

PD-AAW-742

MM-53084

AUDIT OF THE  
PROJECT FOR THE SUPPORT FOR  
EXTENSION, ENDOWMENT AND IMPROVEMENT  
OF NON-FORMAL EDUCATION

USAID/GUATEMALA PROJECT NO. 520-0281

AUDIT REPORT NO. 1-520-88-01-N  
NOVEMBER 12, 1987

**AGENCY FOR INTERNATIONAL DEVELOPMENT**

U. S. MAILING ADDRESS:  
RIG/T  
APO MIAMI 34022

OFFICE OF THE REGIONAL INSPECTOR GENERAL  
**AMERICAN EMBASSY**  
TEGUCIGALPA - HONDURAS

TELEPHONES:  
32-9987  
also 32-3120 EXT. 2701-2703

November 10, 1987

MEMORANDUM

TO : D/USAID/Guatemala, Anthony Cauterucci  
FROM : RIG/A/T, *Coinage N. Gothard*  
Coinage N. Gothard, Jr.  
SUBJECT : Audit Report No. 1-520-88-01-N, "National Board of Non-Formal Education - Support for Extension, Endowment and Improvement of Non-Formal Education Project"

This report presents the results of a non-Federal financial and compliance audit requested by your Mission of the Project for the Support for Extension, Endowment and Improvement of Non-Formal Education (Proyecto de Apoyo, Extension, Dotacion y Mejoramiento de Educacion Extraescolar, PAEDOMEX) managed by the National Board of Non-Formal Education (Junta Nacional de Educacion Extraescolar, JNEE) a branch of the Ministry of Education of Guatemala. The audit firm of Arthur Andersen & Co. in Guatemala prepared the report, which is dated October 29, 1987.

The objectives of this financial and compliance audit were to: a) determine if the fund accountability statements fairly presented the financial situation of PAEDOMEX as of December 31, 1984 and 1985 and October 30, 1986; b) study and evaluate the adequacy of JNEE's internal accounting controls regarding PAEDOMEX's operations; and c) determine if JNEE complied with agreement terms.

Arthur Andersen & Co. disclaimed an opinion on PAEDOMEX's fund accountability statements as of December 31, 1984 and 1985 and October 30, 1986 due to limitations in the auditor's scope of work caused by: a) inadequacy of JNEE's accounting subsidiary records; b) lack of confirmation and supporting documentation of the counterpart contribution; and c) lack of complete access to the original documentation held by the Government of Guatemala's Treasury Department. Arthur Andersen & Co. believes that JNEE's internal accounting control system is inadequate for USAID/Guatemala's purposes. They also determined that JNEE had not complied with agreement terms as required by USAID/Guatemala. The Arthur Andersen & Co. report also contained the following findings:

- JNEE does not have an adequate accounting system to control the project operations as required by USAID/Guatemala (page 20).
- JNEE had Q329,000 in questionable costs as a result of missing inventories and inadequately controlled equipment, material, and supplies (page 26).
- Contrary to Guatemalan law, JNEE used personal instead of official license plates on two official vehicles, which lowered the control and public visibility of these vehicles (page 28).
- JNEE was not in compliance with its agreement with A.I.D. in 10 areas (page 32).

We believe that these are significant findings and, as a result, we will include the following recommendation in the Inspector General's Audit recommendation follow-up system.

Recommendation No. 1

We recommend that USAID/Guatemala suspend further funding to the National Board of Non-Formal Education until a subsequent audit demonstrates that the National Board of Non-Formal Education:

- a) has implemented adequate internal accounting controls to manage the USAID/Guatemala funds;
- b) has appropriately documented, and/or reimbursed to USAID/Guatemala, the Q329,000 in costs questioned in the Arthur Andersen audit report dated October 29, 1987, and
- c) has complied with the agreement terms and/or has negotiated waivers with USAID/Guatemala.

Please advise this office within 30 days of the actions planned or taken to implement this recommendation.

NATIONAL BOARD OF NON-FORMAL EDUCATION  
SUPPORT FOR EXTENSION, ENDOWMENT AND IMPROVEMENT  
OF NON-FORMAL EDUCATION PROJECT

NATIONAL BOARD OF NON-FORMAL EDUCATION  
SUPPORT FOR EXTENSION, ENDOWMENT AND IMPROVEMENT  
OF NON-FORMAL EDUCATION PROJECT  
USAID/GUATEMALA PROJECT No. 520-0281

TABLE OF CONTENTS

	<u>Page No.</u>
TRANSMITTAL LETTER AND SUMMARY	
Background	1
Audit Objectives and Scope	2
Results of Audit	4
Management Comments	
FINANCIAL INFORMATION	
Auditor's Opinion	5
Fund Accountability Statements	8
Notes to the Fund Accountability Statements	9
Exhibit I - Detail of Disbursements Realized on the Support Project	13
INTERNAL ACCOUNTING CONTROL	
Auditor's Opinion	16
Findings	20
COMPLIANCE WITH AGREEMENT TERMS	
Auditor's Opinion	30
Findings	32

ARTHUR ANDERSEN & CO.

EDIFICIO CAMARA DE INDUSTRIA  
RUTA 6, 9-21, ZONA 4 5a. NIVEL  
GUATEMALA, C. A.  
TELS: 310336 Y 310331.

October 29, 1987

Mr. Coinage N. Gothard  
Regional Inspector General for Audit  
U. S. Agency for International Development  
Tegucigalpa, Honduras, C. A.

Dear Mr. Gothard:

This report presents the results of our audit of the Support for Extension, Endowment and Improvement of Non-Formal Education Project (Proyecto de Apoyo, Extensión, Dotación y Mejoramiento de Educación Extraescolar, PAEDOMEX) managed by the National Board of Non-Formal Education (Junta Nacional de Educación Extraescolar, JNEE), a unit of the Ministry of Education of Guatemala, USAID/Guatemala Project No. 520-0281.

BACKGROUND

The JNEE is the implementing unit of the Integrated Non-Formal Education Project, USAID/Guatemala Project No. 520-0281 (Project) to be developed in five years, ending on December 31, 1987, and funded through a USAID/Guatemala loan (No. 520-V-035) of US\$ 2,000,000, a USAID/Guatemala grant (520-0281) of US\$ 850,000, and the Government of Guatemala counterpart contribution of Q 2,344,262 (US\$ 2,344,262 at the date of the agreement). The borrower and grantee is the Government of Guatemala (GOG) represented by the Ministries of Education and Finance.

The JNEE was created through GOG Decree No. 5 dated January 12, 1975 and it is comprised of public sector institutions developing non-formal education activities. The JNEE has three regional offices which cover twelve departments of Guatemala: Central Region, Highlands Region and North-Central Region.

The general objective of the Project is to improve the quality of life of the needy rural population through the improvement on the delivery of services by the Government and private institutions in charge of rural development.

The purpose of the Project is to improve the quality and quantity of the coverage of non-formal education services that the public and private institutions in charge of the rural development provide to

groups that are socially and economically disadvantaged, mainly in areas such as agriculture, health and education in community development.

