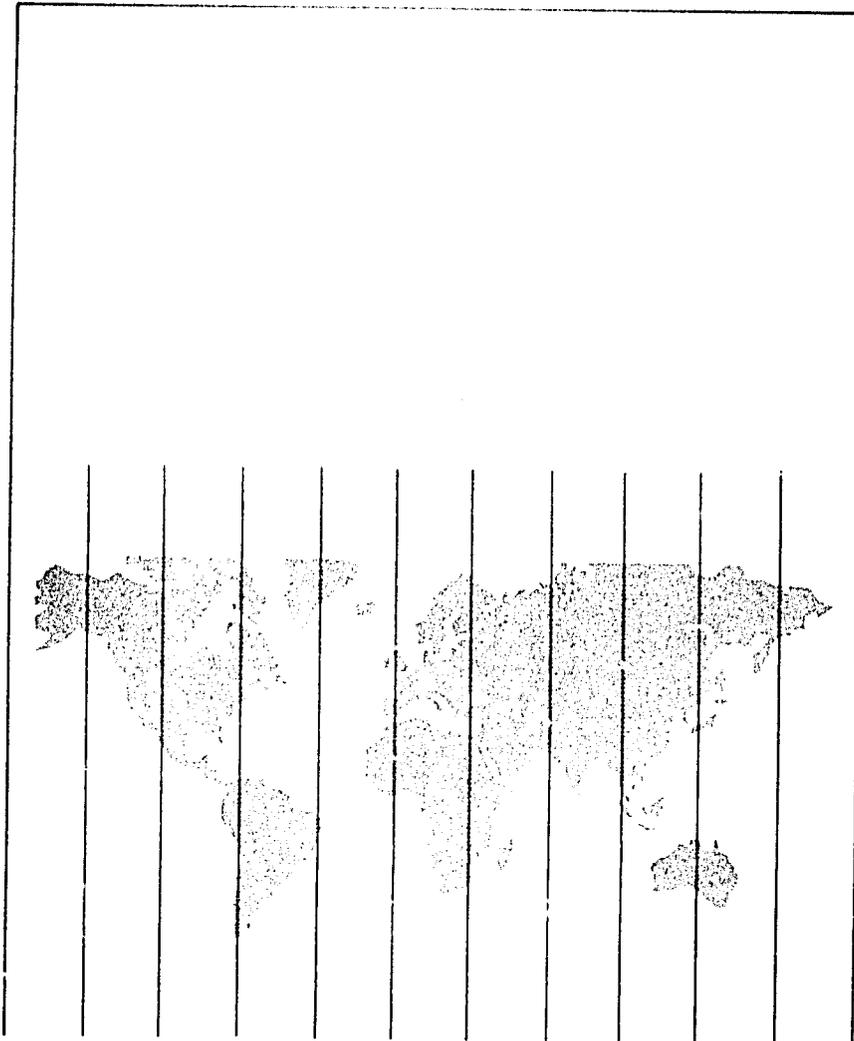


62-1-107-202

UNITED STATES
AGENCY FOR INTERNATIONAL DEVELOPMENT

THE
INSPECTOR
GENERAL



Regional Inspector General for Audit
TEGUCIGALPA

PDAA 2995

**AUDIT OF THE NICARAGUAN RESISTANCE
MEDICAL PROGRAM SUPPORTED BY THE
DOOLEY FOUNDATION/INTERMED-USA, INC.**

**Audit Report No. 1-522-89-57-N
September 29, 1989**

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

AGENCY FOR INTERNATIONAL DEVELOPMENT

OFFICE OF THE REGIONAL INSPECTOR GENERAL
AMERICAN EMBASSY
TEGUCIGALPA - HONDURAS

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

September 29, 1989

MEMORANDUM

TO: Director, TFHA/Washington, Ted Morse

FROM: RIG/A/T, Coinage N. Gothard, Jr. *Coinage N. Gothard*

SUBJECT: Audit of the Nicaraguan Resistance Medical Program
Supported by the Dooley Foundation/Intermed-USA, Inc.,
Audit Report No. 1-522-89-57-N

This report presents the results of a non-Federal audit of the Nicaraguan Resistance Medical Program supported by the Dooley Foundation/Intermed-U.S.A., Inc. (the Dooley Foundation). The audit was requested by the Task Force on Humanitarian Assistance (TFHA). The certified public accounting firm of Price Waterhouse prepared the report, which was transmitted to RIG/A/T on September 27, 1989.

The purpose of this audit was to report on (1) the fairness of the fund accountability statement of the Nicaraguan Resistance Medical Program supported by the Dooley Foundation for the period from June 1, 1988 to December 31, 1988, (2) the Dooley Foundation's internal control structure, and (3) compliance by the Dooley Foundation and its subcontractors with agreement terms and applicable laws and regulations.

