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AUDIT OF THE  
LOCAL SCHOLARSHIP PROJECT WITH THE  
NATIONAL FOUNDATION FOR PANAMANIAN  
RURAL YOUTH (PANAJURU) IN PANAMA

Audit Report No. 1-525-88-03-N  
April 22, 1988

AGENCY FOR INTERNATIONAL DEVELOPMENT

OFFICE OF THE REGIONAL INSPECTOR GENERAL

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April 20, 1988

MEMORANDUM

TO : Director, Development Affairs Office, Allan Broehl, U.S. Embassy Panama

FROM : RIG/A/T, *Conroy N. Gotthard*  
Conroy N. Gotthard, Jr.

SUBJECT: Audit Report No. 1-525-88-03-N, "Audit of the Local Scholarship Project with the National Foundation for Panamanian Rural Youth (PANAJURU) in Panama"

This report presents the results of a non-Federal financial and compliance audit requested by your Mission of the Local Scholarship Project with the National Foundation for Panamanian Rural Youth (PANAJURU). The certified public accounting firm of Price Waterhouse in Panama prepared the report, which is dated February 12, 1988.

The purpose of this financial and compliance audit was to report on (1) the fairness of the fund accountability statement of the project for the period from January 1, 1986 to September 30, 1987; (2) the system of internal controls of the project; and (3) compliance by PANAJURU with applicable laws, regulations, and agreement terms related to the project.

In the opinion of Price Waterhouse, the fund accountability statement presented fairly the project's receipts and disbursements for the period from January 1, 1986 to September 30, 1987, except for a limitation which precluded adequate testing of PANAJURU's in-kind contributions. Their study and evaluation of the system of internal controls did not disclose any material weaknesses. However, they found deficiencies in approvals for bank reconciliations, controls over the numerical sequence of checks, and timely reporting of cancelled scholarships. They determined that for items tested, PANAJURU complied with applicable laws, regulations, and agreement terms, except that in-kind contributions were not computed in an acceptable manner and personal files of scholars were incomplete. For items not tested, nothing came to their attention that caused them to believe that PANAJURU was not in compliance.

The Price Waterhouse report contains three recommendations to improve PANAJURU's system of internal controls and two recommendations to improve compliance with agreement terms. We believe that implementation of these recommendations will correct the deficiencies found. As a result, the following recommendation will be included in the Office of the Inspector General's audit recommendation follow-up system.

a

Recommendation No. 1

We recommend that the Development Affairs Office, U.S. Embassy Panama obtain evidence from the National Foundation for Panamanian Rural Youth (PANAFRUD) in Panama to demonstrate that it has implemented the three recommendations for internal controls and two recommendations for compliance contained in the Price Waterhouse report dated February 12, 1988.

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

AUDIT OF THE LOCAL SCHOLARSHIP PROJECT  
WITH THE NATIONAL FOUNDATION FOR  
PANAMANIAN RURAL YOUTH (PANAJURU)  
USAID/PANAMA PROJECT NO. 525-0281

SEPTEMBER 30, 1987

AUDIT OF THE LOCAL SCHOLARSHIP PROJECT  
WITH THE NATIONAL FOUNDATION FOR  
PANAMANIAN RURAL YOUTH (PANAJURU)  
USAID/PANAMA PROJECT NO. 525-0281

TABLE OF CONTENTS

	<u>Pages</u>
Transmittal Letter and Summary	
Background	1
Audit objectives and scope	2
Results of audit	3
Management comments	4-5
Fund Accountability Statement	
Auditor's opinion	6
Fund accountability statement	7
Notes to the fund accountability statement	8-10
Internal Accounting Control	
Auditor's opinion	11-12
Findings	13-15
Compliance with Agreement Terms and Applicable Laws and Regulations	
Auditor's opinion	16
Findings	17-19
List of Report Recommendations	20

*d*

*Price Waterhouse*



February 12, 1988

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

Dear Mr. Gothard:

This report presents the results of our audit of the Local Scholarship Project managed by the National Foundation for Panamanian Rural Youth (Patronato Nacional de la Juventud Rural Panameña, PANAJURU), USAID/Panama Project No. 525-0281; for the period from January 1, 1986 to September 30, 1987.