The general coordinating unit for this Project is the General Secretariat of Non-Formal Education, a division of the Ministry of Education of Guatemala.

#### AUDIT OBJECTIVES AND SCOPE

The audit objectives are summarized as follows:

- Express an opinion on the Fund Accountability Statements for the periods ended December 31, 1984, 1985 and October 31, 1986.
- Report of the evaluation of existing internal controls mainly on the following functions:
  - . procurement,
  - . budget,
  - . maintenance and transportation,
  - . inventories and protection of fixed assets,
  - . human and technological resources,
  - . distribution of education materials,
  - . internal audit and follow-up of their findings,
  - . internal information system, and
  - . accounting system
- Report on the compliance with agreement terms.

Our examination was made in accordance with generally accepted auditing standards and the U. S. Comptroller General's "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions" (1981 Revision).

The scope of our work is described as follows:

- We reviewed the funds received by the Project both from the loan given by USAID/Guatemala as well as the local counterpart from the Government.
- We reviewed the disbursements made by USAID/Guatemala, related to the grant.
- We reviewed the disbursement of funds by examining the support documentation, mainly on the following entries:
  - . personal services,
  - . supplies, materials, furniture and equipment,

- . printing and bookbinding costs, and
- . fuels and lubricants
  
- We performed visits to the regional offices of Quetzaltenango and Salamá to evaluate the procedures utilized to meet the objectives of the Project and the agreement terms with USAID/Guatemala.
  
- We also evaluated the human resources, educational material distribution and control and supervision by the central office.
  
- We verified compliance with the applicable laws, regulations and agreement terms to which the JNEE and related parties are subject, in connection with this project.

These procedures are not necessarily the only ones used by us during our exam and they do not indicate in its entirety the detailed audit work performed.

#### RESULTS OF THE AUDIT

##### Fund Accountability Statements

The subsidiary records of JNEE to control the project's operations were inadequate, not integrated into a centralized accounting system and not reconciled with information from USAID/Guatemala. Also, we could not obtain a satisfactory third party confirmation of the amount of counterpart funds provided by the Government of Guatemala (Q 547,588) and we could not review all the necessary documentation of part of all the funding and expenditures since all the original documentation was kept by the GOG's Treasury Department, to which we only had partial access. In addition, JNEE has not fulfilled certain clauses of the loan agreement as discussed in more detail in the compliance section of this report.

These matters prevented us from determining the reasonability, allocability, and allowability of the accumulated project expenditures as of October 31, 1986. As a result of these limitations, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the Fund Accountability Statements. However, as part of our examination, we identified Q 329,000 in questionable costs which we believe should be reviewed by USAID/Guatemala for allowability (see finding number 2 on the internal accounting controls).

##### Internal accounting controls

Our study and evaluation of the internal accounting controls revealed that JNEE does not have an adequate accounting system to control the project operations. This condition results in more than a relatively low risk that errors or irregularities in amounts that would be

material in relation to the Fund Accountability Statements, may occur and not be detected in a timely manner.

Compliance with agreement terms

In connection with our examination, we identified some agreement terms that were not fulfilled by JNEE as of the completion of our field work. They are summarized below and discussed in more detail in the corresponding section of this report.

- The Government of Guatemala's past and planned contribution to the project amount to 77.6 percent of the agreed upon contributions.
- The evaluations of the project did not address all of the aspects required by the agreement and only one of the two required audits was made.
- JNEE has not reached or cannot document most of the agreed upon outputs for the project.

Nothing came to our attention that caused us to believe that untested items were not in compliance with applicable laws, regulations, and agreement terms.

MANAGEMENT COMMENTS

The management of JNEE and the officers of USAID/Guatemala were in general in agreement with this report, except for the amounts showed as the GOG's counterpart funds in the Fund Accountability Statements as of October 31, 1986. Such amount was determined by the JNEE extra-records by about Q 1,570,000 as of that date.

As explained in our report, due to the condition of the JNEE's accounting records, we cannot determine the reasonability of the above mentioned amount, and consequently we do not issue an opinion on it.

*Arthur Andersen Inc.*

ARTHUR ANDERSEN & CO.

EDIFICIO CAMARA DE INDUSTRIA  
RUTA 0, 0-21, ZONA 4 - 5o. NIVEL  
GUATEMALA, C. A.  
TELS: 310136 Y 310301

NATIONAL BOARD OF NON-FORMAL EDUCATION  
SUPPORT FOR EXTENSION, ENDOWMENT AND IMPROVEMENT  
OF NON-FORMAL EDUCATION  
USAID/GUATEMALA PROJECT No. 520-0281

REPORT ON THE FUND ACCOUNTABILITY STATEMENTS

Mr. Coinage N. Gothard  
Regional Inspector General for Audit  
U. S. Agency for International Development  
Tegucigalpa, Honduras, C. A.

We have examined the Fund Accountability Statement and Exhibit I enclosed of the Support for Extension, Endowment and Improvement of Non-Formal Education Project (Proyecto de Apoyo, Extensión, Dotación y Mejoramiento de Educación Extraescolar, PAEDOMEX), managed by the National Board of Non-Formal Education (Junta Nacional de Educación Extraescolar, JNEE) a Government of Guatemala (GOG) entity, and financed by USAID/Guatemala through loan No. 520-V-035 and grant No. 520-0281, and by the GOG. Our examination covered the period from June 21, 1984 to October 31, 1986 (28 months), and except as mentioned in the following paragraph, was made in accordance with generally accepted auditing standards and the General Accounting Office "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions" (1981 Revision), and accordingly included such

tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The National Board of Non-Formal Education's subsidiary records to control the project's operations were inadequate, not integrated into a centralized accounting system and not reconciled with information from USAID/Guatemala as discussed in detail in our report on internal controls.

Also, we could not obtain a satisfactory third party confirmation of the amount of counterpart funds provided by the Government of Guatemala (Q 547,588) and we could not review all the necessary documentation of part of all the funding and expenditures since all the original documentation was kept by the Government of Guatemala's Treasury Department, to which we only had partial access. In addition, the National Board of Non-Formal Education has not fulfilled certain clauses of the loan agreement as discussed in more detail in the compliance section of this report. Since (1) the subsidiary records of the National Board of Non-Formal Education were inadequate, (2) we could not obtain third party confirmation of counterpart funds nor review all the supporting documentation, and (3) the National Board of Non-Formal Education had not complied with all agreement terms, as noted in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements and Exhibit I as of October 31, 1986.

However, as part of our examination, we identified Q 329,000 in questionable costs which we believe should be reviewed by USAID/Guatemala for allowability (see finding number two on the internal accounting controls).

*Arthur Andersen & Co.*

Guatemala, C. A.

