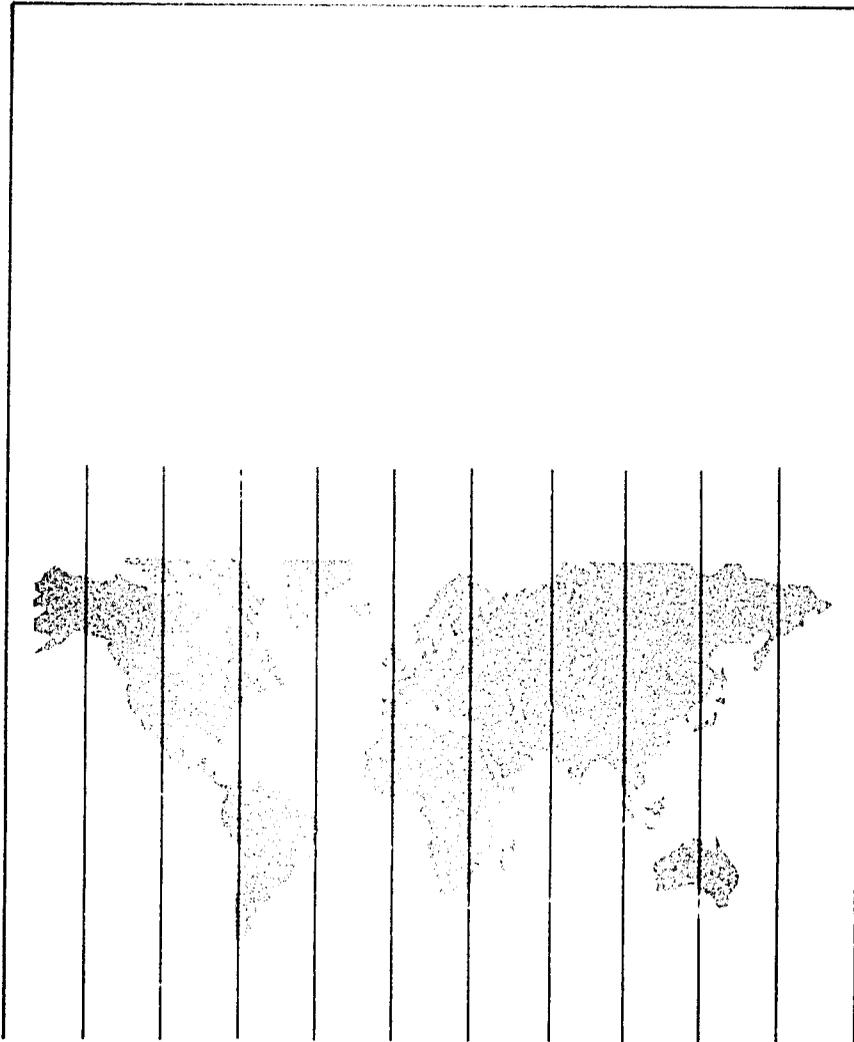


4-11-2019
A. J. J.

UNITED STATES
AGENCY FOR INTERNATIONAL DEVELOPMENT

THE
INSPECTOR
GENERAL



Regional Inspector General for Audit
TEGUCIGALPA

PD-AAZ-996

**AUDIT OF THE NICARAGUAN RESISTANCE
MEDICAL PROGRAM SUPPORTED BY THE
INTERNATIONAL MEDICAL CORPS**

**Audit Report No. 1-522-89-58-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: Direccor, TFHA/Washington, Ted Morse

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

SUBJECT: Audit of the Nicaraguan Resistance Medical Program
Supported by the International Medical Corps, Audit
Report No. 1-522-89-58-N

This report presents the results of a non-Federal, concurrent financial audit of the Nicaraguan Resistance Medical Program (the Program) supported by the International Medical Corps. 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 overall objective of Price Waterhouse's audit work was to perform a concurrent financial audit of the Program. The purpose of this audit was to report on (1) the fairness of the Program's contract cost accountability statement for the period from November 1, 1988 to May 31, 1989, (2) the Program's internal control structure, and (3) compliance by the International Medical Corps (IMC) with contract terms and applicable laws and regulations.

In the opinion of Price Waterhouse, the contract cost accountability statement presents fairly, in all material respects, the Program's receipts and expenditures for the period between November 1, 1988 and May 31, 1989 in accordance with the corresponding contract.

Price Waterhouse performed an evaluation of the internal control structure of the Program. Price Waterhouse did not note any

a

matters involving the internal control structure and its operations that the auditors considered to be material weaknesses. However, certain matters involving the internal control structure were observed and reported to TFHA and RIG/A/T.

