

**LUBBOCK FINE  
CHARTERED ACCOUNTANTS**

**SCIENCE AND TECHNOLOGY**

**CENTER IN UKRAINE**

**MANAGEMENT LETTER**

**FOR THE YEAR ENDED 31 DECEMBER 2001**

THIS REPORT HAS BEEN PREPARED FOR THE SOLE USE OF THE BOARD OF GOVERNORS AND THE MANAGEMENT OF THE SCIENCE AND TECHNOLOGY CENTER IN UKRAINE AND MUST NOT BE SHOWN TO THIRD PARTIES WITHOUT PRIOR CONSENT. NO RESPONSIBILITIES ARE ACCEPTED BY LUBBOCK FINE TOWARDS ANY PARTY ACTING OR REFRAINING FROM ACTION AS A RESULT OF THIS REPORT.

Mr L Owskiacki – Executive Director  
Mr C Bjelajac – Chief Financial Officer  
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Ukraine

Dear Sirs

**SCIENCE AND TECHNOLOGY CENTER IN UKRAINE  
FINANCIAL AUDIT FOR THE YEAR ENDED 31 DECEMBER 2001  
MANAGEMENT LETTER – EXECUTIVE SUMMARY**

**I. Introduction**

We have now completed our audit of the financial statements of the Science and Technology Center in Ukraine (STCU), based in Kyiv, Ukraine, for the year ended 31 December 2001.

Our audit was performed in accordance with internationally recognised Auditing Standards. In planning and performing our audit we have considered the STCU's internal control structure in order to assess the level and nature of auditing procedures for the purpose of expressing an opinion on the financial statements.

In conjunction with our review of internal controls in place for the financial year ended 31 December 2001, we have also reviewed the report on Internal Control Weaknesses which we prepared for the year ended 31 December 2000, to ascertain whether the weaknesses identified in 2000 still exist in 2001.

In general we have noted that a number of improvements have been made by the STCU in the internal control and recording of transactions, however a number of weaknesses still exist where controls and procedures can be improved. Of the 18 Observations noted last year, 12 have been addressed and are no longer considered to be an issue. The remaining 6 Observations are still considered to be of significance and require some form of corrective action, although we would point out that in relation to some of these issues improvements have been made. The outstanding matters not yet resolved are all referred to in the body of this letter.

Please find below a summary of the observations, full details of which are set out in section II of the report. These observations were discussed with Curtis "B.J." Bjelajac prior to written comments being obtained, which are incorporated in this report.

## II. Observations Summary

1. The use of two software packages, ACCPAC (a dedicated accounting package) and ACCESS (a database package tailored for STCU's needs) to record financial transactions limits the availability of financial information.

Whilst the short term issues raised in 2000 are now being addressed by STCU, in the longer term consideration should be given to the utilization of different accounting packages for the requirements of the STCU. (See Observation No.1).

2. We noted that there was no bonding insurance for the transportation of large amounts of cash from First Ukrainian International Bank to the STCU. (See Observation No.2).
3. In relation to the European Union capital accounts, denominated in Euros, it was noted that certain designated and undesignated funds were not being maintained in separate bank accounts. This lack of segregation caused confusion over the accounting for Euros, giving rise to certain exchange differences. (See Observation No.3).
4. The majority of contracts concluded with the project beneficiaries were not dated by all signatories of the contract. (See Observation No.4).
5. It was noted that there was no archival procedures for closed projects on the ACCESS database, and that reports being generated on ACCESS included historic projects that were closed, thus complicating the information provided. (See Observation No.5).
6. During the course of the audit, we noted that Fortis Bank had stopped providing the STCU with bank statements. (See Observation No.6).
7. It was noted that some 10 scientists had claimed grants for more than the permitted 220 days per year. (See Observation No.7).
8. During the course of the audit, we noted that the quarterly procedures performed vary considerably between project accountants. This impairs the efficiency of any review of the project files. (See Observation No. 8).
9. Narrative on ACCPAC does not give sufficient information to easily identify journal adjustments. (See Observation No. 9).
10. The STCU currently uses one sub-account on ACCPAC for all Accounts Receivable transactions denominated in Euro. Partner transactions in Euros should be posted to a separate sub-account. (See Observation No. 10).
11. The majority of quarterly reports do not indicate the quarter end date and supporting schedules do not all show the project number and quarter details. (See Observation No. 11).
12. It was noted that supporting schedules are omitted from quarterly reports for budget headings with no expenditure in the quarter. This makes it harder to identify any errors in reporting. (See Observation No. 12).
13. Narrative on ACCESS reports is insufficient to reconcile bank transactions with expenditure in the quarterly reports. In particular grant payments do not show which quarter they relate to. (See Observation No. 13).