August 14, 1987

12

NATIONAL BOARD OF NON-FORMAL EDUCATION

SUPPORT FOR EXTENSION, ENDOWMENT AND IMPROVEMENT OF NON-FORMAL EDUCATION, PROJECT

USAID/GUATEMALA PROJECT No. 520-0281

FUND ACCOUNTABILITY STATEMENTS

FOR THE PERIODS SINCE THE PROJECT INITIATION (JUNE 21, 1984) UP TO

DECEMBER 31, 1984, FOR THE YEAR ENDED AT DECEMBER 31, 1985 AND FOR THE TEN MONTH PERIOD ENDED OCTOBER 31, 1986

PREPARED FROM THE SUMMARY OF THE BUDGETARY EXECUTION

F U N D S									
USAID/Guatemala				GOVERNMENT OF GUATEMALA				Total	
Balances per period			Accumulated as of	Balances per period			Accumulated as of	Project's funds as of	
1984	1985	10-31-86	10-31-86	1984	1985	10-31-86	10-31-86	10-31-86	

FUNDS RECEIVED FROM:

USAID/Guatemala	Q 286,877	Q 579,270	Q 479,663	Q 1,345,810	Q -	Q -	Q -	Q -	Q 1,345,810
Government of Guatemala	-	-	-	-	90,233	171,676	285,679	547,588	547,588
Total	Q 286,877	Q 579,270	Q 479,663	Q 1,345,810	Q 90,233	Q 171,676	Q 285,679	Q 547,588	Q 1,893,398

FUNDS DISBURSED:

Execution of Project (Exhibit I)-									
Personal services	25	74,125	18,881	93,031	42,784	55,523	106,001	204,308	297,339
Non-personal services	3,737	20,220	328,688	352,645	825	10,199	75,868	86,892	439,537
Materials and supplies	17,014	89,626	121,802	228,442	3,070	8,098	66,831	77,999	306,441
Machinery and equipment	234,644	58,432	10,292	303,368	24,963	1,957	445	27,365	330,733
Specific expenses	31,457	336,867	-	368,324	18,591	95,899	36,534	151,024	519,348
Total	Q 286,877	Q 579,270	Q 479,663	Q 1,345,810	Q 90,233	Q 171,676	Q 285,679	Q 547,588	Q 1,893,398

The accompanying notes and Exhibit I are an integral part of these statements.

NATIONAL BOARD OF NON-FORMAL EDUCATION  
SUPPORT FOR EXTENSION, ENDOWMENT AND IMPROVEMENT  
OF NON-FORMAL EDUCATION PROJECT  
NOTES TO THE FUND ACCOUNTABILITY STATEMENTS  
FOR THE PERIODS SINCE THE PROJECT INITIATION (JUNE 21, 1984)  
UP TO DECEMBER, 1984, FOR THE YEAR ENDED DECEMBER 31, 1985  
AND FOR THE TEN MONTH PERIOD ENDED OCTOBER 31, 1986

(1) Brief history of the Project's Executive Organization:  
National Board on Non-Formal Education -JNEE-

The National Board on Non-Formal Education - JNEE- is a governmental entity created through Government Decree number five, on February 12, 1975, and is formed by public sector institutions which develop non-formal education activities.

Its objectives are the following:

- (a) Non-formal activity is focused on increasing literacy within the population; however, the persons who take part in it do not obtain an academic degree.
- (b) To dictate non-formal education policies and determine the priority of different projects based on JNEE's plans for development.
- (c) Coordination of activities with other Government institutions who also offer non-formal education programs.

In order to adequately implement the decisions taken by the National Board on Non-Formal Education, a Coordination Secretariat was formed, which has among others, the following functions:

- (a) Assist the National Board of Non-Formal Education in the decision making process and in carrying them out.
- (b) Prepare Non-Formal Education plans, programs and projects.
- (c) Encourage, promote and realize joint activities among the institutions dedicated to non-formal education.

The Board's field of action is channeled through three regional offices which cover twelve of the country's departments:

Central region: covers the departments of Guatemala, Chimaltenango, Sacatepéquez and El Progreso

Plateau region: covers the departments of Quetzaltenango, San Marcos, Sololá, Totonicapán, Huehuetenango and Quiché.

Northeast region: covers the departments of Alta Verapaz and Baja Verapaz.

(2) Information related to Project for Extension, Endowment and Improvement of Non-Formal Education, PAEDOMEX USAID/Guatemala Project No. 520-0281

---

(a) The general Project Goal

The general goal of the Project is to improve the quality of life of the rural poor through improved service delivery by rural development governmental institutions and private sector extension agencies.

(b) The Project purpose

The purpose of the project is to improve the quality, and increase the coverage, of non-formal education services which public and private rural development institutions deliver to disadvantaged groups, principally in the areas of agriculture, health, education and community development.

(c) Project summary

Project implementation will be carried out by the Coordination Secretariat of the National Board for Non-Formal Education ("The Secretariat"). The goal and purposes described will be accomplished through personnel training, procurement of necessary vehicles, equipment and supplies, as well as the provision of technical assistance. The Project includes three basic components: (1) strengthening of the Secretariat; (2) expansion of the non-formal education regional offices; and (3) development of a radio broadcasting capacity. The approximate cost of the project is US\$ 5.15 million, distributed as follows: US\$ 2.0 million from AID loan, US\$ 0.85 million in AID Grant and Q 2.3 million in cash and in-kind contributions from the Government of Guatemala.

(3) Monetary unit

The financial information is expressed in quetzals, the monetary unit of Guatemala which had for many years been at par with the U. S. dollar.

As of June 6, 1986, the Government of Guatemala established three exchange rates for transactions in foreign currency, as follows:

- The official exchange rate of Q 1.00 = US\$ 1.00.
- The regulated exchange rate of Q 2.50 = US\$ 1.00.

Both of the above exchange rates apply only to certain specific transactions as designated by the Central Bank of Guatemala.

- On April 13, 1987 the Monetary Board decided to include in the "Controlled Exchange Market" of Q 2.50 for US\$ 1.00 all import and export merchandise, effective April 15, 1987.
- The banking exchange rate (free market) applicable to all transactions in foreign currency not eligible for above preferential rates. See chart below:

<u>Date</u>	<u>Rate of exchange</u>
12-31-84	Q 1.48 per US\$ 1.00 approximately
12-31-85	Q 2.94 per US\$ 1.00 approximately
10-31-86	Q 2.62 per US\$ 1.00 approximately

(4) Information concerning USAID/Guatemala's loan

Project PAEDOMEX is partially financed through a loan granted by the United States Agency for International Development in Guatemala (USAID/Guatemala) for an amount equivalent to US\$ 3,000,000, which later was modified to US\$ 2,000,000. Following, we describe some pertinent contract conditions:

Loan No.: 520-V-035

Original amount: US\$ 3,000,000

Loan's agreement date: August 31, 1982

Modified amount: US\$ 2,000,000

Date of modification: December 30, 1985

Interest rate: 2% annually during the first 10 years calculated from the date of the first loan disbursement, and 3% annually from then on, calculated on outstanding balances.

Amortization of capital: It shall be amortized between the first 25 years calculated from the date of the first disbursement loan, in 31 semiannual installments. The

12

first capital amortization shall be paid nine and a half years after the due date of interest's first payment.

Project assistance completion date:

August 31, 1987.

