

**Audit of USAID/South Africa's Project  
Implementation Letter No. 15 to the University of  
Zululand under the Tertiary Education  
Linkage Project**

**Report No. 4-674-00-006-F  
November 26, 1999**

**REGIONAL INSPECTOR GENERAL/PRETORIA**



# Memorandum

Regional Inspector General  
Pretoria

**DATE:** November 26, 1999

**TO:** USAID/South Africa Director, William Stacy Rhodes

**FROM:** Regional Inspector General/Pretoria, Joseph Farnella

**SUBJECT:** Audit of USAID/South Africa's Project Implementation Letter No. 15 to the University of Zululand under the Tertiary Education Linkage Project, Report No. 4-674-00-006-F

This memorandum is our report on the subject audit. We have considered your comments on the draft report and have included them as Appendix II herein. This report contains no recommendations.

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

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## Background

Project Implementation Letter (PIL) No. 15, under USAID/South Africa's Tertiary Education Linkage Project provides financial and technical support to the University of Zululand (UNIZUL), a South African educational institution. The objectives are to develop UNIZUL's degree programs for Mathematics and Science teachers. The PIL was initiated on March 6, 1996 and expired on March 5, 1999.

USAID/South Africa committed \$110,924 under this PIL. The funds were to be used to: (1) design, develop, and present seminars on curriculum design, (2) develop an outcome oriented curriculum for Mathematics and Science teachers, and (3) recognize and accredit a select group of practicing Mathematics and Science teachers.

Upon completion of our fieldwork on August 4, 1999, USAID/South Africa had reimbursed UNIZUL ZAR 27,829 (\$5,748) for costs incurred under this PIL.

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## **Audit Objective**

The Office of the Regional Inspector General/Pretoria conducted this audit to answer the following question:

**Were costs charged to USAID/South Africa by the University of Zululand under Project Implementation Letter No. 15 of the Tertiary Education Linkage Project reasonable, allocable, and allowable in accordance with USAID rules and regulations?**

Appendix I describes the scope and methodology.

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## **Audit Findings**

The audit showed that although PIL No. 15 expired in March 1999 after three years of operation, UNIZUL had claimed for reimbursement only \$5,748, or barely five percent of the total funds of \$110,924 committed by USAID. Costs claimed, primarily comprising of salaries and travel, were found to be reasonable, allocable, and allowable in accordance with USAID rules and regulations.

However, funds reimbursed under the PIL did not result in completion of any of the planned activities. Moreover, although the PIL expired in March 1999, a final accounting has not yet been made by UNIZUL either of the costs incurred or of the status of the activities implemented. Furthermore, UNIZUL did not establish a uniform travel expense reimbursement policy consistent with that of USAID's.

These findings are discussed below.

### **Accounting System and Travel Policy Needed**

PIL No. 15 required UNIZUL to disburse its own funds for eligible expenses and then request reimbursement from USAID/South Africa by submitting monthly expenditure reports. UNIZUL was also required to maintain books and records relating to the funds committed and disbursed under the PIL.

As of August 4, 1999, expenditures reimbursed to UNIZUL by USAID/South Africa under PIL No. 15 amounted to ZAR 27, 829 (\$5,748). Our review of the reimbursement reports and supporting documents at the Mission Controller's office and the UNIZUL showed that the expenditures were supported by appropriate documentation and costs claimed were reasonable, allocable and allowable under USAID rules and regulations. Although we noted that additional costs were incurred but not yet claimed, we were unable to determine the amount because of lack of adequate accounting records. Also, only two reimbursement reports were submitted to USAID by UNIZUL during the three-year life of the PIL.

The above deficiencies occurred because UNIZUL did not: (1) establish an accounting system to track, verify, compile and report costs incurred under the PIL, and (2) assign responsibility or designate officials to submit expenditure reports to USAID/South Africa within the required time frames.

As a result, disbursement reports were not submitted in a timely manner and USAID/South Africa is not aware of the total expenditures incurred by UNIZUL under the PIL.

Moreover, in reviewing travel expenses charged to USAID by UNIZUL, we found that the costs reimbursed were supported by adequate documentation and appeared to be reasonable. UNIZUL's travel expenses reimbursed under the PIL were based on actual costs. However, we noted that the PIL did not specify how travel costs should be reimbursed. Since these are USAID funds, we believe that a uniform USAID travel policy should be applied.

Furthermore, although PIL No. 15 expired in March 1999, a final voucher has not yet been submitted to USAID by UNIZUL showing the close out status of the PIL. The Mission needs to determine how much was expended and either decommit or reprogram the unused funds, estimated to be \$105,176.

Since UNIZUL currently has other active PILs under the TELP program, the Mission should require UNIZUL to: (1) establish an accounting system to track, verify, record and report the costs incurred under those PILs, and (2) develop a uniform travel policy consistent with USAID's. We will make recommendations to address these issues in a separate consolidated audit report to USAID/South Africa.