This report has been prepared for the sole use of the Board of Governors and the Management of the Science and Technology Center in Ukraine and must not be shown to third parties without prior consent. No responsibilities are accepted by Lubbock Fine towards any party acting or refraining from action as a result of this report.

Yours faithfully



Lubbock Fine  
7 MAY 02

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## **I. AUDIT FINDINGS SUMMARY**

## AUDIT FINDINGS SUMMARY

<b>Item No.</b>	<b>Title</b>	<b>STCU Comments (Agreed or Not Agreed)</b>
1.	The use of two software packages for the maintenance of financial information.	<b>Agreed</b>
2.	Lack of adequate insurance cover.	<b>Agreed</b>
3.	Banking procedures with respect to EU funds in Euros.	<b>Agreed</b>
4.	Contracts not dated.	<b>Agreed</b>
5.	Archival procedures for closed projects.	<b>Agreed</b>
6.	Fortis Bank.	<b>Agreed</b>
7.	Monitoring of grant payments.	<b>Agreed</b>
8.	Consistency and quality of reporting on project files.	<b>Agreed</b>
9.	Narrative on ACCPAC.	<b>Agreed</b>
10.	Accounts Receivable Euro account.	<b>Agreed</b>
11.	Inadequate labelling of quarterly reports.	<b>Agreed</b>
12.	Supporting schedules for quarterly reports.	<b>Agreed</b>
13.	Narrative on ACCESS reports.	<b>Agreed</b>

## **II. AUDITOR'S REVIEW**



**Audit of the Science and Technology Center in Ukraine  
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**Observation No. 1**

**Title:** The use of two software packages for the maintenance of financial information.

**Description:** Currently the STCU uses two different, independent, software packages for the preparation and monitoring of financial information. The principal package used for the preparation of the financial statements is ACCPAC, a recognised, off the shelf, accounting package. The second package, ACCESS, is a database that has been tailored to the needs of the STCU, primarily for the monitoring of project activity.

As a general rule ACCESS is used for the day to day entry of transactions relating to the projects. Specifically, the payments relating to project expenditure are all recorded in ACCESS on a daily basis. New procedures have been adopted by the STCU to record all project transactions on ACCPAC on a monthly basis, ensuring that more accurate information is available and is reviewed throughout the year.

Whilst the ACCESS system developed by the STCU is a powerful tool for monitoring purposes, it is not an accounting package, and accordingly there are limitations in the manner in which financial information can be produced. The problems associated with extracting financial information from ACCESS, and the lack of interaction or integration with ACCPAC are detailed below.

- (i) The macros on ACCESS, which are used to aggregate project data into suitable reports, are controlled by Borys Rovinsky (Partner Project Accountant). Therefore in the absence of Borys Rovinsky (Partner Project Accountant) there is insufficient knowledge at the STCU to remedy any problems.

It is not desirable to place the knowledge of a particular system in the hands of just one person, especially without that system being documented.

- (ii) ACCESS acts primarily as a database function, and is not an accounting package. As such it does not have the capacity to generate reports that would be associated with a more familiar accounting package. This particularly applies to accounts payable where a standard accounting package would generate reports indicating what liabilities of the organisation are due, when the liability was due, and breaks it down to components.

The inability to generate reports then prevents an effective review process of the figures to be undertaken. This then has the effect of obvious errors not being spotted and rectified.