In the opinion of Price Waterhouse, the fund accountability statement of the Nicaraguan Resistance Medical Program (the Program) supported by the Dooley Foundation presents fairly the Program's receipts and expenditures for the period from June 1, 1988 to December 31, 1988.

Price Waterhouse's evaluation of the Program's internal control structure was made to obtain an understanding of the control environment and the flow of transactions through the accounting

system and not to provide assurance on the Dooley Foundation's internal control structure. In planning and performing its audit of the Project, Price Waterhouse limited its consideration of the internal control structure because (1) the project had already ended when Price Waterhouse performed its audit work and (b) based on its assessment of control risk, Price Waterhouse determined that audit work could be conducted more effectively by expanding substantive tests. As a result of its evaluation, Price Waterhouse identified two significant internal control deficiencies: (a) the Dooley Foundation failed to implement an adequate property management system and (b) the Dooley Foundation and the Nicaraguan Resistance Medical Corps did not develop a medical supply control system.

In the opinion of Price Waterhouse, the Dooley Foundation complied with agreement terms and applicable laws and regulations for the items tested, except for the Dooley Foundation's failure to return interest earned on advances of Program funds, and the matters described in the section of Other Pertinent Matters of the Price Waterhouse report. Nothing came to the auditors' attention that caused them to believe that untested items were not in compliance with agreement terms and applicable laws and regulations.

The Dooley Foundation and TFHA are generally in agreement with the Price Waterhouse report. Price Waterhouse considered their comments in its report and attached them as appendix I. The Price Waterhouse report contains three recommendations for your attention.

We are making the following recommendation which will be included the Office of the Inspector General's audit recommendation follow-up system.

Recommendation No. 1

We recommend that TFHA require the Dooley Foundation to reimburse A.I.D. The \$2,533 in interest earned on advances of Program funds.

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

AGENCY FOR INTERNATIONAL DEVELOPMENT

AUDIT OF THE NICARAGUAN RESISTENCE MEDICAL PROGRAM
TASK FORCE ON HUMANITARIAN ASSISTENCE TO CENTRAL AMERICA
SUPPORTED BY THE DOOLEY FOUNDATION/INTERMED-USA, INC.
PROJECT No. 594-0000-02

AGENCY FOR INTERNATIONAL DEVELOPMENT

AUDIT OF THE NICARAGUAN RESISTANCE MEDICAL PROGRAM,
TASK FORCE ON HUMANITARIAN ASSISTANCE TO CENTRAL AMERICA
SUPPORTED BY THE DOOLEY FOUNDATION/INTERMED-USA, INC.
PROJECT NO. 594-0000-02

TABLE OF CONTENTS

	<u>PAGE</u>
Transmittal Letter and Summary	
Background	1
Audit objectives and scope	2
Results of audit	3
Summary of management comments	4
Fund Accountability Statement	
Report of independent accountants	5
Fund accountability statement	6
Notes to the fund accountability statement	7
Internal Control Structure	
Report of independent accountants	8
Findings	10
Compliance with Applicable Laws, Regulations and Agreement Terms	
Report of independent accountants	12
Findings	13
Other Pertinent Matters	14
Management Comments	Appendix I

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Price Waterhouse



September 27, 1989

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

Dear Mr. Gothard:

This report presents the results of our audit of the Nicaraguan Resistance Medical Program, Task Force for Humanitarian Assistance (TFHA), Project No. 594-0000-02 (the Project), during the period from June 1, 1988 to December 31, 1988, supported by the Dooley Foundation/Intermed-USA, Inc. (Dooley Foundation).

BACKGROUND

On June 15, 1988 the TFHA signed a cooperative agreement with the Dooley Foundation for the amount of \$600,000. Under the terms of the agreement, the Dooley Foundation was to provide medical, surgical, and rehabilitation services to the Nicaraguan Resistance (NR) and their families using the existing NR medical staff and facilities. The cooperative agreement became effective on June 1, 1988 and initially was scheduled to be completed by September 30, 1988.

On August 23, 1988 the TFHA authorized the Dooley Foundation an additional \$375,000 raising the Project funding level to \$975,000. The increase in Project funds was to be used to expand the Yatama program in the Mosquitia and to develop a prosthesis program. The August amendment also extended the agreement completion date from September 30, 1988 to October 31, 1988.

On October 21, 1988 a final amendment to the agreement extended the Project completion date to December 31, 1988, reduced the authorized amount of the agreement to \$725,000 and limited the Dooley Foundation's Project responsibilities to provide for the shipment of medical supplies procured on or before October 31, 1988 to the Yatama Resistance in Honduras.

The TFHA's decision to modify the Project and reduce the funding level was due to implementation problems experienced by the Dooley Foundation during the course of the Project. We discuss some of these implementation problems on pages 13-14.

