

Common Audit Findings

FINDING	DESCRIPTION	EXAMPLES
<i>Ineligible Costs</i>	Costs that are not allowed	<ul style="list-style-type: none"> ▪ Unreasonable costs ▪ Costs prohibited by the agreements ▪ Costs prohibited by applicable laws and regulations ▪ Costs not project related
<i>Unsupported Costs</i>	Costs that lack authorization or documentation	<ul style="list-style-type: none"> ▪ Budget shifts not approved by ADFW ▪ No purchase request form, no pre-numbered receipts and pre-numbered disbursement vouchers, or no final invoice ▪ No evidence of competition to ensure best value (no multiple quotes or justification for sole source)
<i>Lack of Petty Cash Controls</i>	petty cash is not well protected using financial best practices	<ul style="list-style-type: none"> ▪ Lack of random cash counts ▪ Incomplete reconciliation of requests against receipts and vouchers ▪ No established petty cash threshold for a single expense ▪ Cash not kept in a lockbox or safe
<i>Lack of Separation of Duties</i>	No separation of duties for maintaining custody of cash, approving expenses, and recording expenses	<ul style="list-style-type: none"> ▪ The same person records the expenses and approves the expenses ▪ The same person keeps the petty cash box, records expenses, and approves expense
<i>Incomplete Cash Deposits</i>	Cash receipts not deposited in full to accurately reflect a period of sales	<ul style="list-style-type: none"> ▪ Cash is received and expended from the same cashbox so that individual transactions cannot be traced
<i>Comingling of Funds</i>	financial transactions related to the grant are mixed with other transactions of the organization	<ul style="list-style-type: none"> ▪ ADF funds are transferred to the management operational account and grant expenses are paid from the management operational account
<i>Lack of Bank Reconciliation</i>	Bank statements are not compared to the organization's ledgers to make sure that all expenses and receivables are fully accounted for	<ul style="list-style-type: none"> ▪ Bank reconciliations are not done monthly ▪ Bank reconciliations are not reviewed, signed and dated by the manager ▪ Reconciliation errors are not resolved
<i>Lack of Compliance with Tax Laws</i>	Partial or non-compliance with local payroll, income, and other tax requirements	<ul style="list-style-type: none"> ▪ Payroll taxes not withheld or not submitted timely to the tax authorities ▪ VAT not collected and submitted to the tax authorities ▪ Income incorrectly reported to tax authorities
<i>Poor Asset Management</i>	Assets are not tracked or cared for to ensure they are fully utilized for the project purposes	<ul style="list-style-type: none"> ▪ Asset register is incomplete and lacks information on asset location, purchase date, value, ID number, depreciation, or asset condition ▪ Assets are not labeled as property of the company with an asset ID number ▪ Assets are not kept in a secure location ▪ Assets bought with grant funds are not used or not used for the intended purpose

Common Audit Findings

FINDING	DESCRIPTION	EXAMPLES
<i>Lack of Inventory Logs</i>	Goods are not tracked with location, date of acquisition, purchase price, and ID number	<ul style="list-style-type: none"> ▪ Office supplies are not logged ▪ Raw materials are not tracked when received or used ▪ Finished goods are not tracked when in stock or sold
<i>Conflict of Interest in Procurement</i>	Procurement is not objective with documentation of a competitive process to ensure a reasonable price and avoid fraud, waste, and abuse	<ul style="list-style-type: none"> ▪ Procurement shows bias towards relatives or friends ▪ Purchases are not sourced based on best value
<i>Poor Procurement Management</i>	Items are not received, installed, and put into use timely	<ul style="list-style-type: none"> ▪ Deposits on equipment with insufficient budget to finalize purchase ▪ Equipment received but not in use due to constraints on electricity or cost of inputs ▪ Invoices not stamped paid
<i>Lack of Audit Trail</i>	Documentation for expenses, receipts, payroll, and petty cash transactions are incomplete	<ul style="list-style-type: none"> ▪ Ledgers and journals are not up to date ▪ Invoices, receipts, vouchers, and other support documents are not kept on file for every transaction
<i>Lack of Adequate Accounting System</i>	Staff do not have the capacity to prepare accurate financial statements and ADF required reports	<ul style="list-style-type: none"> ▪ Financial records are not cross referenced to ease investigation of any losses or mistakes ▪ Staff are not fully trained on the accounting system ▪ Backups of the financial system are not done regularly
<i>Lack of Written Manuals</i>	No manuals to document policies and procedures for financial management, human resources, payroll, procurement, and administrative activities	<ul style="list-style-type: none"> ▪ Policies on attendance, payroll processes, and other staff policies are not documented ▪ Petty cash procedures are not documented with maximum petty cash expense limit, petty cash account maximum, threshold for replenishing the petty cash account, etc.
<i>Noncompliance with Internal Policies</i>	Internal policies not followed completely or consistently	<ul style="list-style-type: none"> ▪ Manager reviews not done ▪ Employee benefit plans not implemented ▪
<i>Lack of Payroll Records</i>	Payments to staff are not supported with appropriate documentation	<ul style="list-style-type: none"> ▪ Payments to staff are not supported by timesheets, receipts for payment, tax withholdings, and other core documentation
<i>ADF Reporting Requirements Not Met</i>	Quarterly reports are not submitted timely, accurately, or completely	<ul style="list-style-type: none"> ▪ Quarterly report does not include all of parts I and II ▪ Bank reconciliations not submitted with the quarterly report ▪ Data submitted on performance indicators is inaccurate or incomplete ▪ Reports are not submitted within 30 days from the end of the quarter ▪ Reports are not reviewed and approved by management
<i>Lack of Adherence to CRG Commitment</i>	Community reinvestment contributions are not made according to the schedule agreed at the ADF grant signing	<ul style="list-style-type: none"> ▪ CRG contributions paid late ▪ CRG contributions not being made