**Recommendation:** It is our understanding that the primary reason for the reliance on ACCESS for the posting of day to day payments, was the dissatisfaction of using the job cost module on ACCPAC. We are further aware that STCU now has an in-house IT department which will take more control

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**Observation No. 1**

over ACCESS and that the system is in the process of being documented.

We accept that there are advantages of using ACCESS for project management, and that for the short term changes have been made to the current system.

The short-term considerations included in the management letter for the year ended 31 December 2000 have now been, or are in the process of, being implemented. For example, the STCU are in the process of documenting the system and are increasing the involvement of the IT department in the control of ACCESS. Also project transactions are now entered onto ACCPAC monthly.

In the longer-term, the STCU should attempt to identify a fully integrated accounting package to cover all of its accounting and project management needs, especially given the increasing project activity at STCU.

STCU Comment: The STCU agrees with both the short-term and long-term objectives of Lubbock Fine's recommendations. As mentioned, although the STCU has made progress toward remedying a number of the short-term shortcomings of the two current systems, there is still much work that needs to be done in order to resolve all of the short-term issues facing the STCU. The STCU management's main focus over the course of the last year, was to resolve the most glaring short-term issues in order to provide stable, timely, and accurate financial information.

Over the course of the next year, the STCU management plans to shift its resources in order to continue to provide resolutions to short-term issues, yet at the same time, begin the steps necessary to address the long-term systems issues. The STCU management plans to perform the following steps to address this observation:

**Short-Term Steps**

- (i) The CFO and IT Administrator will finalize an analysis of the current situation related to Borys Rovinsky's duties and responsibilities and the maintenance and documentation of the ACCESS database, and make a recommendation to the Executive Director as to the approach that should be taken in order to perform the following functions related to the ACCESS database: designing, programming, testing, maintaining, and documenting. The assessment will determine the skill sets required to perform the aforementioned functions required by the ACCESS database, as well as the skills of those individuals available in each department. Based on this information, the IT Administrator and CFO will recommend the roles and responsibilities of each member of the Finance and IT departments, in order to ensure the most effective approach to administering the ACCESS database.
- (ii) The STCU will continue to modify ACCESS in order to provide the

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**Observation No. 1**

necessary functionality (i.e. accounts payable reporting, etc.) to allow the generation of more timely and accurate financial information.

**Long-Term Steps**

- (i) The management of the STCU will work closely with the management of the ISTC to examine the outcome of the ISTC's recent implementation of SCALA, and utilize the information obtained to further examine the STCU's current systems. The management of the STCU plans to visit the ISTC in the summer of 2002 to review and discuss the results of the implementation.
- (ii) The management of the STCU will develop a detailed list of all preferred functional requirements, in order to determine the "fit" of the STCU's current financial systems, as well as determine the "fit" of packaged financial software available on the market to these requirements.
- (iii) The management of the STCU will perform a "systems selection" by the end of FY 2003. The purpose of the "systems selection" is to establish a structured approach to the identification and possible selection of a package software solution. The "systems selection" will involve the following activities described below:
  - ✓ *Organize Project* – This activity involves preparing for the system selection by organizing the project team, assigning responsibilities, and confirming project timing and approach.
  - ✓ *Analyze System Requirements* – This activity involves refining the detailed list of functional requirements developed in step (ii) above, assessing technical requirements (currently available hardware as well as future needs), reviewing vendor requirements (viable, committed to Ukraine), and summarizing these results in order to screen available systems.
  - ✓ *Survey and Screen* – This activity involves utilizing the information obtained from the above segment to assess the available software solutions and choose 2 – 3 "finalists".
  - ✓ *Evaluate Finalists* – This activity involves preparing a request for proposal (RFP - a formal document asking the software vendor to submit estimates on cost, hardware requirements, consulting, etc.), submitting the RFP to the finalists, performing vendor demonstrations (viewing the software and its functionality) and summarizing the results.
  - ✓ *Complete the Analysis* – This activity involves developing recommendations including: preferred software package, preliminary cost estimates of selected package, cost estimates for selected software modifications (if necessary), and cost-benefit analysis of selected software package vs. the continued utilization of current financial systems.