In the opinion of Price Waterhouse, the Program complied with contract terms and applicable laws and regulations for the items tested. Nothing came to the auditors' attention that caused them to believe that untested items were not in compliance with contract terms and applicable laws and regulations.

TFHA and IMC were generally in agreement with the Price Waterhouse report. Price Waterhouse considered management comments in its report and attached them to the report as appendix 1. The Price Waterhouse report contains no recommendations.

AGENCY FOR INTERNATIONAL DEVELOPMENT

AUDIT OF THE
NICARAGUAN RESISTENCE MEDICAL PROGRAM
TASK FORCE FOR HUMANITARIAN ASSISTENCE (TFHA)
PROJECT No. 594-0000-02

SUPPORTED BY THE INTERNATIONAL MEDICAL CORPS

AGENCY FOR INTERNATIONAL DEVELOPMENT
AUDIT OF THE
NICARAGUAN RESISTANCE MEDICAL PROGRAM
TASK FORCE FOR HUMANITARIAN ASSISTANCE (TFHA)
PROJECT NO.594-0000-02
SUPPORTED BY THE INTERNATIONAL MEDICAL CORPS

TABLE OF CONTENTS

	<u>PAGE</u>
Transmittal Letter and Summary	
Background	1
Audit objectives and scope	1
Results of the audit	3
Summary of management comments	4
Contract Cost Accountability Statement	
Report of independent accountants	5
Contract cost accountability statement	7
Notes to the contract cost accountability statement	8
Internal Control Structure	
Report of independent accountants	10
Compliance with Applicable Laws, Regulations and Contract Terms	
Report of independent accountants	12
Management Comments	Appendix I

Price Waterhouse



September 27, 1989

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

Dear Mr. Gothard:

This report presents the results of our concurrent financial audit of the Nicaraguan Resistance Medical Program, Task Force for Humanitarian Assistance (TFHA) Project No. 594-0000-02 (the Program), supported by the International Medical Corps (IMC) during the period from November 1, 1988 to May 31, 1989, under contract No. PDC-0000-C-00-9005-00 between IMC and the U.S. Agency for International Development (A.I.D.).

BACKGROUND

On November 1, 1988, A.I.D., through the TFHA, approved contract No. PDC-0000-C-00-9005-00 with the IMC. The objective of that contract was to provide medical support to the Nicaraguan Resistance (NR) combatants, their families and immediate supporters by supporting the Nicaraguan Resistance Medical Corps (NRMC) through training, technical assistance, and provision of specialized medical services and medical equipment. Needed medical services ranged from routine consultations to immunization programs to treatment of war-related injuries and tropical diseases. The NRMC needed to be strengthened and upgraded to better provide these services, and thereby restore the health of NR combatants and their families, enabling them to have fully productive lives. The purpose of this contract was not to run the NRMC but rather to support and advise it.

The budget for this contract was \$3,021,740 to finance the Program's activities during the period from November 1, 1988 to April 30, 1989. This completion date was subsequently extended to May 31, 1989.

AUDIT OBJECTIVES AND SCOPE

The overall objective of our audit work was to perform a concurrent financial audit of the Nicaraguan Resistance Medical

Program, Task Force for Humanitarian Assistance (TFHA) Project No. 594-0000-02, supported by the International Medical Corps for the period from November 1, 1988 to May 31, 1989, under contract No.PDC-0000-C-00-9005-00.

Our audit was performed in accordance with generally accepted auditing standards and the U.S. Comptroller General's "Government Auditing Standards" (1988 Revision), and accordingly included such tests as deemed necessary to determine whether:

1. The contract cost accountability statement of the Nicaraguan Resistance Medical Program, Task Force for Humanitarian Assistance (TFHA) Project No. 594-0000-02, presents fairly the Program's receipts and expenditures in accordance with the terms of the contract, identifying any costs which were not fully supported with adequate records or which were not allowable under the terms of the contract,
2. The internal control structure of the Program in Honduras and Los Angeles, California, U.S.A. is adequate and functioning as intended, and
3. IMC complied with applicable laws, regulations, and contract terms.

The following major audit procedures were performed as necessary in Honduras and Los Angeles, California, U.S.A. in order to meet the stated audit objectives.

1. We reviewed the following documents to become familiar with the Program:
 - a) The contract between A.I.D. and IMC and the related modifications and amendments,
 - b) The Action Plans submitted by the contractor to the Task Force for Humanitarian Assistance in Honduras (TFHA/H),
 - c) The subcontract between the contractor and an institution that provided procurement services,
 - d) The budgets and written procedures approved by A.I.D. to manage the Program, and
 - e) All financial and Program reports, charts of accounts, organization charts, accounting system descriptions, and procurement policies and procedures.
2. We reviewed the Program ledgers to determine whether costs incurred were proper. We reconciled direct costs billed and reimbursed to the Program ledger.