AUDIT OBJECTIVES AND SCOPE

We were engaged to conduct a financial audit of the Nicaraguan Resistance Medical Program, Task Force for Humanitarian Assistance (TFHA) Project supported by the Dooley Foundation from June 1, 1988 to December 31, 1988.

Our audit was performed in accordance with generally accepted auditing standards and with the United States Comptroller General's "Government Auditing Standards" (1988 Revision) and accordingly included the review of documentation, accounting records, internal control structure and such other auditing procedures as we considered necessary in the circumstances to determine whether:

1. The fund accountability statement of the Nicaraguan Resistance Medical Program, Task Force for Humanitarian Assistance (TFHA) Project No. 594-0000-02, supported by the Dooley Foundation presents fairly the Project's receipts and expenditures from June 1, 1988 to December 31, 1988 according to the terms of the agreement, identifying any unsupported costs or those not considered appropriately allocable or allowable under the agreement.
2. The Dooley Foundation's internal control structure was adequate for the project's purposes.
3. The Dooley Foundation and its subcontractors complied with applicable laws, regulations and agreement terms.

We performed our audit work in New York City, Washington, D.C., and Honduras. In New York City we met with officials from the Dooley Foundation. In Washington, D.C. we met with officials from the TFHA, and in Honduras we met with officials from the Task Force on Humanitarian Assistance, the Nicaraguan Resistance (NR), and other private voluntary organizations. The following is a list of our major audit procedures:

Receipts

We confirmed directly with the TFHA the funds provided to the Dooley Foundation under Project No. 594-0000-02.

Disbursements

We examined a representative number of disbursements incurred by the Dooley Foundation under the Project to verify that they were appropriately supported and recorded in the Dooley Foundation's accounting records.

Procurement

1. We reviewed a representative sample of the Dooley Foundation's procurement documents.

2. We reviewed the Dooley Foundation's inventory control system.
3. We made on-site inspections and field visits to NR locations in Honduras to observe major medical equipment and supplies delivered under the Project.
4. We reviewed the NR system for receiving, inventorying, and distributing medical supplies and equipment purchased by the Dooley Foundation.

Indirect Costs

We tested the indirect costs billed to the Project.

Other Procedures

We reviewed the Project's bank account reconciliations and confirmed the balances. We also conducted tests to verify that the use of funds provided was in compliance with applicable laws, regulations, and agreement terms.

RESULTS OF AUDIT

Fund Accountability Statement

In our opinion, the fund accountability statement of the Nicaraguan Resistance Medical Program, Task Force for Humanitarian Assistance (TFHA), Project No. 594-0000-02, supported by the Dooley Foundation, presents fairly the Project's receipts and expenditures for the period from June 1, 1988 to December 31, 1988, in accordance with the terms of the respective cooperative agreement with the TFHA.

Internal Control Structure

In planning and performing our audit of the Project we limited our consideration of the internal control structure because:

1. We were not contracted to audit Project No. 594-0000-02 until after the Project was completed (the Project ended on December 31, 1988), and
2. Based on our assessment of control risk, we determined that our audit work could be conducted more effectively by expanding substantive audit tests. Our evaluation was made to obtain an understanding of the control environment and the flow of transactions through the accounting system and not to provide assurance on the Dooley Foundation's internal control structure.

However, we noted the following findings that we consider reportable conditions:

1. The Dooley Foundation failed to implement an adequate property management system.

2. The Dooley Foundation and the NR Medical Corps did not implement a medical supply control system.

Compliance with Applicable Laws, Regulations and Agreement Terms

The results of our tests indicate that with respect to items tested the Dooley Foundation complied, in all material respects, with applicable laws, regulations, and agreement terms and with respect to items not tested, nothing came to our attention that caused us to believe that the Dooley Foundation had not complied, in all material respects, with applicable laws, regulations and agreement terms.

Other Pertinent Matters

The following matters were disclosed during our audit of the Project:

1. The Dooley Foundation provided limited medical assistance and support to the NR in Honduras.
2. Extensive delays occurred regarding the delivery of medical supplies, equipment, and vehicles to the NR in Honduras.
3. The recuperation center in Miami, Florida, was hampered by administrative problems.

SUMMARY OF MANAGEMENT COMMENTS

The TFHA reviewed the draft of this report and is generally in agreement with the contents of this report. The TFHA discussed their comments with Price Waterhouse and the Regional Inspector General for Audit, and did not suggest any changes to the final report. TFHA also expressed its appreciation for the assistance it has received from RIG/AT and Price Waterhouse auditors in the implementation of this program. The following is a statement in which TFHA requested that we incorporate into the final report.

