

UNITED STATES
AGENCY FOR INTERNATIONAL DEVELOPMENT

THE
INSPECTOR
GENERAL

AUDIT OF THE
HUMAN RIGHTS TRAINING PROGRAM
OF THE NICARAGUAN RESISTANCE
MANAGED BY THE NICARAGUAN RESISTANCE

Audit Report No. 1-522-90-34-N
June 14, 1990



Regional Inspector General for Audit
TEGUCIGALPA

**AUDIT OF THE
HUMAN RIGHTS TRAINING PROGRAM
OF THE NICARAGUAN RESISTANCE
MANAGED BY THE NICARAGUAN RESISTANCE**

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June 14, 1990**

AGENCY FOR INTERNATIONAL DEVELOPMENT

OFFICE OF THE REGIONAL INSPECTOR GENERAL

AMERICAN EMBASSY

TEGUCIGALPA · HONDURAS

TELEPHONES:

32-9987 · 32-3120

FAX No. (504) 31-4465

U. S. MAILING ADDRESS

RIG/T

APO MIAMI 34022

June 14, 1990

MEMORANDUM

TO: Director, TFHA/Washington, Ted Morse

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

SUBJECT: Audit of the Human Rights Training Program of the Nicaraguan Resistance Managed by the Nicaraguan Resistance, Audit Report No. 1-522-90-34-N

This report presents the results of a non-Federal, concurrent financial audit of the Human Rights Training Program (the Program) managed by the Nicaraguan Resistance. 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 June 13, 1990.

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 fund accountability statement of the Human Rights Training Program for the period from May 1, 1989 to April 30, 1990, (2) the Program's internal control structure, and (3) compliance by the Nicaraguan Resistance with agreement terms and applicable laws and regulations.

In the opinion of Price Waterhouse, the fund accountability statement of the Human Rights Training Program presents fairly, in all material respects, the Program's receipts and expenditures for the period from May 1, 1989 through April 30, 1990, in accordance with the corresponding agreement.

Price Waterhouse evaluated the internal control structure of the Program. Price Waterhouse did not note any 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 Nicaraguan Resistance complied, in all material respects, with agreement 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 agreement terms and applicable laws and regulations.

The Price Waterhouse report contains no recommendations. It should be noted that Price Waterhouse identified US\$2,474 in questionable costs and US\$10,348 in suspended costs. Both cost items were satisfactorily resolved by TFHA.

The TFHA discussed the draft report with Price Waterhouse and RIG/A/T, and did not suggest any changes to the final report.

AGENCY FOR INTERNATIONAL DEVELOPMENT
AUDIT OF THE HUMAN RIGHTS TRAINING PROGRAM
OF THE NICARAGUAN RESISTANCE
A.I.D. AGREEMENT NO.594-0000-A-00-9006-00
MANAGED BY THE NICARAGUAN RESISTANCE

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Price Waterhouse



June 13, 1990

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 Human Rights Training Program of the Nicaraguan Resistance (the Program) managed by the Nicaraguan Resistance during the period May 1, 1989 through April 30, 1990, under the agreement No. 594-0000-A-00-9006-00 between the NR and the U.S. Agency for International Development (A.I.D.).

BACKGROUND

On January 31, 1989, the U.S. Agency for International Development granted to the Nicaraguan Resistance (NR) \$178,020 to fund training of NR members in that organization's Code of Conduct and System of Military Justice, consistent with the statutory authority (Public Law 100-463) to provide training "with respect to the treatment of civilians and other armed forces personnel, in accordance with internationally accepted standards of human rights". Funds provided under this grant were to support instructor salaries, procurement of teaching materials and equipment, and related management costs.

The person responsible for the Program was the NR Director in charge of military affairs and the manager of the Program was the NR Legal Advisor and Prosecutor. The Program included the training of Northern and Atlantic Fronts military personnel. Program activities covered the period January 1, 1989 through April 30, 1989. The Program's activities were subsequently amended as follows:

1. On April 28, 1989, A.I.D. increased the total amount of the grant to \$280,020 and extended the activities funded to July 31, 1989.
2. On July 31, 1989, A.I.D. increased the total amount of the grant to \$348,020 and extended the activities funded to March 31, 1990.

3. On September 22, 1989, A.I.D. increased the total amount of the grant to \$450,020.
4. On January 31, 1990, A.I.D. extended the activities funded to April 30, 1990.