#### BACKGROUND

PANAJURU is a non-profit private voluntary organization with official backing from the Government of Panama and was organized by Decree No. 60, dated May 20, 1975. PANAJURU's goal is to provide economic support for agricultural programs in rural communities in order to upgrade the social well-being of these communities and Panama's youth in particular.

PANAJURU has offices throughout the interior of the Republic of Panama in order to give direct attention in each rural area.

On August 31, 1985, an agreement was signed between PANAJURU and the U.S. Agency for International Development in Panama (USAID/Panama) to grant \$200,000 to provide support to strengthen the Agricultural Training of Panama's disadvantaged students through local scholarships. The agreement signed was also subject to an extension, depending on the availability of funds and USAID/ Panama's satisfaction with the grantees' performance.

At present, USAID/Panama and PANAJURU are negotiating an extension of project 525-0281 which will increase total funding to an estimated \$1,216,848: a USAID/Panama grant of \$498,440 and counterpart contribution of \$718,408. The project will provide funds for scholarships and some administrative expenses.

#### AUDIT OBJECTIVES AND SCOPE

The overall objective of our audit was to perform a financial and compliance audit to specifically review the fund accountability statement of the Local Scholarship Project implemented by PANAJURU, from January 1, 1986 up to September 30, 1987.

Our examination was performed in accordance with generally accepted auditing standards as well as with the United States Comptroller General's "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions" (1981 revision) and accordingly, included such tests of the accounting records and other auditing procedures which we considered necessary in the circumstances to determine that all transactions financed with USAID/Panama funds were adequately supported and allowable under the terms of the agreement and applicable laws and regulations of Panama.

The results of our work are included in the following three reports:

- Report on Fund Accountability Statement
- Report on Internal Accounting Control
- Report on Compliance with Agreement Terms and Applicable Laws and Regulations

The scope of the work consisted of the following:

1. Reviewing all USAID/Panama remittances during the period and comparing them to cash receipts records and validated deposit slips.

2. Reviewing all reimbursement requests submitted to USAID/Panama during the period and comparing them to cash disbursement records, cancelled checks and inspecting supporting documents to ascertain that transactions were proper, authentic and allowable under the terms of the agreement.
3. Testing bank statement reconciliations of the bank account used for the project.
4. Reviewing a sample of scholarship applications for scholarships awarded during the period under the USAID/Panama grant for adequacy of documentation and other requirements.
5. Reviewing the internal control systems with emphasis on those systems which were utilized in recording project activity.
6. Reviewing the grantee's compliance with agreement terms and applicable laws and regulations.

## RESULTS OF AUDIT

### Fund Accountability Statement

The results of our review of the Fund Accountability Statement of the Local Scholarship Project implemented by PANAJURU from January 1, 1986 up to September 30, 1987 disclosed no costs not fully supported with adequate records or costs which were not allowable under the terms of the agreement. We were unable to test PANAJURU's in-kind contributions, because they did not compute its contributions to program costs in a manner acceptable to USAID/Panama.

### Internal Accounting Control

PANAJURU's internal control systems were adequate for USAID's/Panama's purposes, except for the following:

- Bank reconciliations were not approved by a responsible official.
- There was a lack of internal control over the numerical sequence of checks.
- Reports on cancelled scholarships were not prepared on a timely basis, and there was a lack of close monitoring of the number of outstanding scholarships.

#### Compliance with Agreement Terms and Applicable Laws and Regulations

Our study of the agreement terms and applicable laws and regulations that could have an effect on the project's fund accountability statement revealed that PANAJURU complied with tested terms of the agreement, except for the following:

- In-kind contributions were not computed in an acceptable manner.
- Personal files of scholars were incomplete.