3. We reviewed the procedures to control the funds, including the bank account controls, monthly bank account reconciliations, and confirmed the final balance with the custodian bank.
4. We determined whether advances of funds were justified with documentation, including reconciliations of funds advanced, disbursed, and available for the contract.
5. We reviewed direct and indirect costs billed to TFHA/H, to identify questionable costs.
6. We reviewed salary charges to determine whether salary rates were in accordance with those approved by A.I.D. and salaries paid were supported by appropriate payroll records.
7. We selectively reviewed monthly disbursements made by IMC in Honduras and in Los Angeles, California, U.S.A., during the period from November 1, 1988 through May 31, 1989 for a total of US\$1,590,328 and made 15 on-site inspections of IMC's activities in El Jardin, El Aguacate, Rancho Grande, Yamales, and the Mosquitia region.
8. We physically inspected office furniture and equipment purchased with Program funds.
9. We reviewed the procurement procedures and practices used to determine that sound commercial practices were used.
10. On a limited basis we reviewed and evaluated the internal control structure, conducting compliance tests to determine the extent to which established procedures and controls were functioning as intended.
11. We reviewed IMC's compliance with applicable laws, regulations, and contract terms.

During our work we were alert for situations or transactions that could be indicative of fraud, abuse, and illegal expenditures and acts.

RESULTS OF THE AUDIT

Contract Cost Accountability Statement

In our opinion, the contract cost accountability statement of the Nicaraguan Resistance Medical Program, Task Force for Humanitarian Assistance (TFHA) Project No. 594-0000-02 supported by the International Medical Corps, presents fairly, in all material respects, the Program's receipts and expenditures for

the period from November 1, 1988 to May 31, 1989, in accordance with contract No. PDC-0000-C-00-9005-00.

Internal Control Structure

In planning and performing our audit of the contract cost accountability statement of the Program for the period from November 1, 1988 to May 31, 1989, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the contract cost accountability statement and not to provide assurance on the internal control structure. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses. However, we noted certain matters involving the internal control structure that we have reported in writing upon identification to the Regional Inspector General for Audit in Tegucigalpa and the Task Force For Humanitarian Assistance in Honduras.

Compliance with Applicable Laws, Regulations, and Contract Terms

We tested transactions and records for the period from November 1, 1988 to May 31, 1989, which included receipts, disbursements and reporting to determine the International Medical Corps' compliance with applicable laws, regulations, and contract terms. The results of our study indicated that for the items tested, the International Medical Corps complied, in all material respects, with applicable laws, regulations, and contract terms. With respect to items not tested, nothing came to our attention that caused us to believe that the International Medical Corps had not complied, in all material respects, with applicable laws, regulations, and contract terms.

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 entire text of management comments for all TFHA Phase II audit reports is included in Appendix I. See points 5 and 6 which specifically makes reference to IMC's program in Honduras.



Price Waterhouse

Price Waterhouse



AGENCY FOR INTERNATIONAL DEVELOPMENT

AUDIT OF THE
NICARAGUAN RESISTANCE MEDICAL PROGRAM
TASK FORCE FOR HUMANITARIAN ASSISTANCE (TFHA)
PROJECT NO. 594-0000-02

SUPPORTED BY THE INTERNATIONAL MEDICAL CORPS

CONTRACT COST ACCOUNTABILITY STATEMENT
FROM NOVEMBER 1, 1988 TO MAY 31, 1989

REPORT OF INDEPENDENT ACCOUNTANTS

We have audited the accompanying contract cost accountability statement of the Nicaraguan Resistance Medical Program, Task Force for Humanitarian Assistance (TFHA) Project No. 594-0000-02 (the Program), supported by the International Medical Corps under contract No. PDC-0000-C-00-9005-00 for the period from November 1, 1988 to May 31, 1989. The contract cost accountability statement is the responsibility of the International Medical Corps' management. Our responsibility is to express an opinion on the contract cost accountability statement based on our audit.

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 as to whether the contract cost accountability statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the contract cost accountability statement. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the contract cost accountability statement of the Nicaraguan Resistance Medical Program, Task Force for Humanitarian Assistance (TFHA) Project No. 594-0000-02, presents fairly, in all material respects, the Program's receipts and expenditures for the period from November 1, 1988 to May 31, 1989, in accordance with the terms of contract No. PDC-0000-C-00-9005-00.

This report is intended solely for the use of the International Medical Corps 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 Office of the
Inspector General, is a matter of public record.