AUDIT OBJECTIVES AND SCOPE

The overall objective of our audit work was to perform a concurrent financial audit of the Human Rights Training Program of the Nicaraguan Resistance managed by the NR from May 1, 1989 through April 30, 1990.

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 the review of documentation, accounting records, internal control structure, and such other auditing procedures as we considered necessary to determine whether:

1. The fund accountability statement of the Human Rights Training Program of the Nicaraguan Resistance presents fairly the Program's receipts and expenditures from May 1, 1989 through April 30, 1990 in accordance with the terms of the agreement,
2. The internal control structure of the Program is adequate and functioning as intended, and
3. The NR complied with applicable laws, regulations, and agreement terms.

The following major audit procedures were performed as necessary in order to meet the stated audit objectives:

1. We reviewed the following documents to become familiar with the Program:
 - a) the agreement between the TFHA and the NR regarding the Program,
 - b) the budgets approved by the TFHA to manage the Program, and
 - c) all financial and Program reports, accounting system descriptions, and procurement policies and procedures.
2. We determined whether costs incurred in carrying out the purpose of the Program were reasonable, allocable, and allowable in accordance with the agreement and negotiated advance understanding on a particular cost or item, as applicable.

3. We reviewed monthly disbursements made by the NR during the period May 1, 1989 through April 30, 1990 for a total of US\$343,590 and made 25 on-site inspections to 17 locations where the Resistance conducted training courses.
4. We reviewed the procedures used to control the funds, including bank account controls and monthly bank account reconciliations, and confirmed the final balance with the custodian bank.
5. We physically inspected office furniture and equipment purchased with Program funds.
6. We reviewed the procurement procedures and practices used to determine that sound commercial practices were used.
7. We determined whether advances of funds were justified with documentation, including reconciliations of funds advanced, disbursed, and available.
8. On a limited basis we reviewed and evaluated the systems of accounting controls by conducting compliance tests to determine the extent to which established procedures and controls were functioning as intended.
9. We reviewed the NR's compliance with applicable laws, regulations, and agreement 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

Fund Accountability Statement

In our opinion, the fund accountability statement of the Human Rights Training Program of the Nicaraguan Resistance presents fairly, in all material respects, the Program's receipts and expenditures for the period May 1, 1989 through April 30, 1990, in accordance with agreement No. 594-0000-A-00-9006-00.

Internal Control Structure

In planning and performing our audit of the fund accountability statement of the Program for the period May 1, 1989 through April 30, 1990, we considered its internal control structure in order to determine the auditing procedures for the purpose of expressing our opinion on the fund 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 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 in Honduras.

Compliance with Applicable Laws, Regulations, and Agreement Terms

We tested transactions and records for the period May 1, 1989 through April 30, 1990, which included receipts, disbursements, and reporting to determine the Nicaraguan Resistance's compliance with applicable laws, regulations, and agreement terms. The results of our study indicated that for the items tested, the Nicaraguan Resistance complied, in all material respects, with applicable laws, regulations, and agreement terms. With respect to items not tested, nothing came to our attention that caused us to believe that the Nicaraguan Resistance had not complied, in all material respects, with applicable laws, regulations, and agreement 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.

Price Waterhouse

Price Waterhouse



Price Waterhouse



AGENCY FOR INTERNATIONAL DEVELOPMENT

AUDIT OF THE HUMAN RIGHTS TRAINING PROGRAM
OF THE NICARAGUAN RESISTANCE

A.I.D. AGREEMENT NO. 594-0000-A-00-9006-00
MANAGED BY THE NICARAGUAN RESISTANCE

FUND ACCOUNTABILITY STATEMENT
FROM MAY 1, 1989 THROUGH APRIL 30, 1990
AND ACCUMULATED

REPORT OF INDEPENDENT ACCOUNTANTS

We have audited the accompanying fund accountability statement of the Human Rights Training Program of the Nicaraguan Resistance (the Program), managed by the Nicaraguan Resistance under the agreement No. 594-0000-A-00-9006-00 for the period May 1, 1989 through April 30, 1990 and accumulated from the inception of the Program. The fund accountability statement is the responsibility of the Nicaraguan Resistance management. Our responsibility is to express an opinion on the fund 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 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 financial presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the fund accountability statement of the Human Rights Training Program of the Nicaraguan Resistance presents fairly, in all material respects, the Program's receipts and expenditures for the period May 1, 1989 through April 30, 1990 and accumulated from the inception of the Program, in accordance with agreement No. 594-0000-A-00-9006-00.