"Task Force efforts through the Dooley Foundation to support the Resistance medical corps got off to a slow start. This was due in part to the lack of experience of the parties in working with each other, and a lack of established systems within the medical corps to track medicines and equipment previously supplied and to project and communicate future needs. Those difficulties have worked themselves out over time, and the Task Force has obtained the services of the International Medical Corps to work with the Resistance medical corps in place of the Dooley Foundation."

The entire text of management comments for all TFHA Phase II reports is included in Appendix I. See points 5 and 6 which specifically makes reference to the Dooley Foundation Program.


Price Waterhouse

Price Waterhouse



AGENCY FOR INTERNATIONAL DEVELOPMENT

AUDIT OF THE NICARAGUAN RESISTANCE MEDICAL PROGRAM,
TASK FORCE ON HUMANITARIAN ASSISTANCE TO CENTRAL AMERICA
SUPPORTED BY THE DOOLEY FOUNDATION/INTERMED-USA, INC.
PROJECT NO. 594-0000-02

REPORT ON THE FUND ACCOUNTABILITY STATEMENT
FOR THE PERIOD FROM JUNE 1, 1988 TO DECEMBER 31, 1988

REPORT OF INDEPENDENT ACCOUNTANTS

We have audited the accompanying fund accountability statement of the Nicaraguan Resistance Medical Program, Task Force for Humanitarian Assistance (TFHA), Project No. 594-0000-02 (the Project), supported by the Dooley Foundation/Intermed-USA, Inc. for the period from June 1, 1988 to December 31, 1988. The fund accountability statement is the responsibility of the Dooley Foundation's management. Our responsibility is to express an opinion on the fund accountability statement based on our audit.

We conducted our audit in accordance with the U.S. Comptroller General's "Government Auditing Standards" (1988 Revision) and in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the fund accountability statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall fund accountability statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the fund accountability statement audited by us presents fairly the Project's receipts and expenditures for the period from June 1, 1988 to December 31, 1988, in accordance with the terms of the agreement No. 594-0000-02 with the TFHA.

This report is intended solely for the use of the Agency for International Development and the Dooley Foundation. 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

Price Waterhouse

June 20, 1989

AGENCY FOR INTERNATIONAL DEVELOPMENT

NICARAGUAN RESISTANCE MEDICAL PROGRAM (Note 2)
 TASK FORCE FOR HUMANITARIAN ASSISTANCE (TFHA)
 SUPPORTED BY THE DOOLEY FOUNDATION/INTERMED-USA, INC.
 PROJECT NO. 594-0000-02

FUND ACCOUNTABILITY STATEMENT
 FOR THE PERIOD FROM JUNE 1, 1988 TO DECEMBER 31, 1988
 (Expressed in U.S. Dollars, Note 1)

	Amended Budget	Receipts and Disbursements	Balance (Over) Under Budget
Receipts:			
Grant	\$ 725,000	\$ 725,000	
Interest		2,533	(\$ 2,533)
Total Receipts	725,000	727,533	(2,533)
Disbursements:			
Procurement			
Equipment and Supplies		68,408	
Vehicles		74,693	
Yatama Project			
Equipment and Supplies		88,682	
Vehicles		25,889	
Freedom Feet			
Medical Supplies		31,757	
Total Procurement	297,889	289,429	8,460
Other Direct Costs			
Personnel		99,674	
Travel		19,036	
Per diem		7,474	
Office Expenses		27,624	
Critical Patient Care		68,282	
Shipping		9,604	
Yatama Project			
Personnel		4,125	
Office Expenses		1,293	
Shipping		6,416	
Freedom Feet Project			
Personnel		5,770	
Per Diem		3,864	
Office Expenses		1,255	
Total Other Direct Costs	245,861	254,417	(8,556)
Indirect Costs			
Overhead	181,250	181,154	96
Total Disbursements	725,000	725,000	0
Excess of Receipts over Disbursements		\$ 2,533	(\$ 2,533)

AGENCY FOR INTERNATIONAL DEVELOPMENT

AUDIT OF THE NICARAGUAN RESISTANCE MEDICAL PROGRAM,
TASK FORCE ON HUMANITARIAN ASSISTANCE TO CENTRAL AMERICA
SUPPORTED BY THE DOOLEY FOUNDATION/INTERMED-USA, INC.
PROJECT NO. 594-0000-02

NOTES TO THE FUND ACCOUNTABILITY STATEMENT
DECEMBER 31, 1988

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

The significant accounting policies adopted by the Dooley Foundation to manage the Project are summarized as follows:

Basis of Accounting

The accrual basis of accounting is used in recording the expenditures of the Project.

The records of the Project are kept in United States dollars. Transactions in Honduran lempiras are converted to dollars at the official rate of exchange prevailing at the transaction date.