(5) Loan's usage

Following are the accumulated annual amounts received on loan number 520-V-035; according to records kept by the National Board on Non-Formal Education.

<u>Date</u>	<u>Value</u>
12-31-84	Q 286,877
12-31-85	Q 866,147
10-31-86	Q 1,345,810

(6) Subsequent events

According to Implementation Letter No. 44, dated August 3, 1987, USAID/Guatemala extended the project's completion date until December 31, 1987.

NATIONAL BOARD OF NON-FORMAL EDUCATION  
DETAIL OF DISBURSEMENTS REALIZED ON THE SUPPORT FOR  
EXTENSION, ENDOWMENT AND IMPROVEMENT OF NON-FORMAL EDUCATION, PROJECT No. 520-0281 FOR THE PERIOD  
SINCE THE PROJECT INITIATION (JUNE 21, 1984) UP TO DECEMBER 31, 1984  
FOR THE YEAR ENDED DECEMBER 31, 1985 AND FOR THE TEN MONTH PERIOD ENDED OCTOBER 31, 1986

PREPARED FROM THE BUDGETARY EXECUTION

Account	Disbursement items	USAID/GUATEMALA				GOVERNMENT OF GUATEMALA				Total for Project as of 10-31-86
		Disbursements per period			Accumulated as of 10-31-86	Disbursements per period			Accumulated as of 10-31-86	
		1984	1985	10-31-86		1984	1985	10-31-86		
<b>0</b>	<b>Personal services</b>									
022	Contracted labor	Q 25	Q 74,125	Q 18,381	Q 93,031	Q 42,784	Q 54,811	Q 105,283	Q 202,878	Q 295,909
029	Other salaries - Temporary Labor	-	-	-	-	-	712	718	1,430	1,430
		Q 25	Q 74,125	Q 18,881	Q 93,031	Q 42,784	Q 55,523	Q 106,001	Q 204,308	Q 297,339
<b>1</b>	<b>Non-personal services</b>									
121	Promotion	Q -	Q -	Q 47,270	Q 47,270	Q 805	Q 905	Q 1,911	Q 3,621	Q 50,891
122	Printing and bookbinding	2,066	10,700	57,710	70,476	-	6,618	48,820	55,438	125,914
132	Per diem expenses abroad	-	-	105,069	105,069	-	-	-	-	105,069
139	Other per diem and related expenses	-	-	111,611	111,611	-	-	-	-	111,611
151	Building and premises lease	-	-	-	-	-	-	14,250	14,250	14,250
175	Transportation equipment maintenance	-	5,790	4,307	10,097	-	250	925	1,175	11,272
199	Sundry services	-	3,605	2,251	5,856	20	1,694	3,198	4,912	10,768
	Others	1,671	125	470	2,266	-	732	6,764	7,496	9,762
		Q 3,737	Q 20,220	Q 328,688	Q 352,645	Q 825	Q 10,199	Q 75,868	Q 86,892	Q 439,537

EXHIBIT I2 of 3

NATIONAL BOARD OF NON-FORMAL EDUCATION  
DETAIL OF DISBURSEMENTS REALIZED ON THE SUPPORT FOR  
EXTENSION, ENDOWMENT AND IMPROVEMENT OF NON-FORMAL EDUCATION, PROJECT No. 520-0281 FOR THE PERIOD  
SINCE THE PROJECT INITIATION (JUNE 21, 1984) UP TO DECEMBER 31, 1984,  
FOR THE YEAR ENDED DECEMBER 31, 1985 AND FOR THE TEN MONTH PERIOD ENDED OCTOBER 31, 1986

PREPARED FROM THE BUDGETARY EXECUTION

Account	Disbursement items	USAID/GUATEMALA				GOVERNMENT OF GUATEMALA				Total for Project as of 10-31-86
		Disbursements per period			Accumulated as of 10-31-86	Disbursements per period			Accumulated as of 10-31-86	
		1984	1985	10-31-86		1984	1985	10-31-86		
<b>2</b>	<b>Materials and supplies</b>									
241	Paper pads	Q 1,626	Q 22,430	Q 18,904	Q 42,960	Q 319	Q 535	Q 31,770	Q 32,624	Q 75,584
242	Commercial papers, card-board products	1,614	-	4,012	5,626	-	56	61	117	5,743
243	Paper and cardboard products	4,299	8,759	12,640	25,698	563	927	6,125	7,615	33,313
262	Fuel and lubricants	-	-	24,229	24,229	-	-	14,277	14,277	38,506
267	Dyes, paints and coloring products	493	2,205	4,779	7,477	646	162	1,047	1,855	9,332
269	Other related chemical products	322	15,725	9,304	25,351	88	1,298	1,562	2,948	28,299
287	Accessories and vehicle spare parts	-	6,406	8,158	14,564	-	682	326	1,008	15,572
291	Office supplies - Other sundry	2,004	8,150	7,167	17,321	759	551	6,280	7,590	24,911
299	Products and supplies	6,190	24,187	21,205	51,582	342	2,342	4,102	6,786	58,368
	Others	466	1,764	11,404	13,634	353	1,545	1,281	3,179	16,813
		Q 17,014	Q 89,626	Q 121,802	Q 228,442	Q 3,070	Q 8,098	Q 66,831	Q 77,999	Q 306,441