This report is intended solely for the use of the Nicaraguan Resistance 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

May 9, 1990.

AUDIT OF THE HUMAN RIGHTS TRAINING PROGRAM (Note 2)
OF THE NICARAGUAN RESISTANCE
A.I.D. AGREEMENT NO. 594-0000-A-00-9006-00
MANAGED BY THE NICARAGUAN RESISTANCE

FUND ACCOUNTABILITY STATEMENT
FROM MAY 1, 1989 THROUGH APRIL 30, 1990
(Expressed in U.S. Dollars - Note 1)

	BUDGET		RECEIPTS AND EXPENDITURES			(OVER) UNDER BUDGET	AMOUNTS QUESTIONED AND IN SUSPENSE (Note 3)
	ORIGINAL	AMENDED	ACCUMULATED AT 04/30/89	THIS PERIOD	TOTAL		
	PROGRAM RECEIPTS:						
Grant	\$173,020	\$450,020	\$100,206	\$336,642	\$436,848	\$13,172	
PROGRAM EXPENDITURES:							
Salaries	64,000	191,500	29,854	159,050	188,904	2,596	
Rent	3,600	8,050	1,400	5,800	7,200	850	
Travel and per diem	12,000	32,750	1,686	22,114	23,800	8,950	\$46
Utilities	1,400	3,450	275	801	1,076	2,374	
Courier services	1,800	5,400		6	6	5,394	
Telephone	13,200	28,100	3,010	10,332	13,342	14,758	
Photocopier rental	3,600	6,300		5,475	5,475	825	
Vehicle rental	15,000	41,250	8,591	35,670	44,261	(3,011)	950
Boat rental	5,000	15,000	730	5,631	6,361	8,639	
Vehicle fuel and maintenance	5,600	25,050	2,645	40,276	42,921	(17,871)	42
Office supplies	3,000	24,000	6,509	24,419	30,928	(6,928)	1,000
Miscellaneous	8,000	27,350	1,460	24,733	26,193	1,157	436
Subtotal	136,200	408,200	55,160	334,307	390,467	17,733	2,474
Commodities	41,820	41,820	24,650	10,352	35,002	6,818	
Unallocated expenditures				10,348	10,348	(10,348)	10,348
TOTAL PROGRAM EXPENDITURES	\$178,020	\$450,020	\$80,810	\$355,007	\$435,817	\$14,203	\$12,822
Excess of Receipts over Expenditures (Note 4)			\$19,393	(\$18,365)	\$1,031		

AGENCY FOR INTERNATIONAL DEVELOPMENT
AUDIT OF THE HUMAN RIGHTS TRAINING PROGRAM
OF THE NICARAGUAN RESISTANCE
A.I.D. AGREEMENT NO.594-0000-A-00-9006-00
MANAGED BY THE NICARAGUAN RESISTANCE
NOTES TO THE FUND ACCOUNTABILITY STATEMENT
FROM MAY 1, 1989 THROUGH APRIL 30, 1990
AND ACCUMULATED

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

The significant accounting policies adopted by the Nicaraguan Resistance to manage the Program are summarized as follows:

Basis of accounting

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

Accounting period

Costs reimbursed included in the Fund Accountability Statement as of April 30, 1990 cover the period May 1, 1989 through April 30, 1990 for the Northern Front and April 16, 1989 through April 30, 1990 for the Atlantic Front.

Exchange rate

The accounting records of the Program are maintained in Honduran lempiras. The accompanying fund accountability statements was converted to US dollars at the official rate of exchange of L2 for one U.S. dollar.

NOTE 2 - HISTORY AND OPERATIONS OF THE PROGRAM

On January 31, 1989, the U.S. Agency for International Development granted to the Nicaraguan Resistance (NR) \$178,020 to fund training of NR members in that organization's Code of Conduct and System of Military Justice, consistent with the statutory authority (Public Law 100-463) to provide training "with respect to the treatment of civilians and other armed forces personnel, in accordance with internationally accepted standards of human rights." Funds provided under this grant were to support instructor salaries, procurement of teaching materials and equipment, and related management costs.

