

**COOPERATION COMMITTEE FOR CAMBODIA (CCC)**

**Management Letter**

**For the year ended 31 December 2015**

## MANAGEMENT LETTER

26 February 2016

To the Executive Committee of Cooperation Committee for Cambodia (CCC)  
Phnom Penh, Kingdom of Cambodia

Attention: Mr. Soeung Saroeun  
Executive Director

As part of our conduct of audit of the financial statements of Cooperation Committee for Cambodia (CCC) for the year ended 31 December 2015, we considered the Organization's internal accounting controls in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our review of the internal controls was for the purpose described in the preceding paragraph and was not designed to identify all deficiencies in the internal control system. In addition, because of the inherent limitation in internal controls, including possibility of management override of controls, or misstatement due to error, fraud may occur and not be detected by such controls.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatement on a timely basis.

Professional accounting standards define a material weakness and a significant deficiency as follows:

- A material weakness is a deficiency, or combination of deficiencies, in internal control that could materially affect its ability to record, process, and report financial data, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.
- A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than material weakness, yet important enough to merit the attention of those charged with governance.

Our review of the existing system of internal accounting controls disclosed certain deficiencies in internal control and certain areas which could further be improved.

This memorandum sets forth specific findings and recommendations resulting from such a 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 examination of the accounts.

Please see enclosed the memorandum of internal accounting controls. These include the observations, recommendations and management comments. Our observations and recommendations are presented as follows:

- Material weaknesses
- Significant deficiencies
- Other current year matters

This memorandum was initially discussed and verified with the staff concerned. Recommendations are given in detail so that the management can implement them effectively for the improvement of accounting and systems control.

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

Yours sincerely,



**RONALD A. DONASCO, FAIA, CPA**  
Managing Director  
Donasco & Co., Ltd.  
Phnom Penh, Kingdom of Cambodia

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### I. OTHER CURRENT YEAR MATTERS

#### I.A. GENERAL CONTROLS

##### I.A.1 Finance monitoring

###### *Observations*

We observed during our review that financial monitoring of program expenses and activities were performed by the project during the period, including confirmation to the participants who attended the training, program activities, independent price checks and others. However, there was no documentation made such as finance monitoring report for the monitoring performed. Hence, we were not able to verify the scope of monitoring procedure performed, or conduct follow-up as needed to ensure that proper monitoring and confirmation of expenses had been performed in the program or projects.

###### *Recommendations*

We recommend that after financial monitoring has been performed, a brief finance monitoring report should be prepared outlining the procedures performed including observations and recommendations for improvement and signed as prepared by the staff who conducted the financial monitoring. After this, the report should be forwarded to the management according to its degree of relevance, especially if it involves fraud and corruption that requires immediate attention and action from the Management or BOD of the Organisation.

###### *Management Comments*

We normally conducted field visits to monitor program expenses and activities performed by the project. We did not find any serious issues then, so only verbally constructive feedback was done.

We accept your recommendation by having a brief financial monitoring report after the field work completed. And it would worthy for us if you can share us the checklist and/or format of the report so that we can learn and practice effectively. Your recommendation will be implemented from 2016 onwards.

#### I.B DISBURSEMENT

##### I.B.1 Preparation on the Payment Voucher

###### *Observations*

We noted during our examination of expenses that there were several expenses that have no account codes written on the Payment Vouchers. Hence, there is no complete documentation of expenses in the Payment Vouchers and the Executive Director or Approving Officer was not able to check on the proper recording/charging of expenses based on the approved budget lines before it is being recorded in the accounting system.