NOTE 2 - HISTORY AND OPERATIONS OF THE PROJECT

The Dooley Foundation was contracted by the TFHA to provide medical, surgical, and rehabilitation services to the Nicaraguan Resistance (NR) and their families using the existing NR medical staff and facilities. The initial cooperative agreement became effective on June 1, 1988 and was scheduled to be completed by September 30, 1988. The initial amount of funds obligated was \$600,000.

On August 23, 1988 the TFHA provided the Dooley Foundation an additional \$375,000 raising the Project funding level to \$975,000. The increase in Project funds was to be used to expand the Yatama program in the Mosquitia and to develop a prosthesis program. The August amendment also extended the agreement from September 30, 1988 to October 31, 1988.

On October 21, 1988 a final amendment to the agreement extended the completion date to December 31, 1988, reduced the total amount of the agreement to \$725,000, and limited the Dooley Foundation's Project responsibilities to provide for the shipment of medical supplies procured on or before October 31, 1988 to the Yatama Resistance in Honduras.

The TFHA's decision to modify the Project and reduce the funding level was due to implementation problems experienced by the Dooley Foundation during the course of the Project. Some of these implementation problems are discussed on pages 13-14.

Price Waterhouse



AGENCY FOR INTERNATIONAL DEVELOPMENT

AUDIT OF THE NICARAGUAN RESISTANCE MEDICAL PROGRAM,
TASK FORCE ON HUMANITARIAN ASSISTANCE TO CENTRAL AMERICA
SUPPORTED BY THE DOOLEY FOUNDATION/INTERMED-USA, INC.
PROJECT NO. 594-0000-02

REPORT ON INTERNAL CONTROL STRUCTURE

REPORT OF INDEPENDENT ACCOUNTANTS

We have audited the fund accountability statement of the Nicaraguan Resistance Medical Program, Task Force for Humanitarian Assistance (TFHA), Project No. 594-0000-02 (the Project), supported by the Dooley Foundation/Intermed-USA, Inc. for the period from June 1, 1988 to December 31, 1988 and have issued our report thereon dated June 20, 1989.

We conducted our audit in accordance with generally accepted auditing standards and the U.S. Comptroller General's "Government Auditing Standards" (1988 Revision). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statement is free of material misstatement.

In planning and performing our audit of the fund accountability statement of the program supported by the Dooley Foundation for the period from June 1, 1988 to December 31, 1988, we considered the internal control structure of the Project in order to determine our auditing procedures for the purpose of expressing our opinion on the fund accountability statement and not to provide assurance on the internal control structure.

The management of the Dooley Foundation/Intermed-USA, Inc. is responsible for establishing and maintaining an internal control structure for the Project. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure 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 inherent limitation in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures might become inadequate because of changes in condition or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories:

- Accounting process
- Budgetary process
- Procurement system
- Payroll procedures
- Receipts and disbursements

For all of the internal control categories listed above we only conducted a preliminary review to obtain an understanding of the control environment and the flow of transactions through the accounting system because:

1. The Project was completed by December 31, 1988, before our involvement in the audit, and
2. Based on our assessment of control risk, we determined that our audit work could be conducted more effectively by substantive tests.

We noted the following matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgement, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

1. The Dooley Foundation failed to implement an adequate property management system.
2. The Dooley Foundation and the NR Medical Corps did not develop a medical supply control system.

A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our limited consideration of the internal control structure described above would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe the reportable conditions described above are material weaknesses.

This report is intended solely for the use of the Agency for International Development and the Dooley Foundation. 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.

Pace Winterhouse

June 20, 1989

AGENCY FOR INTERNATIONAL DEVELOPMENT

AUDIT OF THE NICARAGUAN RESISTANCE MEDICAL PROGRAM,
TASK FORCE ON HUMANITARIAN ASSISTANCE TO CENTRAL AMERICA
SUPPORTED BY THE DOOLEY FOUNDATION/INTERMED-USA, INC.
PROJECT NO. 594-0000-02

REPORT ON INTERNAL CONTROL STRUCTURE

FINDINGS

1. The Dooley Foundation Lacked an Adequate Property Management System

Condition:

The Dooley Foundation lacked a property management system for medical equipment that was delivered to the NR Medical Corps.

Criteria:

The NR Medical Corps should have adequate procedures to ensure that equipment is properly used, maintained, safeguarded, and accounted for.

Cause:

The Dooley Foundation failed to implement a property management system. Furthermore, during the period when the equipment was delivered to Honduras, the Dooley Foundation no longer maintained an administrative office in Tegucigalpa to perform daily administrative duties.

Effect:

The Dooley Foundation has the documentation with respect to the types and quantity of equipment shipped to Honduras and the NR central locations where the equipment was received. However, it was unable to account for much of the equipment distributed from the central NR locations to NR units in the camps.

Recommendation:

The TFHA should require that the NR implement a management system to use, safeguard, and account for the medical equipment provided by the Dooley Foundation.