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

#### MANAGEMENT COMMENTS

With respect to the internal control findings, we have the following comments:

1. Starting in 1988 the bank reconciliations will be reviewed and approved by Mr. Frankling Oduber, Executive Vice-President of PANAJURU.
2. In principle we are in agreement in using pre-numbered voucher checks to improve the control of the checks issued.

3. The problem of not reporting on a timely basis the cancelled scholarships is caused by the delay of the Professional and Technical Institutes (IPT's) in providing the student's grades. Basically, PANAJURU is obliged to request the reimbursements from USAID/Panama in advance before receiving all the grades from the IPT's in order not to delay the project. The scholarships reimbursed in excess due to drop-outs are properly reported to USAID/Panama subsequently. Since the start of the project they have represented approximately \$9,000. PANAJURU was later duly authorized by USAID/Panama to use these funds for an overall evaluation of the results of the project.

In regard to the findings related to compliance with agreement terms and applicable laws and regulations, we have the following comments:

1. The formula presently used by PANAJURU to compute its cost sharing to the project will be changed in 1988. For that purpose some changes to the accounting system are in process.
2. Presently, the documentation required in the individual file for each student is not incomplete. The problem is that certain information received in a single document covers a group of scholars, i.e. police records and recommendations of the Director of the school which are filed in only one file. Efforts will be made to obtain photocopies of these summaries in order to have a copy in the respective individual file of the students.

*Price Waterhouse*

AUDIT OF THE LOCAL SCHOLARSHIP PROJECT WITH THE  
NATIONAL FOUNDATION FOR PANAMANIAN  
RURAL YOUTH (PANAJURU)  
USAID/PANAMA PROJECT NO. 525-0281

REPORT ON FUND ACCOUNTABILITY STATEMENT

AUDITOR'S OPINION

We have performed a financial and compliance audit of the fund accountability statement of the Local Scholarship Project for the period from January 1, 1986 to September 30, 1987 implemented by PANAJURU and financed with funds of the U.S. Agency for International Development in Panama. 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) and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As discussed in Finding No. 1 of our report on Compliance with Agreement Terms and Applicable Laws and Regulations, we were unable to test the contribution of the grantee to program costs to ascertain compliance with the agreement terms.

In our opinion, except for the matter described in the preceding paragraph, the fund accountability statement of PANAJURU related to USAID/Panama Project No. 525-0281 presents fairly the project's receipts and expenditures for the period from January 1, 1986 to September 30, 1987 in accordance with the terms of the Agreement with the U.S. Agency for International Development.

*Pricewaterhouse*

November 23, 1987  
Panamá, R.P.

AUDIT OF THE LOCAL SCHOLARSHIP PROJECT WITH THE  
NATIONAL FOUNDATION FOR PANAMANIAN  
RURAL YOUTH (PANAJURU)  
USAID/PANAMA PROJECT NO. 525-0281

FUND ACCOUNTABILITY STATEMENT

FOR THE PERIOD FROM JANUARY 1, 1986 TO SEPTEMBER 30, 1987

<u>Budgetary</u> <u>categories</u>	Budgeted amounts ( <u>Note 6</u> )	Reimbursed amounts ( <u>Note 2</u> )	Contribution in kind of grantee ( <u>Note 5</u> )
	(Expressed in U.S. dollars - Note 1)		
Local scholarship program	\$339,000	\$126,600	
Panama program administration	<u>108,000</u>	<u>63,000</u>	<u>\$103,600</u>
Total costs	<u>\$447,000</u>	<u>\$189,600</u>	<u>\$103,600</u>

AUDIT OF THE LOCAL SCHOLARSHIP PROJECT WITH THE  
NATIONAL FOUNDATION FOR PANAMANIAN  
RURAL YOUTH (PANAJURU)  
USAID/PANAMA PROJECT NO. 525-0281

NOTES TO FUND ACCOUNTABILITY STATEMENT  
FOR THE PERIOD FROM JANUARY 1, 1986  
TO SEPTEMBER 30, 1987

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES:

Books:

PANAJURU only has one set of accounting records for the recording of different programs, however, PANAJURU segregates the transactions pertaining to the USAID/Panama program from other programs.