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Finance Officer charges the expenses directly to the accounting system. This may result to unauthorized and incorrect charging of expenses to the project. The Details are shown below:

a. No account code on the Payment Voucher

Date	Num	Name	Memo	Account	Class	Amount
26-May-15	PV.68 28	Outcome IV:NPA	Khmer Web Host (Oeng Sothary), payment for NGO database hosting from 7 Apr'15 to 7 Oct'15	543004 · Communication Expense	NPA	39
3-Jun-15	PV.68 50	Outcome II:Diakonia	Leng Sovann, payment for office rental in June 2015	524005 · Office Rental and Support	Diakonia	145.36
19-Feb-15	PV.64 99	Outcome II:BfdW	Krou Yoeung Printing (Chheang Soheat), payment for copy and printing documents in January 2015	524002 · Office stationery/supplies	BfdW	117.75
31-Aug-15	PV.71 48	Outcome III:OA_004 /14	Ngov Sok, payment for CS leader meeting, Road map& Post LANGO Consult 28 Auf 2015	531202 · Dialogue btw INGOs and LNGOs		391.00
27-Oct-15	PV.73 05	Outcome III:Coord SUD	Nalini Vaz: Payment for attended Beyond 2015 at New York from 22-29 September 2015	531701 · Global Discuss Post 2015 Agenda		1,735.13
27-Oct-15	PV.73 05	Outcome III:Coord SUD	Nalini Vaz: Payment for Consultant fee from 10 Sep'15 to 10 October'15	531701 · Global Discuss Post 2015 Agenda		1,850.00
<b>Total</b>						<b>4,278.24</b>

#### *Recommendations*

We recommend that the Finance Officer should ensure that all Payment Vouchers are properly accomplished with the account/donor codes so that the Executive Director or Approving Officer can properly check and approve the charging of expenses to correct accounts/donor codes. Through this all expenses have been properly documented for proper recording/charging of the correct account/donor codes and duly authorized by the Executive Director or Approving Officer.

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### Management Comments

We always require having all necessary information on the vouchers including the account code to be charged. Anyway, few vouchers still miss the recording of account code during the audit field work. However, we always have good practice to double check the ledger monthly to make sure that we charged to the right account code. Furthermore, even few vouchers have no account code but all of the requests attached to the vouchers always have the account code, so we can check/keep track from this. We will improve this case from 2016 onwards.

Anyway, your recommendation to have the donor code on the vouchers prior to the signature of ED or Approving Officer is a bit difficulty for us since we can do it only when posting the vouchers into the accounting software (Quick Book). And due to funding commitment, we sometimes need to wait until end of the month so that we can have full information of funding situation, we then do cost allocation to specific donors right away. If we write the donor code before posting/knowning funding confirmation from donors, we often need to reallocate the figures later to reflect the final funding commitment in the month. (For instance, within the first quarter of the year, number of donors have not signed contract yet; and when they sign contract, some of them can allow us to charge to their fund effective since 02 January onwards).

### I.B.2 Corrections on the Voucher

#### Observations

We noted during our examination of expenses that there were corrections made on the donor codes and amounts on the Finance Vouchers, however Finance Staff used the correction pen with no counter signature to acknowledge and authorize the corrections made. This may result to unauthorized and incorrect charging of expenses and other irregularities. Details of the corrections on the Finance Vouchers are as follows:

#### a. Use of correction pen on the donor codes in the Payment Voucher

Date	Num	Name	Memo	Account	Class	Amount
21-Apr-15	PV.6692	Outcome I:Oxf Novib	Krou Yoeung Printing (Chheang Soheat), payment for copy and printing documents in March 2015	511501 · GPP marketing material	Oxf Novib	544.49
30-Jun-15	PV.6951	Outcome I:Diakonia	Jennifer Pearson, final payment for consultant to assist an Interim WG on NGO governance	511902 · W/S for improving NGO Governanc	Diakonia	617.00
<b>Total</b>						<b>1,161.49</b>

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b. Use of correction pen on the amounts in the Payment Voucher