2. The NR Medical Corps Lacked an Adequate Medical Supply Control System

Condition:

The NR Medical Corps lacks an adequate system for receiving, inventorying, distributing, and accounting for the TFHA funded medical supplies.

Criteria:

The NR Medical Corps should have adequate procedures to ensure that the supplies are properly received, inventoried, and distributed. Each process should be formally recorded using standard accounting procedures.

Cause:

The Dooley Foundation provided limited technical assistance and training to the NR Medical Corps in developing a medical supply control system.

Effect:

The TFHA is not able to ensure that the quantity and types of medical supplies delivered to Honduras are being properly used, maintained, and accounted for.

Recommendation:

The TFHA in Honduras should require that the NR Medical Corps implement a medical supply control system to properly administer the storage, inventory, and distribution of the TFHA-funded medical supplies provided by the Dooley Foundation to the NR Medical Corps. The NR Medical Corps should receive training courses in management and logistics to assist them in developing a medical supply control system.

Price Waterhouse



AGENCY FOR INTERNATIONAL DEVELOPMENT

AUDIT OF THE NICARAGUAN RESISTANCE MEDICAL PROGRAM,
TASK FORCE ON HUMANITARIAN ASSISTANCE TO CENTRAL AMERICA
SUPPORTED BY THE DOOLEY FOUNDATION/INTERMED-USA, INC.
PROJECT NO. 594-0000-02

COMPLIANCE WITH APPLICABLE LAWS, REGULATIONS AND
AGREEMENT TERMS

REPORT OF INDEPENDENT ACCOUNTANTS

We have audited the accompanying fund accountability statement of the Nicaraguan Resistance Medical Program, Task Force for Humanitarian Assistance (THFA), Project No. 594-0000-02 (the Project) supported by the Dooley Foundation/Intermed-USA, Inc. for the period from June 1, 1988 to December 31, 1988 and have issued our report thereon dated June 20, 1989.

We conducted our audit in accordance with generally accepted auditing standards and the U.S. Comptroller General's "Government Auditing Standards" (1988 Revision). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with applicable laws, regulations, and agreement terms is the responsibility of the Dooley Foundation's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Dooley Foundation's compliance with certain provisions of applicable laws, regulations, and agreement terms. However, our objective was not to provide an opinion on overall compliance with such provisions.

The results of our tests indicate that, with respect to the items tested, Dooley Foundation complied, in all material respects, with the provisions referred to in the preceding paragraph, and with respect to items not tested, nothing came to our attention that caused us to believe that Dooley Foundation had not complied, in all material respects, with those provisions. However, we noted certain immaterial instances of noncompliance that we have reported in the following Findings section.

This report is intended solely for the use of the Dooley Foundation/Intermed-USA, Inc. and the Agency for International Development. 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.

Price Waterhouse

June 20, 1989

AGENCY FOR INTERNATIONAL DEVELOPMENT

AUDIT OF THE NICARAGUAN RESISTANCE MEDICAL PROGRAM,
TASK FORCE ON HUMANITARIAN ASSISTANCE TO CENTRAL AMERICA
SUPPORTED BY THE DOOLEY FOUNDATION/INTERMED-USA, INC.
PROJECT NO. 594-0000-02

REPORT ON COMPLIANCE WITH APPLICABLE LAWS,
REGULATIONS AND AGREEMENT TERMS

FINDINGS

1. The Dooley Foundation Did Not Return Interest Earned on Advances of Federal Funds

Condition:

The Dooley Foundation earned \$2,533 in interest on funds advanced by the TFHA.

Criteria:

Office of Management and Budget Circular No. A-110 states that "Interest earned on advances of Federal funds shall be remitted to the Federal agency except for interest earned on advances to States or instrumentalities of a State as provided by the Intergovernmental Cooperation Act of 1965 (Public Law 90-577)".

Cause:

Funds advanced by the TFHA to the Dooley Foundation for Program purposes were maintained in an interest-bearing Dooley Foundation bank account.

Effect:

Funds maintained in the interest-bearing bank account generated \$2,533 in interest income.

Recommendation:

The Dooley Foundation should remit to A.I.D. the \$2,533 in interest earned on advances of funds from the TFHA.

AGENCY FOR INTERNATIONAL DEVELOPMENT

AUDIT OF THE NICARAGUAN RESISTANCE MEDICAL PROGRAM,
TASK FORCE ON HUMANITARIAN ASSISTANCE TO CENTRAL AMERICA
SUPPORTED BY THE DOOLEY FOUNDATION/INTERMED-USA, INC.
PROJECT NO. 594-0000-02

OTHER PERTINENT MATTERS

The following matters were disclosed during our audit of the Dooley Foundation Project.

