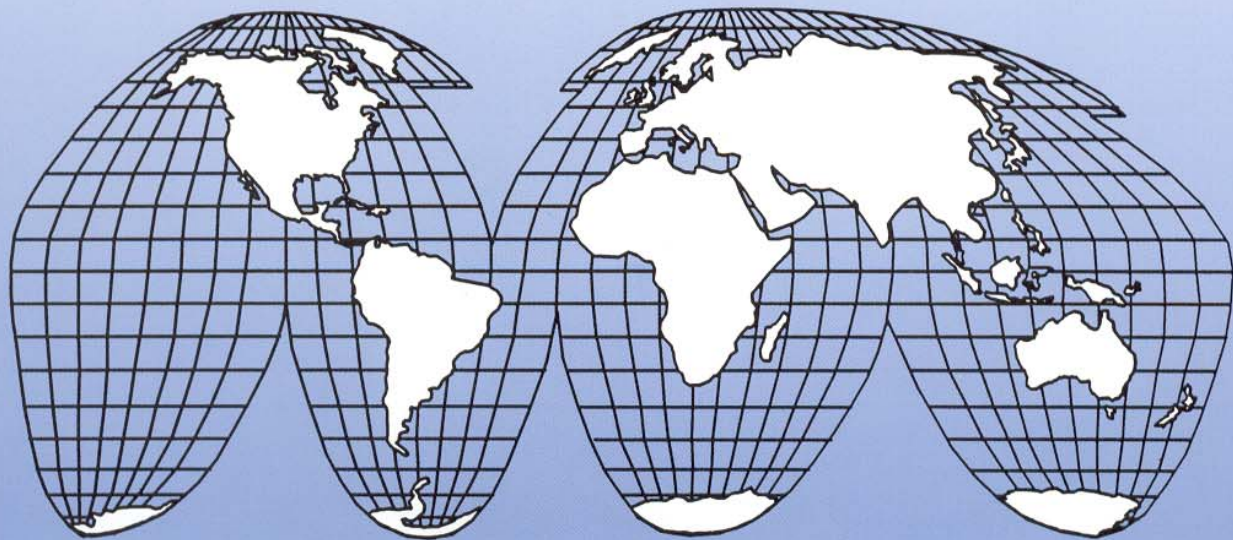
USAID

OFFICE OF INSPECTOR GENERAL

Audit of USAID/Uganda's Financial Operations and Controls for Fiscal Year 2002

Audit Report No. 4-617-03-002-F

March 17, 2003



PRETORIA, SOUTH AFRICA



March 17, 2003

MEMORANDUM

FOR: Mission Director, USAID/Uganda, Vicki L. Moore

FROM: Regional Inspector General/Pretoria, Jay Rollins /s/

SUBJECT: Audit of USAID/Uganda's Financial Operations and Controls
for Fiscal Year 2002 (Report No. 4-617-03-002-F)

This memorandum is our report on the subject audit.

USAID/Uganda's management comments on the draft report were considered and included as Appendix II. This report contains no recommendations for your action.

I appreciate the cooperation and courtesy extended to my staff during the audit.



[This page intentionally left blank]

Summary of Results

The audit of USAID/Uganda's financial operations and controls for fiscal year 2002 focused on determining whether financial data were free from material misstatements. (See page 4.)

The audit showed that USAID/Uganda's fiscal year 2002 financial data were free from material misstatements. Substantive testing did not identify any discrepancies in the Mission's financial data reported for fiscal year 2002 that would materially impact the Mission's account balances. (See page 4.)

USAID/Uganda was pleased to note that the audit report had no audit recommendations. Regarding the management letter, the Mission took note and corrected the immaterial findings detailed in the letter. (See Appendix II.)