Date	Num	Name	Memo	Account	Class	Amount
24-Jun-15	RV.2031	Outcome II:OA_KH M 002/15	Vonn Vathana, expense for event citizen participation in policy devel. 4 provinces from 7-15 Jun ...	521301 · Advocacy & Debate on Five Laws	OA_KH M 002/15	2,065.33
24-Jun-15	RV.2031	Outcome II:OA_KH M 002/15	Vonn Vathana, expense for event citizen participation in policy devel. 4 provinces from 7-15 Jun ...	521302 · Dialogues for Influenc Policies	OA_KH M 002/15	1,587.29
24-Jun-15	RV.2031	Outcome III:OA_004 /14	Vonn Vathana, expense for event citizen participation in policy devel. 4 provinces from 7-15 Jun ...	531203 · Develop effective beyond 2015	OA_004/14	2,041.07
<b>Total</b>						<b>5,693.69</b>

### *Recommendations*

We recommend that the Finance Officer should ensure that all corrections or erasures made on the Vouchers and supporting documents are done properly to validate the corrections or erasures. Correction pen (white ink) should not be used for erasing or correcting wrong information.

Should there be wrong information on the Voucher or supporting documents, correction should be made by crossing out the wrong information and writing the correct information above it. The Voucher or document should then be signed by the person who made the correction. Following this, the Approving Officer should counter sign the corrections made on the Voucher before approving the expenses. This is to ensure that the corrections or erasures have been properly made and documented, as well as acknowledged and approved by the respective Personnel.

### *Management Comments*

*This recommendation has been raised already in the Internal Control Management (Jan-June 2015) of Bread of the World (BfdW)'s audit report. We acknowledge that few vouchers have correction used on donor codes. Anyway, it does not affect the amount at all. And we've already applied the recommendation since the second semester 2015 onwards.*

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### I.C PAYROLL

#### I.C.1 Time sheet

##### *Observation*

We noted during our examination of payroll that the Organization's staff prepares time sheets but only for some projects or donors. Hence, some staffs salaries have no documentation of work performed through time sheets that will be used as basis for salary payments and allocation of salaries at the end of each month that may result to incorrect or improper salary payments and charging of salaries to various donors or project.

##### *Recommendation*

We recommend that the Organization should require all staff in preparing time sheets for all Projects or donors to have proper and complete documentation of the work done and this will be used as the basis for payroll preparation and donor allocation of salaries if any for the salary of all staff.

##### *Management Comments*

This recommendation has been raised already in the Internal Control Management (Jan-June 2015) of BfdW's audit report. Now we still have the same answer that timesheet seems not applicable for us because of some reasons: 1) it is not a requirement from all donors. So we have applied only those donors who need it such as Pact and Save the Children, 2) it is not a requirement from Cambodian Labor Law, 3) CCC is applying result based; all staff required to make their performance plan setting and their achievements are measured during the performance review. Moreover, supervisor and supervisee always have face to face meeting regularly to update their progresses and find areas of support.

Filling out timesheet every month for all donors is putting more work to all staff and they do not satisfy with this initiative (we used to inform this issue to staff members and most of them seem not like this).

In conclusion, we don't mind if it is a requirement from all donors suggesting us to have timesheet, then we will apply (for all staff). But if it is not like that, we wish to keep the same as what it is.

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### I.D INFORMATION SYSTEM AND SECURITY

#### I.D.1 Back up management

##### *Observations*

We observed during our examination that Information Technology (IT) Officer performed back up of files for all staff in a computer server using the external hard drive disc.

However the external hard drive disc was not kept in a safe or vault after the backup procedure has been performed. Therefore, Organisation's electronic data file is at risk of being lost due to fire, theft or robbery. In addition, there was no IT policy created to include this proper procedure for back up management.

##### *Recommendations*

We recommend that the IT Officer should ensure that backup mediums should be stored or kept in a safe place in the Organization like safe or vault and another back up if possible should be stored off-site to ensure that project and financial information of the Organization is secured in a safe place and protected against, theft, robbery, flood, fire or other calamities.