1. The Dooley Foundation provided limited medical assistance and support to the Nicaraguan Resistance in Honduras.

Under the agreement, the Dooley Foundation was required to provide medical assistance and support to five major locations in Honduras which included El Aguacate, Danli, Yamales, Rancho Grande, and La Mosquitia. Based on the budget submitted to the TFHA, the Dooley Foundation was to contract three full-time physicians, two registered nurses, one medical technician, a physical therapist, and an X-ray technician. The Dooley Foundation was also to provide technical assistance and support for management of the Nicaraguan Resistance medical supply system.

However, according to a TFHA official, only one of the five locations (Aguacate) received a significant level of medical support from the Dooley Foundation. In addition, several TFHA evaluations concluded that the NR Medical Corps lacked the necessary manpower and support to provide adequate medical assistance at all five locations. For example, according to a TFHA evaluation on the NR medical management system, "the management requirements of the medical and paramedical staff involved in the daily operations such as providing medical care and conducting the distribution and inventory of medical supplies and the coordination of manpower, far exceeded the availability of medical staff. The problem resulted in 'burn-out' among the limited number of medical doctors and paramedics involved in providing medical care services".

A TFHA memorandum also concluded that the Yatama combatants were not receiving "good quality or quantity of health services." The report stated that the Yatama lacked an inventory system which caused difficulties in determining its procurement needs. In efforts to improve the medical care system in the Mosquitia, the report recommended the training of up to 120 paramedics, the hiring of health care personnel to operate in two major locations in the Mosquitia, and the development of an inventory system to better control the medicines.

A Dooley Foundation official told us that originally their plans were to contract the team of medical personnel presented in the contract agreement. However, due to the difficulties in delivering medical supplies and equipment to Honduras (discussed in No. 2 below), the Dooley Foundation believed that to send additional medical personnel to Honduras was not necessary since there was a

limited quantity of medical equipment and supplies to work with. Furthermore, after a review of the NR medical care system during project implementation, the Dooley Foundation concluded that the NR Medical Corps had a sufficient number of medical personnel at most of these locations and no additional personnel was needed.

As a result, the Dooley Foundation only contracted two full-time doctors, a registered nurse (for 15 days), and an X-ray technician (for 10 days). They also sent a number of medical teams to Honduras on a short term basis (two to four days) to assist the NR Medical Corps.

2. Extensive delays occurred regarding the delivery of medical supplies, equipment and vehicles to the Nicaraguan Resistance in Honduras.

The Nicaraguan Resistance received the first shipment of medical supplies and equipment procured by the Dooley Foundation in November 1988, six months after the Project began. According to the Dooley Foundation, the major cause for the delay was attributed to difficulties in obtaining duty-free privileges in Honduras to deliver the supplies. As a result, the supplies and goods were held up in Miami, Florida until the Dooley Foundation was able to obtain the duty-free privileges.

According to the TFHA, the Dooley Foundation lacked the necessary experience and understanding of procedures to procure and deliver large quantities of supplies to Honduras. The Dooley Foundation, however, believes the TFHA could have possibly provided more assistance in obtaining duty-free privileges from the Government of Honduras in a more timely manner. Several TFHA officials acknowledged that more assistance could have been provided by the TFHA to obtain the duty-free privileges for the Dooley Foundation.

3. The recuperation center in Miami, Florida was hampered by administrative problems.

According to the TFHA, the recuperation center in Miami used to house the NR and Yatama combatants receiving specialized care was hampered by administrative problems, overcrowded conditions, and a lack of food.

The Dooley Foundation rented a two-bedroom apartment in Miami, Florida, to house about four patients at a time who were waiting to have treatment or recovering from treatment. However, according to the TFHA, at times the Dooley Foundation did not know how many patients were housed in the apartment. On one occasion the apartment was housing 11 patients.

Food shortages also appeared to be a problem. According to the TFHA, on one occasion the food budget was estimated to be as low as \$1.14 per person per day. Some of the food provided to the center was donated by the local Hispanic community in Miami to compensate for the food shortage.

APPENDIX I
MANAGEMENT COMMENTS

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D C 20523

TO: RIG/A/T, Coinage Gothard
TFHA/H, Ron Venezia

SEP 21 1989

FROM: D/TFHA, Ted D. Morse 

REF: Gothard to Morse memorandum dated August 30, 1989
transmitting TFHA Phase II audit Reports.

SUBJECT: TFHA Comments on Ref Reports.

An exit conference to discuss the TFHA Phase II audit reports was held in AID/W on Monday September 11 between RIG/AT, TFHA/W, and auditors from Price Waterhouse. As requested Ref Memo the following are TFHA comments on the draft reports.

