

STCU

Science and Technology Center in
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Kiev, 252133, Ukraine

April 24, 1997

Reference is made to Defense Contract Audit Agency letter, 2191-97P10250095, addressed to the STCU Board of Directors, dated 7 March 1997. In this letter, the auditors describe certain internal control weaknesses that they observed during their audit of the 1995 financial statements. They also stated that, while significant improvements in the STCU's internal control structure were observed during their audit of the 1996 financial statements, certain weaknesses still exist. The auditors recommended that STCU management submit a corrective action plan to address these weaknesses that still exist. This is STCU management's corrective action report.

Condition 1. Inadequate Documentation of Bank Reconciliations.

All of the auditors' recommendations relative to documentation of bank reconciliations have been implemented.

Condition 2. Inadequate Policies and Procedures for Accounting and Control of Goods and Services Acquired

Essentially all of the recommendations made by the auditors have been implemented. The following are specific details of actions taken:

* Supporting documents (i.e., invoice, purchase order, and other documents authorizing transactions) are reviewed prior to paying for goods and services. In cases where the Center can pay for items after delivery, the receiving reports are also reviewed.

* Internal verification of amounts on vendor invoices, purchase orders, and (when applicable) receiving reports is accomplished prior to payment. These documents are canceled after payment is made.

* Transactions are entered in the Access job costing data base automatically with payment orders and in ACCPAC on a timely basis (i.e., within one week).

* For purchases on projects, the administrative department compares receiving reports to vendor invoices and then files these documents. The administrative department takes appropriate follow-up action when receiving documents are not received in a timely manner. The finance department retains a copy of the invoice in project files to support payments.

* For purchases from the administrative budget, the finance department compares receiving reports to vendor invoices and then files these documents. The finance department takes appropriate follow-up action when receiving documents are not received in a timely manner.

* A written instruction on purchases of goods and services from the administrative budget has been prepared and implemented.

* STCU management is continuing to study the recommendation to use pre-numbered vouchers, receiving reports, and purchase orders.

Condition 3. Inadequate Procedures for Administrative Payroll

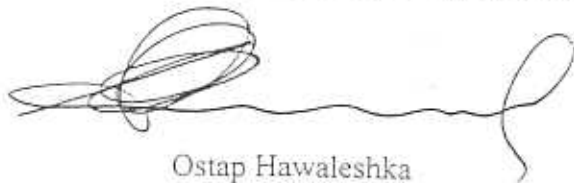
All of the auditors' recommendations relative to the administrative payroll have been implemented.

Condition 4. Inadequate Procedures to Assure Full Disclosure of Related Party Transactions

The Auditor's recommendations relative to disclosure of related party transactions have been implemented. The Executive Director, Chief Administrative Officer, and the Chief Financial Officer have properly completed conflict of interest statements.

Condition 5. Monthly and Year-End Closing of Books

All of the auditors' recommendations concerning the monthly closing of the books have been implemented. The financial department is currently finalizing all procedures, in consultation with the auditors, for year-end closing of the books. All procedures will be finalized before the May 1997 Governing Board meeting.



Ostap Hawaleshka
Executive Director



Bill Luke
Chief Financial Officer