##### *Management Comments*

CCC has two backups, one is stored in the office (online backup) and another one is stored off-line; the off-line back up is normally kept by Senior Management Team (SMT) members. We acknowledge that the online backup is not kept in a safe or vault. However, it is kept and locked in the server glass room. And this server glass room is also located in the IT room which is already safe. Moreover, the off-line backup is normally kept securely at SMT's house. So the risky is low for us. Anyway, we will apply auditor's recommendation in 2016 onwards.

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### II. STATUS OF PREVIOUS YEAR'S RECOMMENDATIONS

RECOMMENDATION	STATUS
<p><b>1. Dates on the prepared, verified and approved by portion on the Payment Voucher</b></p> <p><i>Recommendations</i></p> <p>We recommend that the Finance Assistant/Project Staff should ensure that all Finance Vouchers include the dates of preparation, verification and approval. This is to ensure that there is proper documentation and timely processing of all financial transactions, and provide proper audit trail to the Management and external parties on the processing of income and expenses of the Organization.</p>	<i>Implemented</i>
<p><b>2. High cash advance returns</b></p> <p><i>Recommendations</i></p> <p>We recommend that the Program Staff should prepare the budget plan properly before requesting cash advance. Should there be excess cash returns (e.g. US\$100 or 20% of the amount advanced) that were not spent, the Program Staff should explain on the Payment Voucher. The explanation should be noted or approved by the Program Manager. This is to ensure that Project funds are maximized for Project use, and avoid misuse of Project funds.</p>	<i>Implemented</i>
<p><b>3. Back up management</b></p> <p><i>Recommendations</i></p> <p>We recommend that the IT Officer should perform back up of all important files and should be stored in an external hard disk or server tapes. The backup mediums should be stored or kept in a safe place in the Organization like safe or vault and another back up if possible should be stored off-site to ensure that Organization and financial information of the Organization is secured in a safe place in case of flood, fire or other calamities.</p> <p><i>Please refer to recommendation on I.D.1</i></p>	<i>Partially Implemented</i>

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<p><b>4. Cash collection</b></p> <p><i>Recommendations</i></p> <p>We recommend that the Finance Officer should ensure that all cash collections from membership fees, sales of books and other income should be kept and accounted separately as undeposited funds. They should be deposited to the Organization's bank on the next banking day, week or month, whatever is appropriate and practicable. This will ensure that Organization funds are accounted properly with proper audit trail for monitoring and control purposes, and safely kept in the bank for security purposes. This policy should be included in the finance manual of the Organization so that the finance staff will follow this policy.</p>	<p><i>Implemented</i></p>
<p><b>5. Maintenance of document register/logbook</b></p> <p><i>Recommendation</i></p> <p>We recommend that the Finance department set up document register or logbook to record the receipt and withdrawal or borrowings of financial documents from the record/document room or finance room. The document register will provide information on the date withdrawn/borrowed/returned, name of document, ref no., quantity, name of the borrower, signature of the borrower and released or received by the Finance Officer/Finance Staff. This is to avoid loss of accounting documents and ensure complete filing of accounting documents for a period of time for future verification of management and external parties. This procedure is also in adherence to the Organization, donor and government requirement which requires that the accounting documents should be properly kept or retained with all the relevant supporting documents for a period of time from the completion of project activities for donor or government audit and other third party checking and verification.</p>	<p><i>Implemented</i></p>
<p><b>6. Approval on the payment voucher</b></p> <p><i>Recommendations</i></p> <p>We recommend that a verbal or written approval shall be obtained by phone or email and this should be noted or attached in the Voucher and signature can be obtained later. Should the Executive Director or Approving Officer is not around and the expenses need to be paid off.</p>	<p><i>Implemented</i></p>

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<p>If this transaction has been a regular or recurring case, we recommend that the policy be revised or a memo shall be prepared and issued accordingly to assign the Acting Officer should the Executive Director will not be available to sign and approve the expenditure. This is to ensure that all expenses are properly checked, authorized and necessary for the Project implementation before these are paid to the seller or vendor.</p>	
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