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**Observation No. 1**

- ✓ *Review with Management and Board of Governors* – This activity involves preparing the final report, presenting cost-benefit analysis and findings, and discussing next steps with management and the Board of Governors.

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**Observation No. 2**

- Title:** Lack of adequate insurance cover.
- Description:** During our examination of insurance costs, it was found that the current insurance cover of the STCU is insufficient to safeguard its assets in one key respect.
- We noted in the management letters for the years ended 31 December 1999 and 2000 that there was no bonding insurance for the transportation of cash from the First Ukrainian International Bank to the Center. Given that local grants are paid in cash and that these can amount to \$50,000 per month, this represents far too high a risk for insurance cover not to be in place.
- We would point out that during the year the STCU has attempted to obtain insurance cover, however as yet it has been unable to find a suitable policy.
- Recommendation:** Whilst we acknowledge that the issue of insurance cover is problematic in Ukraine, and the fact that the STCU has attempted to obtain cover, we strongly recommend further investigation be carried out in order that such cover can be obtained.
- STCU Comment:** The STCU concurs with Lubbock Fine's recommendation, and will continue to try and identify additional insurance providers that might provide quotes for a reasonable policy. Once this information is obtained, the STCU will prepare a cost-benefit analysis of each available option and will present it to the Board of Governors for final decision.

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**Observation No. 3**

- Title:** Banking procedures with respect to EU funds in Euros.
- Description:** We noted in the management letter for the year ended 31 December 2000 that there were some difficulties experienced by the STCU in relation to accounting for designated and undesignated funds with respect to exchange rate fluctuations.
- This problem in our opinion has been exacerbated by the fact that the funds for undesignated and designated capital for the EU have been kept in one bank account.
- The identification of designated and undesignated funds would be better facilitated if separate bank accounts were maintained for each fund. In particular this would help track movements in each account.
- Recommendation:** It is recommended that a separate bank account is opened for EU designated funds.
- STCU Comment:** The STCU concurs with Lubbock Fine's recommendation, and will open a second Euro account for EU designated funds. This observation was dependent on the resolution of Observation #6 – Fortis Bank. As mentioned in the STCU comment for Observation #6 – Fortis Bank, the STCU now has a clear understanding that all Euro transactions will be conducted at Fortis Bank, and thus the STCU will open a second Euro account in order to separate undesignated and designated funds.

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**Observation No. 4**

Title:	Contracts not dated.
Description:	<p>In the management letters for the years ended 31 December 1999 and 2000 we noted that in the majority of cases, contracts concluded with project beneficiaries were not dated by all parties.</p> <p>During the course of our audit it was noted that in some cases, the contracts are still not being dated.</p> <p>As well as not being in accordance with standard business practice, the issue of not dating contracts creates a further difficulty with respect to capital accounts. The accounting policy of the STCU states that a project becomes designated when the contracts are signed. If all participants do not date the contract, then the accounting policy becomes harder to implement, and increases the risk that capital may be wrongly credited to either designated or undesignated project capital.</p>
Recommendation:	<p>All contracts must be dated by all signatories, at least to the extent that the STCU in all cases dates the contract.</p> <p>The project accountant must check that the contract is signed and dated by all parties, before releasing any monies to the institute under the contract.</p>
STCU Comment:	The STCU concurs with Lubbock Fine's recommendations, and will work to ensure that all contracts are dated by instructing the STCU Project Coordinators to not accept any project agreements without dated signatures of all parties (i.e. the STCU, lead institutes, and participating institutes).