Ruce Waterhouse

July 28, 1989

AGENCY FOR INTERNATIONAL DEVELOPMENT

AUDIT OF THE
NICARAGUAN RESISTANCE MEDICAL PROGRAM (Note 2)
TASK FORCE FOR HUMANITARIAN ASSISTANCE (TFHA)
PROJECT NO.594-0000-02

SUPPORTED BY THE INTERNATIONAL MEDICAL CORPS

CONTRACT COST ACCOUNTABILITY STATEMENT
FROM NOVEMBER 1, 1988 TO MAY 31, 1989
(Expressed in U.S. Dollars - (Note 1))

	<u>Budgeted</u> <u>amounts</u>	<u>Receipts and</u> <u>expenditures</u>	Balances (over) under <u>budget</u>
<u>Program Receipts:</u>			
Grant	\$3,021,740	\$2,500,000	\$ 521,740
Other income		1,389	(1,389)
Total Program Receipts	<u>3,021,740</u>	<u>2,501,389</u>	<u>520,351</u>
<u>Program expenditures:</u>			
Direct costs:			
Salaries and wages	871,563	679,706	191,857
Equipment and consumables	459,704	665,518	(205,814)
Travel, transportation and per diem	214,500	137,711	76,789
Subcontracts	644,390	219,460	424,930
Other direct cost	296,800	444,990	(148,190)
Total direct costs	<u>2,486,957</u>	<u>2,147,385</u>	<u>339,572</u>
Indirect costs	298,435	257,686	40,749
Contingency for emergency medical treatment	112,000		112,000
Contingency for indirect cost rate	<u>124,348</u>		<u>124,348</u>
Total Program Expenditures	<u>\$3,021,740</u>	<u>2,405,071</u>	<u>\$ 616,669</u>
Excess of receipts over expenditures (Note 3)		<u>\$ 96,318</u>	

AGENCY FOR INTERNATIONAL DEVELOPMENT

AUDIT OF THE
NICARAGUAN RESISTANCE MEDICAL PROGRAM
TASK FORCE FOR HUMANITARIAN ASSISTANCE (TFHA)
PROJECT NO.594-0000-02

SUPPORTED BY THE INTERNATIONAL MEDICAL CORPS

NOTES TO THE CONTRACT COST ACCOUNTABILITY STATEMENT
FROM NOVEMBER 1, 1988 TO MAY 31, 1989

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

The significant accounting policies adopted by the International Medical Corps to support the Program are summarized as follows:

Basis of accounting

The accrual basis of accounting was used in recording the expenditures of the Program.

Exchange rate

The accounting records of the Program are maintained in U.S. dollars. Transactions in Honduran lempiras, and Costa Rican colones are converted to dollars at the official rate of exchange prevailing at the transaction date.

NOTE 2 - HISTORY AND OPERATIONS OF THE PROGRAM

On November 1, 1988, A.I.D., through its TFHA, approved contract No. PDC-0000-C-00-9005-00 with the IMC. The objective of that contract was to provide medical support to the Nicaraguan Resistance (NR) combatants, their families and immediate supporters by supporting the Nicaraguan Resistance Medical Corps (NRMC) through training, technical assistance, and provision of specialized medical services and medical equipment. Needed medical services ranged from routine consultations to immunization programs to treatment of war-related injuries and tropical diseases. The NRMC needed to be strengthened and upgraded to better provide these services, and thereby restore the health of NR combatants and their families, enabling them to have fully productive lives. The purpose of this contract was not to run the NRMC, but rather to support and advise it. The specific objectives of this contract were:

- A. To support and improve the administration and service delivery of the NRMC through technical assistance, provision of medical equipment, and training in order to ensure an adequate level of health care services for the NR combatants and their families in Honduras.

- B. To provide needed medical services and medical supplies, and improve medical services delivery (including the hiring of doctors and training of Yatama paramedics), to contract supplemental staff (doctors and nurses), and to train paramedics for the Yatama combatants and their families in Eastern Honduras.
- C. To provide supplemental medical support (medical evacuations and prosthetics) to NR combatants and their families in Costa Rica.