A

DETAIL OF DISBURSEMENTS REALIZED ON THE SUPPORT FOR

EXTENSION, ENDOWMENT AND IMPROVEMENT OF NON-FORMAL EDUCATION, PROJECT No. 520-0281 FOR THE PERIOD

SINCE THE PROJECT INITIATION (JUNE 21, 1984) UP TO DECEMBER 31, 1984,

FOR THE YEAR ENDED DECEMBER 31, 1985 AND FOR THE TEN MONTH PERIOD ENDED OCTOBER 31, 1986

PREPARED FROM THE BUDGETARY EXECUTION

Account	Disbursement items	USAID/GUATEMALA				GOVERNMENT OF GUATEMALA				Total for Project as of 10-31-86
		Disbursements per period			Accumulated as of 10-31-86	Disbursements per period			Accumulated as of 10-31-86	
		1984	1985	10-31-86		1984	1985	10-31-86		
<b>3</b>	<b>Machinery and equipment</b>									
311	Industrial machinery and electric services	Q 15,201	Q 56,632	Q -	Q 71,833	Q 3,797	Q 99	Q -	Q 3,896	Q 75,729
321	Chromed office equipment	18,905	-	-	18,905	18,091	1,723	-	19,814	38,719
322	Wooden office equipment	7,610	-	-	7,610	533	21	-	554	8,164
344	Audiovisual equipment	9,535	-	2,789	12,324	2,542	-	-	2,542	14,866
352	Jeeps, Pick-Up and other vehicles	182,000	-	-	182,000	-	-	-	-	182,000
363	Radic equipment	-	-	6,602	6,602	-	23	402	425	7,027
	Others	1,393	1,800	901	4,094	-	91	43	134	4,228
		Q 234,644	Q 58,432	Q 10,292	Q 303,368	Q 24,963	Q 1,957	Q 445	Q 27,365	Q 330,733
	<b>Specific expenses</b>									
121	Promotion	Q -	Q 34,906	Q -	Q 34,906	Q -	Q 4,202	Q -	Q 4,202	Q 39,108
122	Printing and bookbinding	18,050	139,975	-	158,035	5,949	55,871	-	61,820	219,845
132	Per diem expenses abroad	10,786	37,983	-	48,769	630	7,706	-	8,336	57,105
139	Other related per diem expenses	-	34,782	-	34,782	-	-	-	-	34,782
151	Building and premises lease	-	-	-	-	1,750	17,100	-	18,850	18,850
175	Transportation equipment maintenance	-	5,767	-	5,767	-	-	-	-	5,767
242	Commercial paper, cardboard and others	-	26,354	-	26,354	-	-	-	-	26,354
249	Other cardboard products and printing	1,350	25,938	-	27,288	-	-	-	-	27,288
262	Fuel and lubricants	-	17,804	-	17,804	8,797	7,730	-	16,527	34,331
287	Accessories and vehicle spare parts	-	11,244	-	11,244	-	-	-	-	11,244
598	Contracted construction work	-	-	-	-	-	-	36,534	36,534	36,534
	Others	1,271	2,114	-	3,385	1,465	3,290	-	4,755	8,140
		Q 31,457	Q 336,867	Q -	Q 368,324	Q 18,591	Q 95,899	Q 36,534	Q 151,024	Q 519,348

ARTHUR ANDERSEN & CO.

EDIFICIO CAMARA DE INDUSTRIA  
RUTA 6, D-21, ZONA 4 5o. NIVEL  
GUATEMALA, C. A.  
TELS: 316316 Y 316301

NATIONAL BOARD OF NON-FORMAL EDUCATION  
SUPPORT FOR EXTENSION, ENDOWMENT AND IMPROVEMENT  
OF NON-FORMAL EDUCATION  
USAID/GUATEMALA PROJECT No. 520-0281

REPORT ON INTERNAL ACCOUNTING CONTROLS

Mr. Coinage N. Gothard  
Regional Inspector General for Audit  
U. S. Agency for International Development  
Tegucigalpa, Honduras, C. A.

We have examined the Fund Accountability Statements and Exhibit I of the Support for Extension, Endowment and Improvement of Non-Formal Education Project (Proyecto de Apoyo, Extensión, Dotación y Mejoramiento de Educación Extraescolar, PAEDOMEX) managed by the National Board of Non-Formal Education (Junta Nacional de Educación Extraescolar, JNEE) a Government of Guatemala (GOG) entity, and financed by USAID/Guatemala through loan No. 520-V-035 and grant 520-0281 and by the GOG; for the period from June 21, 1984 to October 31, 1986 (28 months), and we disclaimed our opinion on August 14, 1987, due to limitations in the scope of our work.

As part of our examination, we made a study and evaluation of the system of internal accounting controls to the extent we considered necessary to evaluate the system as required by generally accepted Government auditing standards. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the Fund Accountability Statements. For the purpose of this report, we have classified the significant internal accounting controls in the following categories:

- procurement,
- budget,
- maintenance and transportation,
- inventories and protection of fixed assets,
- distribution of educational materials,
- internal audit,
- information system, and
- accounting system.

Our study and evaluation included all of the control categories listed above, except we did not evaluate the internal accounting controls over all functions within any of the categories because it was more efficient to expand substantive audit tests. Our study and evaluation was more limited than would be necessary to express an opinion on the

system of internal accounting controls taken as a whole or on any of the categories of internal accounting controls previously identified.

The management of the JNEE is responsible for establishing and maintaining a system of internal accounting controls. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system of internal accounting controls are to provide management with reasonable assurance that (1) obligations and costs are in conformance with applicable laws, (2) funds, property, and other assets are safeguarded against waste, loss, and unauthorized use or misappropriation, and (3) assets, liabilities, revenue, and expenses applicable to JNEE operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over JNEE assets. Because of inherent limitations in any system of internal accounting controls, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with procedures may deteriorate.

Our examination disclosed the conditions described as finding No. 1, which in our opinion, result in more than a relatively low risk that errors or irregularities in amounts that would be material in relation

22

to the Fund Accountability Statements, may occur and not be detected in a timely manner.

During the course of our examination, we identified a number of weaknesses in internal accounting controls and procedures which we will be reporting separately to the JNEE. Although we did not consider these weaknesses to be material to the JNEE's Fund Accountability Statements; they nonetheless merit corrective action to strengthen the JNEE's internal accounting controls.

This report is intended solely for the use of the JNEE, the GOG and the U. S. Agency for International Development. This restriction is not intended to limit the distribution of this report which, upon acceptance by the AID Regional Inspector General, is a matter of public record.

*Arthur Andersen & Co.*

Guatemala, C. A.  
August 14, 1987

ARTHUR ANDERSEN & CO.

EDIFICIO CAMARA DE INDUSTRIA  
RUTA 0, 0-21, ZONA 4 5o. NIVEL  
GUATEMALA, C. A.  
TELS: 316130 Y 316301

NATIONAL BOARD OF NON-FORMAL EDUCATION  
SUPPORT FOR EXTENSION, ENDOWMENT AND IMPROVEMENT OF NON-FORMAL EDUCATION  
USAID/GUATEMALA PROJECT No. 520-0281

FINDINGS ON THE INTERNAL ACCOUNTING CONTROLS

1. THE NEED FOR ACCOUNTING SYSTEMS

Condition

The JNEE did not have an adequate accounting system to control the project operations as required by USAID/Guatemala. The project's operations were recorded in subsidiary records used for budgeting control purposes and which were not integrated into a formal accounting system nor reconciled with information gathered from third party and other sources. Some manuals and instructions were prepared with the assistance of various advisers hired by USAID/Guatemala; however, at the date of this report, they were not implemented by the JNEE. These manuals and instructions included the following:

- Instructions for the management of assets,
- Manual of budgeting procedures,
- Instructions for the development of budget section operations,

- Instruction for the management of warehouses,
- Instruction for the operation of the USAID/Guatemala loan No. 520-V-035,
- Manual of procurement procedures,
- Manual for transport controls, and
- Manual for maintenance controls.