Costs:

Costs are recognized in the period in which they are incurred.

Currency:

The PANAJURU accounting records are maintained in Panamanian Balboas. The Panamanian Balboa is at par and equivalent to the United States Dollar.

NOTE 2 - CASH FUND BALANCE:

Available cash funds of the USAID/Panama Project No. 525-0281 were held in a separate bank account in Banco Exterior, S. A.

Balance of the account at September 30, 1987 is detailed as follows:

Reimbursements requested by PANAJURU during the period		\$204,770
Amounts reimbursed by USAID/Panama during the period		<u>189,600</u>
		15,170
Add - other income - net:		
Interest income earned on available funds at the bank remitted to PANAJURU by the Professional and Technical Institutes (IPT's)	\$763	
Bank charges for the supply of checkbooks	<u>(40)</u>	
		723
Deduct - costs not yet approved by USAID/Panama (See note 3)		<u>13,275</u>
Cash fund balance at September 30, 1987		<u>\$ 2,618</u>

NOTE 3 - COSTS QUESTIONED OR NOT YET APPROVED BY USAID

Detail of costs questioned or not yet approved by USAID:

\$ 500(a)
1,500(b)
2,275(c)
<u>9,000(c)</u>
<u>\$13,275</u>

- (a) Item not approved by USAID on voucher No. 86-2664 dated August 24, 1986.
- (b) Item mistakenly not reported to USAID.
- (c) Vouchers supporting expenditures incurred during July, August and September 1987 not yet approved by USAID at the time of our review.

NOTE 4 - PROGRAM ADMINISTRATION COSTS:

The persons funded by the grant to administer the program and their related compensation follow:

	Monthly professional fees
Rina C. de Barra - National Project Coordinator	\$1,400
Benjamin Sanchez - Regional Project Coordinator	1,000
Maria J. Brown V. - Bilingual Secretary	<u>600</u>
	<u>\$3,000</u>

NOTE 5 - IN-KIND CONTRIBUTIONS:

PANAJURU computes its in-kind contributions to the project by applying the following formula to the annual financial statements taken as a whole:

$$\frac{Q}{(E + P)} \times (A + G + R) = \text{Counterpart}$$

- Q = Contribution of USAID
- E = Total expenditures
- P = Loans
- A = Administrative expenses
- G = Government contributions
- R = Time contributions/volunteers

The above formula was determined by the Executive Vice-President of PANAJURU for the computation of its cost sharing. According to the computation made by the Executive Vice-President, the share of PANAJURU for the program cost provided to date is as follows:

<u>Year</u>	<u>Administrative expenses and time of volunteers</u>
1986	\$65,700
1987	\$37,900

NOTE 6 - UNUSED PORTION OF GRANT:

A detail of the unused portion of the grant under the USAID/PANAMA Project No. 525-0281 at September 30, 1987 follows:

Total Budgeted		\$447,000
Less - Disbursed by USAID:		
Year 1985		162,000
Year 1986	\$144,700	
Period from January 1 to September 30, 1987	<u>44,900</u>	<u>189,600</u>
Unused portion at September 30, 1987		<u>\$ 95,400</u>

AUDIT OF THE LOCAL SCHOLARSHIP PROJECT WITH THE  
NATIONAL FOUNDATION FOR PANAMANIAN  
RURAL YOUTH (PANAJURU)  
USAID/PANAMA PROJECT NO. 525-0281

REPORT ON INTERNAL ACCOUNTING CONTROL

AUDITOR'S OPINION

We have performed a financial and compliance audit of the fund accountability statement of the Local Scholarship Project managed by PANAJURU for the period from January 1, 1986 to September 30, 1987, and we have issued our report thereon dated November 23, 1987. As part of our examination, we made a study and evaluation of PANAJURU's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards and the standards for financial and compliance audits contained in the U. S. Comptroller General's "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions" (1981 Revision). 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 statement of the project. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control of PANAJURU taken as a whole. For the purposes of this report we have classified as significant and evaluated the following internal accounting controls: cash receipts, disbursements and reporting.