#### **Planned Activities Were Not Completed**

UNIZUL was to implement three activities under PIL No. 15: (1) design, develop, and present seminars on curriculum design, (2) establish an outcome oriented curriculum for Mathematics and Science teachers, and (3) recognize and accredit a select group of practicing Mathematics and Science teachers. None of these were completed by the time the PIL expired in March 1999.

According to UNIZUL officials, lack of progress was primarily due to inadequate staffing. The official responsible for implementation died shortly after the PIL was initiated and his replacement failed to take effective and timely actions to implement the activities.

As a result, USAID funds of \$5,748 reimbursed under this PIL did not result in any of the planned activities being completed. We believe that the Mission should now review and decommit, as appropriate, the remaining funds (estimated at \$105,176) earmarked for the PIL. A recommendation to address this finding will be made to USAID/South Africa in a separate consolidated audit report.

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**Management Comments and Our Evaluation**

USAID/South Africa concurred with the recommendations of this audit and stated that corrective actions will be taken to (1) establish a comprehensive accounting system , (2) institute a uniform USAID travel policy, and (3) decommit estimated unused funds of \$105,000 under the PIL. A complete text of the Mission's comments is included in Appendix II.

This report does not make formal recommendations to address the above issues. However, it states on page 3 that recommendations to address the deficiencies will be made in a separate consolidated report to USAID/South Africa titled, "Audit of Costs Charged by Educational Institutions to USAID/South Africa Under Project Implementation Letters Funded by the Tertiary Education Linkages Project, Report No. 4-674-00-007-F".

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<p style="text-align: center;"><b>SCOPE AND METHODOLOGY</b></p>
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As part of its fiscal year 1999 audit plan, RIG/Pretoria conducted an audit of costs charged by the University of Zululand (UNIZUL) under Project Implementation Letter (PIL) No. 15 of USAID/South Africa's Tertiary Education Linkage Project. The audit was done in accordance with generally accepted government auditing standards and covered the duration of the PIL from March 6, 1996 to March 5, 1999. The work was carried out at the offices of USAID/South Africa in Pretoria and at UNIZUL in Kwazulu-Natal, South Africa in August 1999.

Total amount committed by USAID/South Africa under the PIL was \$110,924 and the amount reimbursed to UNIZUL was \$5,748 as of August 4, 1999. Because of the small size of the universe, we audited 100 per cent of the costs claimed by UNIZUL and considered any questioned cost to be material.

To accomplish our audit objective, we (1) examined financial reports and supporting documents for submitted vouchers to verify actual costs, (2) reviewed account balances at the offices of the Mission and UNIZUL, and (4) assessed progress toward implementing the planned activities.

In addition, we interviewed cognizant Mission and UNIZUL officials and analyzed the activity reports submitted by UNIZUL to USAID/South Africa, documenting implementation of the planned activities.

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UNITED STATES AGENCY FOR INTERNATIONAL  
DEVELOPMENT



MEMORANDUM

TO: Joe Farinella, RIG  
FROM: Stacy Rhodes, DIR *Stacy Rhodes*  
CC: Patrick Fine, SO2  
DATE: 11/02/99  
RE: Audit of USAID/South Africa's Project Implementation Letter No. 15 to the University of Zululand under the Tertiary Education Linkages Project

URGENT    FOR REVIEW    PLEASE COMMENT    PLEASE REPLY    PLEASE RECYCLE

This memorandum is a response to your report on the subject audit. We have considered your recommendations and we hereby provide you with our management comments.

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Management Comments

- I. USAID/South Africa reviewed and agrees with the recommendations of the subject audit.

USAID/South Africa shall issue a PIL to all Historically Disadvantaged Institutions (HDIs) that receive TELP support, which sets out provisions on:

- (a) a comprehensive accounting and reporting systems that facilitate tracking, verifying, accounting for, and reporting costs under the PILs within established timeframes;
- (b) a uniform USAID travel policy that specifies how travel costs are to be reimbursed.

The new provisions for a comprehensive reporting system and travel outlined in this single PIL shall apply to all activity and TELP Coordinator PILs issued prior to the audit. All new activity and TELP Coordinator PILs that are issued henceforth will include the accounting and travel provisions.

- II. USAID/South Africa shall decommit the remaining \$105,000 by taking the following steps:
- a) Request final progress reports and vouchers from the University of Zululand, and
  - b) Issue a PIL to the University of Zululand to close out PIL No. 15 activities, and decommit any remaining funds.
- III. USAID/South Africa agrees with the suggestion of including interim targets or benchmarks to measure progress in Project Implementation Letters (PILs).

Since November 1998, USAID/South Africa made it a requirement for new PILs to have Implementation and Monitoring Plans in place. In addition, USAID/South Africa requested the United Negro College Fund to review all PILs that extend beyond June 2000 and do not have Implementation and Monitoring Plans in order to assist them develop these plans.

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