Background

The Government Management Reform Act of 1994 requires agencies to complete audited financial statements each year covering all accounts and associated activities of the agencies. These financial statements are required to not only report the financial position and results of operations of the agency, but also to provide further information allowing Congress and the public to assess management's performance and stewardship of agency resources. As a result of this legislation, USAID management is required to compile USAID-wide financial statements and supplemental information. For fiscal year 2002, these financial statements are to be audited and submitted to the Office of Management and Budget (OMB) no later than February 1, 2003.¹

This review is part of a USAID-wide effort, led by the Office of Inspector General's Financial Audits Division in Washington, D.C., to audit USAID's fiscal year 2002 financial statements prior to their submission to OMB. USAID/Uganda uses the Mission Accounting and Control System (MACS) for accounting and controlling budget transactions. During fiscal year 2002, MACS data was consolidated into USAID/Washington's system using the MACS Auxiliary Ledger. This ledger is a detailed transaction-level database maintained and used by USAID/Washington, Office of Management, Financial Management Division to journalize and post mission transaction balances to the USAID general ledger and then to the financial statements.

¹ OMB Bulletin No. 01-09, September 25, 2001

Audit Objective

As part of a USAID-wide audit, RIG/Pretoria performed this audit to answer the following question:

Are USAID/Uganda's fiscal year 2002 financial data free from material misstatements?

Appendix I provides a complete discussion of the scope and methodology for this audit.

Audit Findings

Are USAID/Uganda's fiscal year 2002 financial data free from material misstatements?

USAID/Uganda's fiscal year 2002 financial data were free from material misstatements. The substantive testing phase of our audit did not identify any discrepancies in the Mission's financial data reported for fiscal year 2002 that would materially impact the Mission's account balances. Overall, the Mission's fiscal year 2002 financial data met the five financial statement assertions, as referred to in Office of Management and Budget Bulletin No. 01-02 and related General Accounting Office guidance:

- All assets and liabilities actually exist and expense transactions actually occurred (Existence and Occurrence).
- All transactions and accounts are presented in the financial statements (Completeness).
- Amounts recorded as assets represent property rights and the amounts recorded as liabilities represent obligations (Rights and Obligations).
- Assets, liabilities, revenue and expenses are assigned proper values (Valuation and Allocation).
- Accounting principles are properly applied and disclosures are adequate (Presentation and Disclosure).

Other items, which we deemed immaterial, came to our attention that we reported in a separate management letter to the Mission.

**Management
Comments and
Our Evaluation**

USAID/Uganda was pleased to note that the audit report had no audit recommendations. Regarding the management letter, the Mission took note and corrected the immaterial findings detailed in the letter.

The Mission was very grateful for the Regional Inspector General auditors' contribution to strengthening the Mission's financial operations and controls.

[This page intentionally left blank.]

**Scope and
Methodology****Scope**

RIG/Pretoria conducted this audit in accordance with generally accepted government auditing standards. The audit is part of a USAID-wide audit led by the Office of Inspector General's Financial Audits Division (IG/A/FA) in Washington, D.C. In auditing the financial data, IG/A/FA performed an earlier internal control review at the Mission. RIG/Pretoria considered the audit findings from the aforementioned internal control review in conducting the substantive tests of details of the Mission's financial data. Fieldwork was conducted at USAID/Uganda in Kampala, Uganda from October 22 to November 8, 2002.

The audit was conducted to determine if USAID/Uganda's fiscal year 2002 financial data were free from material misstatements. The audit focused on reviewing and testing management controls over the financial data generated under the following accounting processes: advances, accruals, data calls, disbursements, SF-1221 Treasury Fund Balance reconciliation, budgetary balances, Foreign Currency Trust Fund activity, closing procedures, and exception reporting. To audit the aforementioned accounting processes, sample items were either judgmentally or statistically selected for testing, as identified below:

Advances – the Office of Inspector General (OIG) statistician statistically selected a sample of 67 transaction items from a total universe of 313 transaction items. The net value of the sample items was \$1.2 million of a total \$1.6 million. The absolute value of the sample items was \$3.9 million of a total \$4.7 million. We determined the amount of outstanding advances over 120 days.

Accruals – the OIG statistician statistically selected a sample of 55 transaction items from a total universe of 132 transactions. The absolute value of the sample items was \$14.4 million of a total of \$15 million.