The management of PANAJURU is responsible for establishing and maintaining a system of internal accounting control. 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 are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of the inherent limitations in any system of internal accounting control, 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 the procedures may deteriorate.

AUDIT OF THE LOCAL SCHOLARSHIP PROJECT WITH THE  
NATIONAL FOUNDATION FOR PANAMANIAN  
RURAL YOUTH (PANAJURU)  
USAID/PANAMA PROJECT NO. 525-0281

REPORT ON INTERNAL ACCOUNTING CONTROL

AUDITOR'S OPINION

Based on our study and the criteria referred to in the first paragraph of this report we believed that PANAJURU's internal control system is adequate for USAID/Panama purposes, except for the conditions described in the accompanying findings Nos. 1 to 3 which we believe are not material findings.

This report is intended solely for the use of PANAJURU and the U.S. Agency for International Development (USAID). This restriction is not intended to limit the distribution of this report which, upon acceptance by the Office of the Inspector General, is a matter of public record.

*Paul Waterhouse*

November 23, 1987  
Panamá, R.P.

AUDIT OF THE LOCAL SCHOLARSHIP PROJECT WITH THE  
NATIONAL FOUNDATION FOR PANAMANIAN  
RURAL YOUTH (PANAJURU)  
USAID/PANAMA PROJECT NO. 525-0281

REPORT ON INTERNAL ACCOUNTING CONTROL

AUDIT FINDINGS

1. Bank reconciliations were not properly approved.

Condition:

None of the bank reconciliations prepared during the period under review were approved by a responsible official.

Criteria:

Since the person that prepares the reconciliations takes part in the regular cash receipt and disbursement procedures, there should be a careful review and approval of the reconciliations by a responsible official.

Cause:

Bank reconciliations are not submitted to PANAJURU's management for review and approval.

Effect:

One of the essential purposes of preparing a bank reconciliation is to disclose unusual items which may indicate irregularities. If the preparation of the reconciliation is performed by someone who takes part in the regular cash receipt and disbursement procedures, such irregularities could remain undetected.

Recommendation:

USAID/Panama should require bank reconciliations to be reviewed and approved by the Executive Vice-President of PANAJURU.

AUDIT OF THE LOCAL SCHOLARSHIP PROJECT WITH THE  
NATIONAL FOUNDATION FOR PANAMANIAN  
RURAL YOUTH (PANAJURU)  
USAID/PANAMA PROJECT NO. 525-0281

REPORT ON INTERNAL ACCOUNTING CONTROL

AUDIT FINDINGS

2. The numerical sequence of checks was not adequately controlled.

Condition:

At present, personal-type checkbooks are used and are not prenumbered. For control purposes, PANAJURU is using the consecutive serial numbers assigned to the checks by the printer of the checks and these serial numbers are also used to record and control the numerical sequence. However, with every new checkbook ordered, the continuity of the numerical sequence is lost. This practice virtually nullifies an element of control which might be obtained by prenumbering the checks.

Criteria:

The use of prenumbered voucher checks is advocated as a device for strengthening control of blank checks.

Cause:

Personal-type checkbooks are used instead of the prenumbered check voucher type.

Effect:

With every new checkbook, there is a break in the numerical sequence which makes it difficult to disclose an unrecorded check.

Recommendation:

USAID/Panama should require PANAJURU to use prenumbered voucher-type checks for better control of the disbursements.