In this regard, the major weaknesses were related to:

- (a) No independent and well organized accounting records and procedures were used to control the Project operations. The JNEE had used subsidiary records, which are the same used to control budgeting, with no control accounts.
- (b) The equipment, materials and supplies were not adequately controlled.
- (c) The amounts recorded as loans received from USAID/Guatemala were not reconciled. As a result, the following differences could not be reconciled:

	Amounts accumulated at		
	<u>12-31-84</u>	<u>12-31-85</u>	<u>10-31-86</u>
Expenditures as per-			
USAID/Guatemala	Q 108,755	Q 732,659	Q 1,609,482
JNEE	286,877	866,147	1,345,810
Differences	Q 178,122	Q 133,488	Q (263,672)
	=====	=====	=====

25

- (d) The subsidiary records of fixed assets showed differences when compared with the amounts in the Fund Accountability Statements, as follows:

	<u>12-31-84</u>	<u>12-31-85</u>	<u>10-31-86</u>	<u>Total</u>
Recorded in the subsidiary records	Q 206,065	Q 142,513	Q 114,130	Q 462,708
Shown in the Fund Accountability Statements Funding by-				
USAID/Guatemala	234,644	58,432	10,292	303,368
GOG	24,963	1,957	445	27,365
	<u>259,607</u>	<u>60,389</u>	<u>10,737</u>	<u>330,733</u>
Differences	Q 53,542	Q (82,124)	Q (103,393)	Q (131,975)

- (e) The following differences were detected between the Fund Accountability Statements and the subsidiary budgeting records source for preparing the reports:

	<u>Year 1984</u>		
	<u>Statement</u>	<u>Done according to Record</u>	<u>Difference</u>
<u>Loan cards 520-V-035</u>			
Investment category-			
Personal service	Q 25	Q 22,610	Q (22,585)
Machinery and equipment	234,644	236,796	(2,152)
Specific entries	31,457	33,079	(1,622)
	<u>Q 266,126</u>	<u>Q 292,485</u>	<u>Q (26,359)</u>

26

	Year 1984					
	Done according to					
	Statement		Record		Difference	
Counterpart cards						
<u>Government-</u>						
Investment category-						
Personal service	Q	42,784	Q	20,110	Q	22,674
Machinery and equip-						
ment		24,963		28,280		(3,317)
Specific entries		18,591		16,834		1,757
	Q	86,338	Q	65,224	Q	21,114

(f) The following adjustments need to be made in the JNEE's records in order to:

- (a) record the amounts disbursed by USAID/Guatemala as part of the grant to the GOG;
- (b) adjust the loan balances with the amounts returned by JNEE to the Guatemalan National Treasury for unused advances;
- (c) correct the payroll payments of October 1986; and
- (d) adjust the personal services account.

-24-

-1-

	<u>Debits</u>	<u>Credits</u>
Funds disbursed-		
Investment categories:		
Technical Assistance Secretariat	Q 149,981	
Investigation & Evaluation		
Secretariat	27,627	
Technical assistance Quetzaltenango	227,455	
Technical assistance radio broad-		
casting	28,739	
Funds received-		
Donation USAID/Guatemala		Q 433,802
To register the disbursements made		
by AID considered a donation through	-----	-----
October 31, 1986	Q 433,802	Q 433,802
	=====	=====

-2-

Funds received-		
USAID loan	Q 298,851	
Funds disbursed-		
Machinery and equipment		Q 293,819
Non-personal services -		
per diem		4,750
Materials & supplies		282
To register the returns made to		
the National Treasury for unused	-----	-----
advances	Q 298,851	Q 298,851
	=====	=====

-3-

Funds disbursed-		
Personal services-		
Counterpart - Government	Q 18,881	
Funds disbursed-		
Personal services-		
AID loan		Q 18,881
To correctly register the payroll to		
PAEDOMEX employees for the ten month	-----	-----
period January through October, 1986	Q 18,881	Q 18,881
	=====	=====

Funds disbursed-			
Personal services - USAID loan	Q	22,586	
Funds disbursed-			
Personal services-			
Counterpart			Q 22,586
To correct the value of personal services financed with funds from a contracted loan with AID	----- Q	22,586	----- Q 22,586 =====

Criteria

The JNEE needs to organize a complete accounting system implementing and creating all the necessary accounting records as required by Law Decree No. 106-71 issued by the Congress of Guatemala and Governmental Agreement No. 5-72 of the Minister of Public Finances, which require all Governmental institutions to establish an integrated and uniform accounting system. Additionally, all manuals and instructions prepared by the USAID/Guatemala advisers need to be implemented to improve all the accounting and administrative procedures related to project administration.

Cause

The principal reason for the lack of an adequate accounting system and the failure to adopt the manuals and instructions is the lack of appropriate understanding of project needs by the persons in charge of the administration and supervision of the JNEE.

Effect

The lack of an adequate accounting system does not permit the preparation of appropriate and complete financial information on the project. Additionally, the lack of agreed-upon procedures results in the employees carrying out their duties according to their own criteria with no unified approach to the project's operations. Both weaknesses could cause waste of resources without timely detection.

Recommendation

The management of the JNEE should (1) create an appropriate accounting system as required by both the GOG regulations and the USAID/Guatemala and (2) implement the manuals and procedures prepared by the advisers hired by USAID/Guatemala in order to improve the JNEE's internal accounting and administrative processes.

2. QUESTIONABLE COSTS

Condition and criteria

As part of our examination, we identified the following questionable costs related to the use of USAID/Guatemala loan and grant funds for the project.

70

<u>Disbursement item</u>	<u>Criteria for questioning cost</u>	<u>Amount</u>
Machinery and equipment	Lack of control over fixed assets, which created according to an inventory performed in 1986 (assets, supposedly acquired and not accounted for with AID's loan resources) a missing amount of approximately	Q 23,000
Materials and supplies	The equipment, materials and supplies were not adequately controlled, these were in materials covered by inventories labeled "performed" which could not be fairly determined approximately	306,000
Total questionable cost		----- Q 329,000 =====

Effect

The project may not have received the full value of the costs which are questioned.

Recommendation

We recommend that USAID/Guatemala review the Q 329,000 in questionable costs; determine their allowability, and seek reimbursement for any costs found unallowable.

### 3. VEHICLES WITH PERSONAL PLATES

#### Condition

Two of the vehicles purchased with USAID/Guatemala funds were being used with personal plates, instead the official plates required by the Government of Guatemala (GOG) for governmental institutions. The vehicles using personal plates were two Jeeps Cherokees whose original plates were 0-16952 and 0-17078.

#### Criteria

Accordingly to the GOG's laws, all governmental institutions must use official plates in order to control the inadequate use, if any.

#### Cause

The change of plates was approved by the secretary of the board.

#### Effect

This matter represents a violation of the law and the JNEE could be sanctioned by the authorities. Also, without official plates, JNEE has less control over the vehicles since JNEE employees could use the

36

vehicles on the weekends or evenings for personal use without the public visibility that they are using government vehicles.

Recommendation

The board of directors of the National Board of Non-Formal Education (JNEE) should require the use of official plates in all the JNEE's vehicles.



ARTHUR ANDERSEN & CO.

EDIFICIO CAMARA DE INDUSTRIA  
RUTA 0, D. 12, ZONA 4 5a. NIVEL  
GUATEMALA, C. A.  
TELS: 31030 Y 310301

NATIONAL BOARD OF NON-FORMAL EDUCATION  
SUPPORT FOR EXTENSION, ENDOWMENT AND IMPROVEMENT OF  
NON-FORMAL EDUCATION  
USAID/GUATEMALA PROJECT No. 520-0281

REPORT ON COMPLIANCE WITH AGREEMENT TERMS

Mr. Coinage N. Gothard  
Regional Inspector General for Audit  
U. S. Agency for International Development  
Tegucigalpa, Honduras, C. A.