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**Observation No. 5**

Title:	Archival procedures for closed projects.
Description:	<p>In relation to a number of schedules requested from the accounts department, it was evident that information for closed projects was still being kept on ACCESS.</p> <p>There are two problems related to this:</p> <ul style="list-style-type: none"><li>(i) The reports generated become unwieldy and as such it makes it more difficult to obtain the relevant information for the active projects, and thus interpret the information.</li><li>(ii) The storing of closed projects on the current database will limit the amount of memory available for other purposes. By streamlining the number of projects on the system by having an archival system, this will relieve this issue.</li></ul>
Recommendation:	<p>We would recommend that the IT department at the STCU develops documented procedures for the archival of closed projects.</p> <p>It is also recommended that once these procedures are adopted that the project accountants become fully conversant with the system for closed projects and that standardised procedures are adopted in this respect.</p>
STCU Comment:	<p>The STCU concurs with Lubbock Fine's recommendations, and plans to design, program, test, document and implement an archival procedure for those projects closed prior to January 1, 2002, by May 31, 2002.</p> <p>Upon successful completion of the archiving of projects closed prior to FY 2002, the STCU will work with the project accountants to ensure that they become fully conversant with the new procedure and archive projects closed during 2002 on a timely basis.</p>



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**Observation No. 6**

**Title:** Fortis Bank.

**Description:** During the course of the audit, we noted that bank statements from Fortis Bank were no longer received by the STCU. This is apparently in anticipation of the launch of an electronic banking facility. The STCU maintains a cash book for Fortis Bank account based on transaction advice notes provided by the bank.

The effect of this is that the STCU is unable to perform regular bank reconciliations, and so fundamental control is lacking in this area.

**Recommendation:** We strongly recommend that the STCU sets up an electronic banking facility with Fortis Bank as soon as possible. If it is unable to do so because it has not received the required software, it should contact the bank and demand that bank statements be sent until the software is available.

**STCU Comment:** The STCU concurs with Lubbock Fine's recommendations, and successfully implemented the PC Banking service of Fortis Bank at the end of April 2002. The new service allows the STCU to timely view balances on-line, print monthly bank statements, and initiate payment transactions. The STCU has renewed confidence in Fortis Bank (formerly Generale Bank), and looks forward to it providing all of the STCU's future required Euro banking services.

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**Observation No. 7**

- Title:** Monitoring of grant payments.
- Description:** As part of our review of the project costs incurred during the year we attempted to ascertain whether any of the scientists or support personnel receiving grants had claimed for more than 220 days a year, which is deemed to be a normal working year.
- The STCU generated a report from ACCESS showing individuals who worked for more than 220 days in the year ended 2001. This report indicated that some 10 scientists had claimed for more than the permitted 220 days, with a total of 129 days being claimed in excess of this limit.
- Whilst STCU has the ability to run a report showing individuals who work more than 220 days in a year, this is done retrospectively at the end of each quarter. At present no action is taken to prevent the scientists from exceeding this limit in the future.
- Recommendation:** We would make the following recommendations;
- (i) In relation to the 10 scientists already identified we would recommend that the STCU undertakes a thorough review of the grants claimed by these individuals. This will involve identifying all of the projects that they have worked on and then obtaining copies of their time sheets for these projects. The time sheets should then be compared and any duplications identified.
- If duplications are identified, steps should be taken to recover the grants that the individuals were not entitled to.
- If no duplication occurred and the scientists genuinely worked the amount of days claimed, STCU should write to the scientists reminding them of the 220 day limit and requesting that they keep better control over the number of days they work in the future.
- (ii) In order to ensure that such exceptions do not occur in the future, any exceptions noted when the number of days worked is reviewed should be followed up with the scientists concerned.
- As a further measure the finance department should ask the senior project managers to report to them instances where they believe that certain individuals are claiming more grants than they are entitled to.
- STCU Comment:** The STCU concurs with Lubbock Fine's recommendations, and will implement the recommendations presented in the following manner:
- Short-Term Steps**
- (i) The STCU will conduct a thorough review of the time cards of those 10 scientists identified in order to ensure that there are no occurrences of payments made for duplicate time worked on

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**Observation No. 7**

multiple projects. If duplication is found to have occurred, then the STCU will take appropriate action. If no duplication is found, then the STCU will send a letter to the Project Manager of the projects associated with these scientists, with a copy to the appropriate Institute Directors, informing them of the situation and requesting them to ensure that there is no reoccurrence of this issue in on-going and future projects.