Data Calls – RIG/Pretoria auditors judgmentally selected several sample items from the Mission's data calls for the following costs:

- Non-expended/Expendable Property – the auditors physically verified the existence of five of the eight capitalized items.
- Schedule 9 Account Receivables – the auditors selected three fund cites (72X1000, 72X1014, and 72X1021) to test for accuracy. Within the fund cites, the auditors judgmentally selected nine account receivables to check the amount issued and collected.

-
- Unfunded Accrued Annual Leave for Foreign Service Nationals and Personal Service Contractors – the auditors judgmentally selected 15 sample items to verify the total amount of unfunded leave.
 - Operating Leases – the auditors judgmentally selected five out of a total of 17 leases for testing. The auditors reconciled the sample items’ data reported on the data calls to the actual lease documents.

Disbursements – the OIG statistician statistically selected a sample of 80 transaction items from a universe of 3,252 transactions. The absolute value of the sample items was \$25.9 million of a total of \$44.7 million. The tests covered project and operating disbursements. Due to time constraints, the test of verifying if the sample disbursements were posted into the Electronic Certification System was performed on a limited number of samples.

SF-1221 Treasury Fund Balance Reconciliation – the tests covered the July and August 2002 reconciliation process for appropriations 72X1021, 72X1095, and 72X1037.

Budgetary Balances – the auditors determined that the obligations were valid and that the Mission performed the 1311 reviews. The test of the Working Capital Fund was not applicable because the Mission does not have a Working Capital Fund.

Foreign Currency Trust Fund Activity – the auditors verified the accuracy of the fund’s balance to the accounting records and bank statements.

Closing Procedures – the review covered interviewing the Chief Accountant and verifying supporting documentation to determine if the Mission implemented the required closing procedures.

Exception Reporting – the review covered verifying the resolution of any exceptions reported in the Mission Accounting and Control System (MACS) Auxiliary Ledger Validation Report.

Methodology

To accomplish the audit objective, the auditors conducted interviews with officials and staff at USAID/Uganda in order to gain an understanding of the Mission’s existing procedures and controls covering the processes tested.

The OIG statistician statistically selected sample transaction items from the MACS Auxiliary Ledger for testing. The sample size was derived with the assumption of less than five percent error rate, four percent precision and 90 percent confidence level for each population. The sampling plan was based on prior history, knowledge of the operation, risks, and the costs involved. In assessing accuracy, we used a materiality threshold of plus or minus five percent relative to the population being audited.

The tests of details included verifying the accuracy of the data with source documentation and detailed accounting records maintained by the Mission. In addition, we determined whether the data met the five financial statement assertions: (1) existence and occurrence; (2) completeness; (3) rights and obligations; (4) valuation and allocation; and (5) presentation and disclosure. To gather audit evidence, the audit procedures involved recalculation, physical observation, confirmation, interviews, examination of documents, vouching, tracing, and sampling. The audit also included a review of the procedures and controls in place at the time of our fieldwork.

For criteria, the auditors used financial management-related chapters from the Automated Directives System, Office of Management and Budget Circulars and Bulletins, Treasury Circular 930, the Government Management Reform Act of 1994, and related General Accounting Office guidance.



[This page intentionally left blank]

**Management
Comments**



United States
Agency for
International
Development

memorandum

DATE: March 10, 2003

TO: Jay Rollins
Regional Inspector General
Pretoria/South Africa

FROM: Vicki L. Moore, /s/
USAID/Uganda Mission Director

SUBJECT: Audit of USAID/Uganda's Financial Operations and Controls
for Fiscal year 2002 – Report No. 4-617-03-00X-F

Mission is in receipt of subject draft audit report attached to your memorandum dated February 7, 2003. We are pleased to note that the audit report has no audit recommendations. Also, please be advised that Mission has taken note and corrected the immaterial findings detailed in your management memo dated February 7, 2003.

Mission highly values the work of the Regional Inspector General auditors and is grateful for their contribution to strengthening the Mission's financial operations and controls.