1. At the bottom of page 6 of the draft transmittal letter and summary please include the following under Summary Of Management Comments: "TFHA appreciates very much the very valuable assistance which it has received from RIG/AT and Price Waterhouse auditors in the implementation of this program. Specific comments on the five points listed above are included in Appendix I hereto on page 21."
2. In the third paragraph on page 7 of the Report on the Fund Accountability Statement there is a statement that the VA did not bill AID for supplies delivered for the program. While that was true under the Phase I program, AID has received those bills for Phase II deliveries.
3. On Page 19 of the document listing Other Pertinent Matters, the penultimate paragraph states that Social Security and Federal Income taxes are being withheld pursuant to the IRS legal opinion. In fact that opinion does not advise TFHA to withhold Social Security payments.
4. In Appendix I following the document entitled Other Pertinent Matters, please include the following under management comments.
 - a) In the fall of 1988, TFHA/W was informed by the human rights group ANPDH that some of the prisoners held by the Resistance were located in remote areas of Honduras. Because of the hard to reach locations, it was difficult to insure that the prisoners were properly sheltered, clothed, and fed; and that their treatment conformed to acceptable standards. In its

next regular consultation with Congressional oversight committees TFHA stated its intention to work with the Resistance to have the prisoners moved to more accessible areas and to have them supplied with humanitarian assistance, so that their well-being could be ascertained, and their eventual release facilitated. The Congressional staff agreed, and requested TFHA to work actively for the release of the prisoners. TFHA expressed its intention to do that, and the prisoners were a short time thereafter moved and subsequently released.

b) In November of 1988, TFHA received an opinion from the Internal Revenue Service that some members of the Resistance may be liable for federal income tax withholding on Family Assistance Payments. TFHA developed a Tax Status Certificate for each payee to sign to determine who might be subject to the withholding. Actual withholding was started from the September payment and was done on a retroactive basis. Of the more than 2,500 persons receiving Family Assistance Payments, approximately six are found subject to withholding each month.

c) TFHA relies on the Department of State to determine which individuals in the Resistance are not eligible to receive humanitarian assistance because of human rights abuses. Each month before Family Assistance Payments are made, TFHA checks with the State Department to ascertain that no designated payee is ineligible to receive assistance. If such an individual does appear on the list, that payment is not made.

d) TFHA has established procedures to insure that Family Assistance Payments made in Costa Rica to a designated recipient of a Resistance member, are to be delivered to that Resistance member or his family in a timely fashion.

5. On Page 4 of the draft transmittal letter for the audit of the Dooley Foundation, please include the following under Summary of Management Comments, "Task Force efforts through the Dooley Foundation to support the Resistance medical corps got off to a slow start. This was due in part to the lack of experience of the parties in working with each other, and a lack of established systems within the medical corps to track medicines and equipment previously supplied and to project and communicate future needs. Those difficulties have worked themselves out over time, and the Task Force has obtained the services of the International Medical Corps to work with the Resistance medical corps in place of the Dooley Foundation. Specific items are dealt with under Management Comments in Appendix I on page 16 hereof."

6. In Appendix I referred to above, please include the following Management Comments.

a) At the termination of the Dooley Foundation program in Honduras, there was some difficulty finding records as to the location of all of the property which had been supplied to the Resistance Medical Corps. Subsequently, Price Waterhouse auditors were able to find and account for all of this property by taking inventories at Resistance medical installations. Recently the International Medical Corps (IMC) completed an inventory of all property supplied to the Resistance during all three phases of the TFHA program. This was done in connection with the closing of the facility at Aguacate to determine what equipment could best be utilized elsewhere. This inventory will be kept up to date for the remainder of the program.

b) In order to better project requirements of medicines, TFHA requested IMC to provide a full-time pharmacist for the program. All medicines and medical supplies have been inventoried. Older expired medicines not supplied by the Task Force have been destroyed and where appropriate replaced. The medical facility at El Jardin has been renovated to include shelving, electricity, etc.; to facilitate storage and inventory of medicines and medical supplies. IMC is in the process of computerizing the movement of medicine to improve the management and control of its usage.

c) The recuperation center in Miami has been moved to a house in a rural area. The house is operated by a full time cook and housekeeper, and is now well managed. Access to the facility is strictly controlled to guard against overcrowding. Adequate food is provided according to the dietary needs of the patients.

7. In the audit section on the Training For Distribution Systems, please include in Appendix I on page 12, "It is the understanding of the Task Force from discussions with Creative Associates officials that all of the items of questioned costs listed on pages 7 and 8 of the audit have been resolved in discussions between that company and the Price Waterhouse auditors".

8. In Appendix I of the audit of the Human Rights Training Program managed by ANPDH on page 15 of that audit report please include the following statement under Management Comments. "It is the intention of the Task Force to extend this training program for the duration of the TFHA program, which will be until March 31, 1990". Thus insurance premiums for grantee employees working on the program until that date will be properly charged to the program.

cc: TFHA/C.R., Ray Baum

APPENDIX 2

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