NOTE 3 - EXCESS OF RECEIPTS OVER EXPENDITURES

The excess of receipts over expenditures is represented by net assets in the books of International Medical Corps as follows:

	<u>U.S. Dollars</u>
Assets:	
Cash on hand and in banks	\$182,188 (a)
Accounts receivable	24,198 (b)
	<hr/>
Total assets	206,386
Liabilities:	
Accounts payable	(110,068) (c)
	<hr/>
Net assets	<u>\$ 96,318</u>

Notes:

- (a) As of May 31, 1989, cash on hand and in banks was comprised as follows:

	<u>U.S. Dollars</u>
Imprest funds	\$ 15,550
Bank accounts:	
Bank of America, Los Angeles, U.S.A.	126,470
Banco Atlántida, Honduras	40,168
	<hr/>
Total cash on hand and in banks	<u>\$182,188</u>

- (b) Accounts receivable of \$24,198, as of May 31, 1989, correspond to salaries and living expenses and per diem advances made to employees before May 31, 1989, and collected in the following month through payroll deductions.
- (c) These obligations as of May 31, 1989, include \$56,020 corresponding to IMC's 12% of indirect costs for the month of May 1989 and billed to A.I.D. in June 1989 and \$54,048 in trade accounts payable to suppliers.

Price Waterhouse



AGENCY FOR INTERNATIONAL DEVELOPMENT

AUDIT OF THE
NICARAGUAN RESISTANCE MEDICAL PROGRAM
TASK FORCE FOR HUMANITARIAN ASSISTANCE (TFHA)
PROJECT NO. 594-0000-02

SUPPORTED BY THE INTERNATIONAL MEDICAL CORPS

INTERNAL CONTROL STRUCTURE

REPORT OF INDEPENDENT ACCOUNTANTS

We have audited the contract cost accountability statement of the Nicaraguan Resistance Medical Program, Task Force for Humanitarian Assistance (TFHA) Project No. 594-0000-02 (the Program), supported by the International Medical Corps under the contract No. PDC-0000-C-00-9005-00 for the period from November 1, 1988 to May 31, 1989, and have issued our report thereon dated July 28, 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 contract cost accountability statement is free of material misstatement.

In planning and performing our audit of the contract cost accountability statement of the Program for the period from November 1, 1988 to May 31, 1989, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the contract cost accountability statement and not to provide assurance on the internal control structure.

The management of the International Medical Corps is responsible for establishing and maintaining an internal control structure. 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 limitations 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 conditions 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 control process
- Payroll procedures
- Procurement procedures
- Receipts and disbursements

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more 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 contract cost accountability statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

However, we noted certain matters involving the internal control structure and its operation that we have reported in writing upon identification to the Regional Inspector General for Audit in Tegucigalpa and the Task Force for Humanitarian Assistance.

This report is intended solely for the use of the International Medical Corps 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.

Prue Waterhouse

July 28, 1989

Price Waterhouse



AGENCY FOR INTERNATIONAL DEVELOPMENT

AUDIT OF THE
NICARAGUAN RESISTANCE MEDICAL PROGRAM
TASK FORCE FOR HUMANITARIAN ASSISTANCE (TFHA)
PROJECT NO. 594-0000-02

SUPPORTED BY THE INTERNATIONAL MEDICAL CORPS

COMPLIANCE WITH APPLICABLE LAWS, REGULATIONS, AND CONTRACT TERMS

REPORT OF INDEPENDENT ACCOUNTANTS

We have audited the contract cost accountability statement of the Nicaraguan Resistance Medical Program, Task Force for Humanitarian Assistance (TFHA) Project No. 594-0000-02 (the Program), supported by the International Medical Corps under the contract No. PD 5-0000-C-00-9005-00 for the period from November 1, 1988 to May 31, 1989, and have issued our report thereon dated July 28, 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 contract cost accountability statement is free of material misstatement.

Compliance with applicable laws, regulations, and contract terms is the responsibility of the International Medical Corps' management. As part of obtaining reasonable assurance about whether the contract cost accountability statement is free of material misstatement, we performed tests of the Program's compliance with certain provisions of applicable laws, regulations, and contract 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, the International Medical Corps complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the International Medical Corps had not complied, in all material respects, with those provision.

This report is intended solely for the use of the International Medical Corps 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

July 28, 1989

APPENDIX I

MANAGEMENT COMMENTS

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

SEP 2 1 1989

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

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.

15

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

REPORT DISTRIBUTION

	<u>No. of Copies</u>
Director, TFHA/W	5
Director, THFA/H	1
Director, TFHA/CR	1
AA/LAC	2
LAC/CAP/H	1
LAC/CAP/CR	1
LAC/DR	1
LAC/DP	1
LAC/CONT	1
LAC/GC	1
RLA	1
AA/M	2
AA/PFM	1
AA/XA	2
XA/PR	1
LEG	1
GC	1
PPC/CDIE	3
PFM/FM/CONT	2
IG	1
AIG/A	1
IG/PPO	2
IG/LC	1
IG/ADM/C&R	12
IG/I	1
RIG/I/T	1
Other RIG/As	1