**Long-Term Steps**

- (i) The STCU will incorporate a step within the documented project quarterly financial reporting procedure that will be drafted in the upcoming year in response to Observation #8 – Consistency and quality of reporting on project files, which will require the following to be performed by the project accountants:
- ✓ *Generate Report and Monitor >220 Days Worked* – The project accountant will generate a report which will detail those scientists that have worked more than 220 Days in the year to date. The STCU will perform the same steps outlined in the Short-Term Steps above for any scientist found working more than 220 Days in the previous year.
  - ✓ *Inform Project Managers of Scientists that Worked > 200 Days* – The project accountant will inform the Project Manager of those scientists that have worked more than 200 days in the previous year, so that the Project Manager may take the appropriate precautions to ensure that the identified scientists do not violate the number of days worked terms of the project agreement in the future.

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**Observation No. 8**

- Title:** Consistency and quality of reporting on project files.
- Description:** During the course of our audit, we noted that the quarterly procedures documented on project files vary considerably between the four project accountants. It appears that checks are frequently performed but not documented, giving no proof that the check has been carried out. Also project accountants use different reconciliation reports to check the project data.
- In several cases we noted reconciliation reports which had been annotated illegibly and then ticked 'ok'. This required us to reperform the reconciliation in order to satisfy ourselves that the amounts reported were in fact correct.
- In particular it is difficult to agree amounts for travel stated in the quarterly report to supporting documents since travel is paid in advance with any differences settled on completion and bank payments are not reconciled to quarterly reports.
- This inconsistency in reporting causes two main problems:
- (i) The lack of a clear audit trail makes it extremely difficult for checks to be made, either internally or by the external auditors, to ensure that the project transactions have been recorded correctly and the balances reconcile.
  - (ii) If a project accountant were to be absent for a substantial period of time or were to leave STCU, the inconsistencies make it much harder for another project accountant to familiarise themselves with the projects and take over the workload.
- Recommendation:** We recommend that the quarterly procedures for project reporting are clearly documented, and that the project accountants are made familiar with these procedures. Regular checks should be carried out to ensure that the procedures are being followed.
- Specifically the following existing reports should be completed clearly and filed with the quarterly report on the project file each quarter:
- (i) Project Balance Reconciliation of cash spent to total expenses – any reconciling items other than those listed on the report should be explained fully.
  - (ii) Petty Cash Report – total on hand at the end of the quarter should equal total of unspent advances on the Bank Reconciliation Form (box 6).
  - (iii) Bank Reconciliation Report – difference should be zero, subject to rounding errors (box 12). Any differences should be investigated

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**Observation No. 8**

and clearly explained.

Additionally, we would recommend the following procedures are also performed:

- (i) Reconciliation of grants due per quarterly report to grants actually paid. There is often a difference due to settlement of travel expenses, but the make-up of this difference is not documented. The reconciliation should include a list of scientists for whom travel was being settled and for how much.
- (ii) For travel expenses, a breakdown of the amounts stated in the quarterly report to enable individual transactions making up these amounts to be identified.

STCU Comment: The STCU concurs with Lubbock Fine's recommendations, and will ensure that all reporting is clearly documented, and that the project accountants are made familiar with these procedures. Furthermore, regular checks will be carried out by both the CFO and Deputy CFO to ensure that the procedures are being followed.

In addition, the STCU will ensure that all of the specified reports are completed clearly and filed with the associated quarterly report. Finally, the STCU will implement the recommended procedures related to the reconciliation of "grants due" to "grants paid", and breakdown of travel expenses.

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**Observation No. 9**

Title:	Narrative on ACCPAC.
Description:	<p>Whilst reviewing General Ledger printouts from ACCPAC, in particular for the year end adjustments to designated and undesignated capital, we noted that the only narrative given to journal adjustments is 'adjustment'. Therefore in order to identify the purpose of each of the adjustments, the amounts must be traced to the journal listing or other working papers.</p> <p>The lack of adequate narrative in relation to the journal adjustments will impair the quality of the audit trail. This will lead to unnecessary time being wasted when postings are being checked by members of the finance department, and also by external auditors.</p>
Recommendation:	Journals should be clearly referenced to the journal listing. The narrative should include a brief description of the purpose of the journal, for example 'closed projects'.
STCU Comment:	The STCU concurs with Lubbock Fine's findings and will implement the recommendation as of May 2002.