We have examined the Fund Accountability Statements and Exhibit I of the Support for Extension, Endowment and Improvement of Non-Formal Education Project (Proyecto de Apoyo, Extensión y Mejoramiento de Educación Extraescolar, PAEDOMEX) managed by the National Board of Non-Formal Education (Junta Nacional de Educación Extraescolar, JNEE) a Government of Guatemala (GOG) entity, and financed by USAID/Guatemala through loan No. 520-V-035 and grant No. 520-0281 and by the GOG; for the period from June 21, 1984 to October 31, 1986 (28 months), and we disclaim our opinion on August 14, 1987, due to limitations in the scope of our work. Our examination included tests of compliance with agreement terms and regulations on the part of the JNEE and the GOG as we considered necessary in the circumstances, and as required by the

U. S. Comptroller General's "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions" (1981 Revision).

As described in Finding No. 1 of our report on the internal accounting control, the JNEE did not have adequate and separate accounting records to control the project's operations as required by USAID/Guatemala. As described in Finding No. 1 of this report, some clauses of the agreement between the GOG and USAID/Guatemala for this project were not fulfilled by JNEE.

In our opinion, due to the lack of independent and appropriate accounting records and the noncompliance with some agreement terms as explained in Finding No. 1, the JNEE had not complied with the agreement terms as required by USAID/Guatemala.

Nothing came to our attention in connection with our examination that caused us to believe that the JNEE was not in compliance with the agreement terms and provisions for those transactions not tested.

*Arthur Andersen & Co.*

Guatemala, C. A.  
August 14, 1987

2/

NATIONAL BOARD OF NON-FORMAL EDUCATION  
SUPPORT FOR EXTENSION, ENDOWMENT AND IMPROVEMENT  
OF NON-FORMAL EDUCATION  
USAID/GUATEMALA PROJECT No. 520-0281

REPORT ON COMPLIANCE WITH AGREEMENT TERMS

1. NONCOMPLIANCE WITH AGREEMENT TERMS

Condition

The following clauses of the agreement signed by the GOG and USAID/Guatemala were not fulfilled by the JNEE.

1. Section 3.2 : Borrower resources for the Project,  
which was deleted in its entirety (Amendment No. 1)  
and was replaced by the following:
  - (a) The borrower agrees to provide or cause to be provided for the Project all funds, in addition to the loan, and all other resources required to carry out the Project effectively and in a timely manner.
  - (b) The borrower agrees to provide for the Project an amount of not less than two million three hundred forty four thousand three hundred quetzales (Q 2,344,300) including costs borne on an in-kind basis. Of this total counterpart, an amount of not less than one million five hundred one thousand six hundred quetzales (Q 1,501,600) is part of the regular budget appropriations of the Coordinating Secretariat of the National Board of Non-Formal Education during the execution of the Project. The difference of approximately eight hundred forty two thousand seven hundred quetzales (Q 842,700) constitutes an additional contribution of funds during the same period which the Government of Guatemala will provide.

7/8

The government contributions to this project, are as follows:

During the year 1984	Q	90,233
During the year 1985		171,676
From 1-1-86 to 10-31-86		285,679
		<hr/>
Sub-total		547,588
		<hr/>
November and December, 1986		453,319
		<hr/>
Accumulated to December, 1986		1,000,907
		<hr/>
Budget for the year 1987		817,937
		<hr/>
Total government contributions as counterpart payments	Q	<u><u>1,818,844</u></u>

According to the above mentioned, this clause was only partially fulfilled, since the Government just contributed Q 1,818,844 or 77.6% of the Q 2,344,300 agreed upon.

Section 6.1: Project evaluation and audits

(a) Project evaluations

The parties agree to carry out, financed with AID Grant funds, four Project evaluations during the life of the Project. The consulting firm or individual to carry out this activity will be selected by mutual agreement. Except as the parties otherwise agree in writing, each evaluation shall include at least the following aspects:

- (i) evaluation of progress toward attainment of the objectives of the Project,
- (ii) identification and evaluation of problem areas or constraints which may inhibit such attainment,
- (iii) assesment of how such information may be used to help overcome such problems,
- (iv) evaluation of the socio-economic and financial impact of the Project.

As of the date of this report, the following evaluations have been performed:

<u>Type of evaluation</u>	<u>Executed by</u>
Administrative evaluation	Mr. Miguel Angel Barrios
Technical evaluation	Dr. Allan Herutz
Impact evaluation	ZIGMACO
Impact evaluation in completion process	Rocael Cardona y Asociados

Since JNEE only had two impact evaluations that met all of the evaluation criteria instead of the four evaluations that were required.

(b) Project audits

The parties agree to carry out, financed with AID Grant funds, independent audits every two years (one in the middle of the Project and the other at the end of the Project) for each of the Project activities, according to generally accepted auditing standards.

The JNEE has not complied with this clause because our external audit is the only one yet performed.

Section A.3: End of Project status

Following are the clauses not fulfilled by the JNEE:

Promote implementation of approximately 400 community projects in the Western Highlands Region.

The JNEE did not have any records by which we could verify the compliance of this clause.

Produce 20 training modules for technicians and promoters.

As of the date of this report, 11 modules have been prepared including: bees, goats, poultry, sheep, pigs, vegetables, cattle, fruits, rabbits, soil conservation and horses; the last module was sent to Quetzaltenango Office but it was not suitable for this region because of climate conditions so we were told that it was not going to be functional.

Organize and/or support 200 learning groups through non-formal education activities in the North-Central Region.

The JNEE did not have any record by which we could verify the compliance of this clause.

During the life of the Project radio messages will be broadcast as follows: (a) at the national level by Secretariat, 600 hours; (b) in the Western Highlands Region, 1,800 hours; (c) in the North-Central Region, 1700 hours.

The JNEE has transmitted by radio the following hours:

	<u>Hours</u>
National level by Secretariat	1,404
Western highlands region	1,189
North-Central region	890
	<u>3,483</u>

2/1

Overall service delivery for: (a) direct beneficiaries, 30,000 participants; (b) indirect beneficiaries, 150,000 persons.

The JNEE did not have any register in which we could verify if these goals were met.

Section B.1.a Expected outputs for the research and  
evaluation sector

---

- Establish a planning system. This system should include flow charts as well as appropriate procedures and tasks manuals. Also, a planning methodology should be developed which will facilitate the development of regular plans for the Secretariat (i.e., quarterly, annual, medium and long term).

The investigation and evaluation section was created in June 1986.

This clause has not been fulfilled because the document is in a draft form, although it includes flowcharts, manuals, functions, etc.

- Establish a research and evaluation system for the Secretariat Radio and Content/Materials sectors, including appropriate procedure manuals and methodologies.

This clause has not yet been implemented, the document is still in draft.

- Establish a formative/summative evaluation system with baseline and on-going statistical studies to evaluate the impact of the non-formal education project. This system should include appropriate methodology and procedure manuals.

This clause has not yet been implemented because, as of the date of this report, only indicators have been provided. We were told that it has been discontinued because of lack of financial resources.

