

CENTER FOR SOCIAL DEVELOPMENT

**MEMORANDUM ON REVIEW OF
INTERNAL ACCOUNTING CONTROLS**

August 31, 2009

CENTER FOR SOCIAL DEVELOPMENT (CSD)

**MEMORANDUM ON REVIEW OF INTERNAL ACCOUNTING CONTROLS
DECEMBER 31, 2008**

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10th December 2009

Mr. Vi Houi
Executive Director
Center for Social Development (CSD)
Phnom Penh, Cambodia

**RE: MEMORANDUM ON REVIEW OF INTERNAL ACCOUNTING CONTROLS
CENTER FOR SOCIAL DEVELOPMENT (CSD)**

As part of our financial audit of CENTER FOR SOCIAL DEVELOPMENT (CSD) for the year ended August 31, 2009 we reviewed its existing system of internal accounting controls and other accounting matters.

This memorandum sets forth specific findings and recommendations resulting from such review. These findings and recommendations do not, of course, disclose all possible improvements which a more extensive review might develop but only those which came to our attention during our review of the accounts.

On the overall, the existing system of internal accounting controls and administrative efficiency is generally adequate. However, we noted a number of areas which could further be improved.

Please see enclosed the memorandum of internal accounting controls. These include the observation, recommendations and management comments. These findings were discussed and verified with any of the staff concerned. Recommendations are given in details so that the management can implement effectively for the improvement of accounting and systems control.

We appreciate the courtesies and cooperation accorded to us by management and staff during the course of our special financial review.



Phnom Penh, Cambodia

CENTER FOR SOCIAL DEVELOPMENT (CSD)

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1. UNACCOUNTED ASSETS

1.1 Laptops and cameras not surrendered by resigned staffs

Observation

During our random count of fixed assets, we found out that the following assets remained with the former staff after they left the organisation:

Tagging Ref	Item	Model	Serial No.	Unit Cost	Person Responsible
CP-0090	Laptop	Sony13300994*	B3JFH-KRY7K-	\$1,499.00	Ms. Theary
CP-0091	Laptop	Sony13300169*	GVG4K-3GWY9-TDJWD-VVJP8-73H6Y	\$1,499.00	LU-Ms. Rany (Chanthan)
CP-0100	Laptop	SONY VAIO C10146QK	Product Key:W92RM-27CFR-GPKVC-Y3TPT-76G6M	\$1,389.00	AU-Mr. Chanthan
RC-0006	Digital Video Camera Recorder	SONY 315339	DCR-DVD905E	\$ 925.00	AU-Mr. Chanthan
RC-0010	Digital Camera (Memory stick 2G & Bag)	Sony DSC H9		\$ 524.00	AU-Mr. Chanthan
			Total	<u>\$5,836.00</u>	

It seemed that this matter is overlooked. Their salaries and other claims must have been withheld until they are cleared of their responsibilities.

A letter was sent to Mr. Chanthan requiring him to return the laptops and cameras costing \$4,337.00 on September 14, 2009 but as of date they are not yet returned. For Ms. Theary, we haven't seen any letter making a follow up on the return of her laptop.

Implication

When assets are not returned after resignation, there is the possibility of losing them or returned but not in good condition anymore. Time will be consumed in making follow ups and claiming them to the point of legal measures takes time and money.

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Recommendation

Continuous follow ups must be made and the Administration must find a way to locate the persons and trace the address in order to get those items.

The Finance Manager must ensure that resigning staffs must have clearance from all their responsibilities before the final remuneration will be released.

Management Comment

Because of CSD's changing leaders/leadership by Court verdict since July 9, 2009 immediately, The Secretariat (Executive Director, Deputy ED, Admin & Finance Unit) did work and send letters to remind them (staff who resigned or terminated) to return relevant equipments, that CSD used to show auditor during auditing Sept 2009 and Nov 2009. Ms. Theary's ignored our letters until now, and Mr. Hay Chanthan has returned to CSD Admin Unit such as CP-0091, RC-0006 and RC-0010 since September 2009 ready, excepted CP-01009, but these equipments almost lost some parts /functions. Related remuneration calculation, we'll be strengthening Administration to make sure Annual Leave balance list and for follow up to fill the time sheets (sign-in, sign-out of staff daily in order to finance unit for calculation of remuneration. However, we agree with the recommendation.