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**Observation No. 10**

Title:	Accounts receivable Euro account on ACCPAC.
Description:	At present the STCU uses one sub-account on ACCPAC within Accounts Receivable to record amounts invoiced in Euros. This mainly includes EU invoices, but in some cases Partner projects are signed and invoiced in Euros and thus included in this account. This requires the sub-account to be analysed to split the balance at the year end between the EU and Partners.
Recommendation:	In 2001, there were relatively few Euro-denominated Partner projects, and this task was relatively simple. However given the increase in partner project activity, we would recommend that a new sub-account is set up for Euro invoices to Partners in order that the balances can be easily identified.
STCU Comment:	The STCU concurs with Lubbock Fine's findings and will implement the recommendation as of May 2002.

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**Observation No. 11**

Title:	Inadequate labelling of quarterly reports.
Description:	<p>As part of our testing of project expenditure, we noted that quarter end dates are not always shown on the quarterly reports submitted by the various institutions. The quarter end date is vital when checking accruals at the year end and certified project costs for the year.</p> <p>If the date is not shown on the quarterly report it has to be derived by looking at the start date of the project as per the project agreement. This is clearly time consuming.</p> <p>In addition, the supporting schedules and reconciliations do not always show the relevant project number and quarter number. This would create a problem if schedules became detached from the front cover of the report.</p>
Recommendation:	<p>We strongly recommend that a date field is included on the front page of the quarterly reporting pack. Project accountants should ensure that this field is completed by project managers, and if the quarter end date is absent it should be added manually.</p> <p>Furthermore, the project number, quarter number and quarter end date should be included on all pages of the quarterly report.</p>
STCU Comment:	The STCU concurs with Lubbock Fine's findings and will implement the recommendation as of July 2002.



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**Observation No. 12**

**Title:** Supporting schedules for quarterly reports.

**Description:** During our review of projects in progress we noted that in instances where expenditure on a particular budget heading, eg equipment, was zero in any quarter, the supporting schedule for that heading was excluded from the quarterly report.

This means that cumulative data is not shown, and so cannot be monitored. Also any expenditure accidentally missed from the quarterly reports is less likely to be detected.

**Recommendation:** For completeness, we recommend that all supporting schedules should be included in each quarterly report even if expenditure reported on a particular schedule is zero.

**STCU Comment:** The STCU concurs with Lubbock Fine's findings and will implement the recommendation as of June 2002.

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**Observation No. 13**

Title:	Narrative on ACCESS reports.
Description:	<p>It is possible to generate a report from ACCESS showing all bank transactions for a particular project. This is useful when reconciling actual cash spent to expenditure per the quarterly report.</p> <p>In some cases, the narrative does not explain the transaction sufficiently well to identify it within the quarterly report. In particular, the majority of grant payments show the description 'grant payment for the quarter'. They do not show which quarter the payment relates to.</p>
Recommendation:	<p>The narrative for grant payments should indicate which quarter the grants relate to.</p> <p>Other transactions should contain sufficient narrative in English to enable the payment to be identified within the relevant quarterly report.</p>
STCU Comment:	<p>The STCU concurs with Lubbock Fine's findings and will implement the recommendation related to enhancing the narration of transactions over the course of the next year. Furthermore, the STCU will investigate the possibility of adding more English narration to the transaction descriptions. The STCU is constrained in its ability to provide English narration by two factors: (1) Transactions processed through local banks are required to be in either Ukrainian or Russian, and (2) A number of reports generated are utilized by project participants, whose command of English may not be at a level to allow them to understand the English text. However, the STCU understands the need for better narration and will work to not only expand the narration provided, but also provide more descriptions in English.</p>