AUDIT OF THE LOCAL SCHOLARSHIP PROJECT WITH THE  
NATIONAL FOUNDATION FOR PANAMANIAN  
RURAL YOUTH (PANAJURU)  
USAID/PANAMA PROJECT NO. 525-0281

REPORT ON INTERNAL ACCOUNTING CONTROL

AUDIT FINDINGS

3. Reports on cancelled scholarships were not prepared on a timely basis.

Condition:

During our audit, we found differences between the summary schedule of scholarships and the number of scholarships reported to USAID/Panama by PANAJURU, due to cancelled scholarships. We noted that during the first quarter of 1986, a cancelled scholarship was reported by PANAJURU and reimbursed by USAID/Panama. According to the respective regional director, there was uncertainty as to the permanency of the student, Reutelio Hard, in the institute (IPT of Chepo) and, accordingly, they requested the reimbursement from USAID/Panama. The cost of the scholarship was \$55.00 per month (\$165.00 per quarter), therefore USAID/Panama reimbursed PANAJURU \$165.00 in excess of the allowed amount.

Criteria:

A periodic follow-up of outstanding scholarships should be made to account for cancellations (drop-outs).

Cause:

The schedule of outstanding scholarships is not periodically updated.

Effect:

Reimbursements requested from USAID/Panama could be overstated due to cancelled scholarships not accounted for.

Recommendation:

USAID/Panama should require the National Project Coordinator to maintain updated schedules of all the scholarships cancelled during the period of the grant. In addition, changes in the number of outstanding scholarships should be communicated to USAID/Panama on a timely basis.

AUDIT OF THE LOCAL SCHOLARSHIP PROJECT WITH THE  
NATIONAL FOUNDATION FOR PANAMANIAN  
RURAL YOUTH (PANAJURU)  
USAID/PANAMA PROJECT NO. 525-0281

REPORT ON COMPLIANCE WITH AGREEMENT TERMS  
AND APPLICABLE LAWS AND REGULATIONS

AUDITOR'S OPINION

We have performed a financial and compliance audit of the fund accountability statement of the Local Scholarship Project managed by PANAJURU for the period from January 1, 1986 to September 30, 1987, and we have issued our report dated November 23, 1987. 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), which includes additional standards and requirements for the review of compliance with agreement terms and applicable laws and regulations.

We tested transactions and records for the period from January 1, 1986 to September 30, 1987 which included cash receipts, disbursements and reporting to determine PANAJURU's compliance with terms of the Grant Agreement No. 525-0281.

The results of our study indicated that for the items tested, PANAJURU complied with the terms of the agreement and applicable laws and regulations, except as described in the accompanying findings No. 1 to 2. Nothing came to our attention that caused us to believe that untested items were not in compliance with agreement terms and applicable laws and regulations.

This report is intended solely for the use of PANAJURU and the U.S. Agency for International Development (USAID). This restriction is not intended to limit the distribution of this report which, upon acceptance by the office of the Inspector General, is a matter of public record.

*Paul Waterhouse*

November 23, 1987  
Panamá, R.P.

AUDIT OF THE LOCAL SCHOLARSHIP PROJECT WITH THE  
NATIONAL FOUNDATION FOR PANAMANIAN  
RURAL YOUTH (PANAJURU)  
USAID/PANAMA PROJECT NO. 525-0281

REPORT ON COMPLIANCE WITH AGREEMENT TERMS  
AND APPLICABLE LAWS AND REGULATIONS

AUDIT FINDINGS

1. PANAJURU did not compute its contribution to program costs in a manner acceptable to USAID/Panama.

Condition:

According to the computation made by the Executive Vice-President, PANAJURU's share of program costs provided during the period under review was as follows:

<u>Year:</u>	<u>Administrative expenses and time of volunteers</u>
1986	\$65,700
1987	\$37,900

The above figures represent estimates obtained by applying the formula described in Note 5 to the fund accountability statement. The USAID/Panama Project Coordinator of the Local Scholarship project, Mr. Tomas Ugarte, informed us that they have never been satisfied with the formula applied by PANAJURU to compute its contribution. According to Mr. Ugarte, there have been several attempts to change this method of computing the in-kind contribution without positive results.