- Establish a non-formal education documentation/information network to disseminate information to 35 public and private institutions involved in rural development project implementation.

This objective was partly fulfilled, the JNEE formed an information, documentation and reference network for Non-Formal Education Center (CIDREE). As of the date of this report, there were 24 public and private institutions exchanging information.

Section B.1.b Expected outputs for the administration  
and finance sector

- Carry out an analysis of the organizational structure of the Secretariat and regional offices, in terms of personnel, assigned tasks and necessary linkages with other Government of Guatemala agencies and private institutions involved in non-formal education activities. This diagnosis should include an analysis of basic administrative and financial systems of the Secretariat and regional offices. The analysis should include necessary recommendations for improvement.
- Prepare and apply flow charts, and tasks manuals related to record keeping, procedures and operations of each department or sector of the Secretariat, the regional offices and linkages with other sector institutions.
- Train technical, administrative and professional personnel of the Secretariat and regional offices in the use and application of flow charts, and tasks manuals, so that administrative and financial procedures can be institutionalized in the Secretariat as well as the regional offices.

This clause was fulfilled through hiring consulting personnel who developed a variety of operational, administrative, etc. evaluations. As a result of this activity, a variety of documents were produced and presented to the JNEE Secretariat. Some of the documents are:

- Organization and functions of the Coordinator Secretariat of JNEE manual,
- Internal informative system,
- Positions and functions manual,
- Internal working regulations,
- Personnel results-obtained study, and
- Human resources valuation system.

The manuals, evaluations and results above mentioned have not been implemented in general, so the clause has not been fulfilled.

Section B.1.c. Expected outputs for the content  
and materials sector

- Design and application of a system with manuals of procedures to produce, expedite and verify distribution of materials.

The JNEE has not fulfilled this clause because the design for the distribution of materials has not been implemented. A study was prepared by Mr. Ricardo Cromeyer but it is still in draft.

- Design and application of a production system (printing) of 18 training modules for technicians and promoters.

The JNEE has prepared and printed 11 modules, but it is not expected that it will finish the 18 required, so the clause is only partially fulfilled.

Section B.2.a. Expected outputs in the western highlands regional office

- Integrate a multidisciplinary technical team of non-formal educators at the regional level that orients non-formal education activities, particularly in the service areas of the sector institutions (e.g., INTECAP, DIGESA, DIGESEPE, etc.)

This clause was not fulfilled because no technical multidisciplinary team was formed; in its place, a support and service unit was created, formed by the personnel in charge of the different sections of the JNEE.

- Integrate five technical supervisory groups at the departmental level: Sacatepéquez, Chimaltenango, Sololá, Quetzaltenango and San Marcos. These teams will be supported by approximately 208 promoters. Huehuetenango and Totonicapán will be indirectly covered (through mass media), since they will not have salaried promoters. Necessary efforts will be made to organize voluntary promoter work groups by departmental coordinators to complement mass media coverage in Huehuetenango and Totonicapán.

The technical groups have not operated in the regional offices although a Regional Agropecuarian Development Committee (RADC) exists. The same

committee is used by the Regional Office to guide the Non-Formal Education.

- Train 20,000 community volunteers (through the use of modules).

As of June 1987, 9,387 community volunteers have been trained.

- It is estimated that approximately 120,000 individuals will receive indirect services through mass media (radio, written and graphic materials) in this region.

The JNEE does not have information that enables it to quantify the number of persons that have received JNEE services through the radio or written materials. JNEE has approximately 16,600 subscriptions, such as newspapers and newspaper supplements.

- Design 20 modules in the areas of agriculture (10), health (5) and education/community development (5).

This objective has not been fulfilled. As of the date of this report only 11 modules have been prepared.

Section B.2.b. Expected outputs from the north-  
central regional office

- Establish a regional coordination commission of non-formal education activities, which should include representatives

from the different public and private sector institutions promoting and implementing rural development projects.

This commission was not functioning so the clause was not fulfilled.

- Train approximately 10,000 community volunteers through use of modules.

This objective has not been fulfilled; 3,636 volunteers have been trained, but not all the records of the institutional technicians have been found.

- It is estimated that approximately 30,000 persons will receive indirect non-formal education services through radio and written/graphic materials distributed in this region.

For this objective, there are only records for the written material distributed (11,000 units approximately). On the radio side, no controls exist that enable the JNEE to quantify the radio listeners that have been benefited.

Section B.3 Description and outputs of component  
3: Local Radio Broadcasting

The radio component will contribute substantially to increase the coverage of non-formal education program and minimize per-unit costs. This will be accomplished by the establishment of a non-formal education radio station and purchase of private radio time. This component is organized into two main activities: (a) broadcasting of radio programs through private radio stations; and (b) construction and operation of a new radio station in September, 1986, which will be attached to the Salamá, Baja Verapaz regional office.

Section B.3.a Expected outputs from the  
Radio Activity

- Construct, equip, install and operate a radio station with capacity to broadcast a minimum programming of eight hours of non-formal education per day.

The radio construction is being performed in San Jerónimo, Baja Verapaz; the transmission equipment is in transit.

- Purchase and operate three mobile radio units that will collect information and produce radio materials at the rural communities level, for use and/or adaptation in two regional offices and the central office.

The vehicles for the radio units have been acquired but they will be used only as transmitters because the equipment that was proposed initially is too fragile and could not stand up to the adverse conditions of operation.

- Broadcast approximately 4,300 hours of radio programs.

This objective was not fulfilled because the radio station was not installed on time; it had only transmitted 890 hours.

Criteria

All the agreement terms, mandatory standard provisions, project implementation letters, amendments and advance understandings, should

4/6

be fully complied by the coordinating and implementing institutions and/or, if the compliance is not possible, negotiate waivers.

Cause

Part of the project had been developed without well defined plans and in some cases improvisations needed to be made. Additionally, there were some organizational problems in the past that are still being corrected.

Effect

The noncompliance with agreement terms could delay project implementation and in severe cases could stop the flow of funds from USAID/Guatemala.

Recommendation

We recommend that the National Board of Non-Formal Education (JNEE) and the Non-Formal Education Coordination Secretariat (1) review the 10 areas of non-compliance with agreement terms identified in this report, and (2) implement corrective actions to achieve compliance or (3) obtain a waiver from USAID/Guatemala where corrective action is not possible.

101

REPORT DISTRIBUTION

	<u>No. of Copies</u>
Director, USAID/Guatemala	5
AA/LAC	2
LAC/CAP/G	1
AA/M	2
GC	1
LAC/CONT	1
LAC/DP	1
LAC/DR	1
LAC/GC	1
GAO Panama	1
LAC/RIAs	.1
AA/PPC	1
AA/XA	1
LEG	1
M/FM/ASD	3
XA/PR	1
PPC/CDIE	3
IG	1
AIG/A	1
IG/PPO	2
IG/PSA	1
IG/LC	1
IG/EMS/C&R	12
IG/II	1
RIG/II/T	1
Other RIG/As	1