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1. UNACCOUNTED ASSETS

1.2 Company assets not in the organisation's premises

Observation

We also noticed that some assets are not seen in the office as follows:

Tagging Ref	Item	Model	Serial No.	Unit Cost	Person Responsible
CP-0080	Laptop	Toshiba	S/R X5313857K	\$1,130.00	LU -Mr. Tong Heng (Vineath)
CP-0081	Laptop	Toshiba	S/R X5282262K	\$1,130.00	LU-Ms.Vineath
CP-0091	Laptop	Sony13300169*	GVG4K-3GWY9-TDJWD-VVJP8-73H6Y	\$1,499.00	LU-Ms. Rany (Chanthan)
CP-0100	Laptop	SONY VAIO C10146QK	Product Key:W92RM-27CFR-GPKVC-Y3TPT-76G6M	\$1,389.00	AU-Mr. Chanthan
RC-0006	Digital Video Camera Recorder	SONY 315339	DCR-DVD905E	\$ 925.00	AU-Mr. Chanthan
RC-0010	Digital Camera (Memory stick 2G & Bag)	Sony DSC H9		\$ 524.00	AU-Mr. Chanthan
			Total	\$3,030.00	

The two laptops are with the Legal unit staffs and the CPU at GU is not in the office.

Physical count of the assets is done _____

Implication

The risk of losing company assets is high when they are allowed to be brought outside the organisation for a long time. There is also the possibility of the assets being used for personal purposes that may adversely affect the longevity and usefulness of the assets.

Recommendation

Organisation's assets should be kept in the office. Where fixed assets such as computers or cameras are needed for outside work, the staff concerned should have permission or approval from the Department Head. The organisation should enforce its' policy re: return of fixed assets after the completion of field work.

There must be a regular monthly or quarterly physical count of the fixed assets.

Management Comment

Because of CSD's changing leaders/leadership by Court verdict since July 9, 2009 immediately, We requested (verbal) to Ms. Chuo Vineath to return equipments, then she returned equipments already. However, we agree with the recommendation.

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2. OUTSTANDING CASH ADVANCES

2.1 Outstanding cash advances

Observation

We noted that the following cash advance had not been cleared yet up to this date and the person concerned resigned already.

Date	Employee	Purpose	Amount
06/26/09	Ms. Theary Seng	Mission	\$ 500.00
06/30/09	Ms. Theary Seng	Air ticket to France	1,570.00
		Total	\$ 2,070.00

Due to the immediate coming down of the court order, the Finance Manager was not able to clear these cash advances with the former executive director.

The Finance Manager made a follow up on this but the former executive director.

Implication

When a staff resigned, it will be very hard to clear their advances since they already have their other jobs and it takes time to clear those advances.

Recommendation

The Finance Manager must ensure that all cash advances are cleared before releasing the last salary to the resigned staff. The only alternative for the organisation will be to charge outstanding cash advance against other benefits that will accrue to the staff, if any.

Management Comment

Because of CSD's changing leaders/leadership by Court verdict since July 9, 2009 and Mr. Ly Saroeun (new BoDs conducted by Theary) and Acting ED, Mr. Im Sophea approved to release Theary's salary of July 2009 in advance with Finance Manager. However, we agree with the recommendation.

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3. BUDGET ALLOCATIONS

3.1 Revise the system of budget allocations

Observation

In our review of various expenses, we noted that there was no concrete and specific method on how the expenses were split and charged to different donors when more than one donor has a share in a budget line item. On several occasions some expenses were charged to donors only to later be reversed because there was not enough funds from the donor to cover the expense. Typical of many NGOs in Cambodia, expenses are charged to another expense budget line when a budget allocated to an expense is already used up.

Implication

Allocating excess expense for a budget line into the next budget line, defeat the reason for creating different line items in a budget. The different budget line items it seems is just for show to the donors that there are different specific budget line items if these different line items description gets ignored when the budget allocated gets finished or used up. Donors may perceive differently and may accuse the organisation of not being transparent and not following the agreed budget per proposal. It is possible that the Donor may require payment back if the budget submitted to them is not followed accordingly.

Recommendation

The cost to run a project activity e.g. transport or other administrative charge should be classified according to what is the true amount spend – even if the cost has exceeded what was initially planned for. By charging expenses to their correct budget allocation lines, it gives the user of the financial information a truer picture and helps in the future planning and costing of an activity or project.

Management Comment

Because of CSD's situation and being lack of funding in 2009 with some grantors different period FY of activities and fund install late, Thus, We (managements and Finance Unit) did decision making, then we charge the percentage through the approved budget by line items of whole grant in the year/period. We acknowledged our charging some expenditures of monthly are not regularly (up or down) depending on fund arrival first and latter. However agree with the recommendation.