Criteria:

According to the Program Description of the Grant, Panajuru shall furnish \$87,000 in 1985, \$69,000 in 1986, and \$49,500 per year for each of the following years of the Grant.

Cause:

USAID/Panama representatives and PANAJURU's management have not been able to work out a method acceptable to both parties for computing the in-kind contributions by the grantee. Presently, the cost sharing is computed based on a formula created by the Executive Vice-President of PANAJURU which is applied to the annual financial statements of PANAJURU taken as a whole.

AUDIT OF THE LOCAL SCHOLARSHIP PROJECT WITH THE  
NATIONAL FOUNDATION FOR PANAMANIAN  
RURAL YOUTH (PANAJURU)  
USAID/PANAMA PROJECT NO. 525-0281

REPORT ON COMPLIANCE WITH AGREEMENT TERMS  
AND APPLICABLE LAWS AND REGULATIONS

AUDIT FINDINGS

Effect:

The contribution of the grantee to program costs cannot be properly tested to ascertain compliance with the agreement terms.

Recommendation:

USAID/Panama should require PANAJURU to change the present formula used to compute its cost sharing to the Project to provide clear evidence that it is complying with the cost sharing provisions of the Grant as per Section XI of the Program Description. The new method adopted should be acceptable to USAID/Panama.

AUDIT OF THE LOCAL SCHOLARSHIP PROJECT WITH THE  
NATIONAL FOUNDATION FOR PANAMANIAN  
RURAL YOUTH (PANAJURU)  
USAID/PANAMA PROJECT NO. 525-0281

REPORT ON COMPLIANCE WITH AGREEMENT TERMS  
AND APPLICABLE LAWS AND REGULATIONS

AUDIT FINDINGS

2. Documentation in files of scholars was incomplete.

Condition:

Files of students did not contain all the required documentation as specified in the Program Description (Section V - "Evaluation").

Criteria:

According to the Program Description, a file will be established in the PANAJURU National office for each local scholarship, to include personal data, date of scholarship award, academic records, periodic evaluation results and correspondence.

Cause:

Certain required documentation was not obtained or it was filed with other documents not related to the students.

Effect:

Local scholarships are granted without fulfilling all the documentation requirements.

Recommendation:

USAID/Panama should require PANAJURU to establish files for each local scholarship that contain all the required documentation for proper evaluation of the project.

AUDIT OF THE LOCAL SCHOLARSHIP PROJECT WITH THE  
NATIONAL FOUNDATION FOR PANAMANIAN  
RURAL YOUTH (PANAJURU)  
USAID/PANAMA PROJECT NO. 525-0281

LIST OF REPORT RECOMMENDATIONS

INTERNAL ACCOUNTING CONTROL

1. USAID/Panama should require bank reconciliations to be reviewed and approved by the Executive Vice-President of PANAJURU.
2. USAID/Panama should require PANAJURU to use prenumbered voucher-type checks for better control of the disbursements.
3. USAID/Panama should require the National Project Coordinator to maintain updated schedules of all the scholarships cancelled during the period of the grant. In addition, changes in the number of outstanding scholarships should be communicated to USAID/Panama on a timely basis.

COMPLIANCE WITH AGREEMENT TERMS AND APPLICABLE LAWS  
AND REGULATIONS

1. USAID/Panama should require PANAJURU to change the present formula to compute its cost sharing to the Project to provide clear evidence that it is complying with the cost sharing provisions of the Grant as per Section XI of the Program Description. The new method adopted should be acceptable to USAID/Panama.
2. USAID/Panama should require PANAJURU to establish files for each local scholarship that contain all the required documentation for proper evaluation of the project.

21

APPENDIX 1

REPORT DISTRIBUTION

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