The person responsible for the Program was the NR Director in charge of military affairs and the manager of the Program was the NR Legal Advisor and Prosecutor. The Program included the training of Northern and Atlantic Fronts military personnel. Program activities covered the period January 1, 1989

through April 30, 1989. The Program's activities were subsequently amended as follows:

1. On April 28, 1989, A.I.D. increased the total amount of the grant to \$280,020 and extended the activities funded to July 31, 1989.
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3. On September 22, 1989, A.I.D. increased the total amount of the grant to \$450,020.
4. On January 31, 1990, A.I.D. extended the activities funded to April 30, 1990.

The following courses were implemented by the Program:

1. Basic course: This course was an introduction to the basic principles of the judicial system, rules of war, Code of Conduct and the functions of the NR's Military Prosecutor's Office.
2. Course for members of the Military Courts: This course covered procedures used in prosecuting alleged violations of the Code of Conduct and human rights violations.
3. Course for field instructors: This course was to train a group of combatants in teaching techniques and relations with the civilian population.

NOTE 3 - AMOUNTS QUESTIONED AND IN SUSPENSE

A summary of the amounts questioned and in suspense is presented as follows:

Amounts Questioned

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Travel and Per Diem	Per diem to staff attending to personal matters	\$ 46
Vehicle Rental	Cost of the rental of a vehicle for use after program termination (May 1-15, 1990)	950
Vehicle Fuel and Maintenance	Fuel consumed during non-working days	42

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Office Supplies	Purchase of paper and office supplies supported by an invoice with altered amount, date and detail	\$1,000
Miscellaneous	Various expenses supported by invoices with altered amounts and details	436
		<hr/> 2,474

Amount in Suspense

Program costs incurred during the period April 16 to May 15, 1989, for which the supporting documentation is missing in the files of the TFHA/H and, therefore, not examined by the non-Federal auditors	10,348
	<hr/> \$12,822

The amount of \$2,474 questioned was subsequently disallowed by the TFHA Project Officer for the Human Rights Training Program, deducting them on May 22, 1990, from reimbursements owed to the NR for Family Assistance Payments (FAP) backpayments made by the NR with their own monies.

Regarding the amount in suspense, the TFHA certifying officer in Honduras stated in writing that when he certified the voucher, the supporting documentation was present, but it was subsequently misplaced.

NOTE 4 - EXCESS OF RECEIPTS OVER EXPENDITURES

Excess of receipts over expenditures for the period May 1, 1989 to April 30, 1990, is comprised as follows:

Assets:

Cash in bank	\$4,143
Accounts receivable - Deposit for rent	750
Total assets	<hr/> 4,893

Liabilities:

Accounts payable	1,818
Due to the implementing unit	2,044
Total liabilities	<hr/> 3,862

Excess of receipts over expenditures	<hr/> \$1,031
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Price Waterhouse



AGENCY FOR INTERNATIONAL DEVELOPMENT

AUDIT OF THE HUMAN RIGHTS TRAINING PROGRAM
OF THE NICARAGUAN RESISTANCE

A.I.D. AGREEMENT NO. 594-0000-A-00-9006-00
MANAGED BY THE NICARAGUAN RESISTANCE

INTERNAL CONTROL STRUCTURE

REPORT OF INDEPENDENT ACCOUNTANTS

We have audited the accompanying fund accountability statement of the Human Rights Training Program of the Nicaraguan Resistance (the Program), managed by the Nicaraguan Resistance under the agreement No. 594-0000-A-00-9006-00 for the period May 1, 1989 through April 30, 1990 and accumulated from the inception of the Program, and have issued our report thereon dated May 9, 1990.

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 for the period May 1, 1989 through April 30, 1990, we considered its internal control structure 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 Nicaraguan Resistance 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 fund 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 reported in writing upon identification to the Regional Inspector General for Audit and the Task Force for Humanitarian Assistance.

This report is intended solely for the use of the Nicaraguan Resistance 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

May 9, 1990



Price Waterhouse



AGENCY FOR INTERNATIONAL DEVELOPMENT

AUDIT OF THE HUMAN RIGHTS TRAINING PROGRAM
OF THE NICARAGUAN RESISTANCE

A.I.D. AGREEMENT NO. 594-0000-A-00-9006-00
MANAGED BY THE NICARAGUAN RESISTANCE

COMPLIANCE WITH APPLICABLE LAWS, REGULATIONS, AND AGREEMENT TERMS

REPORT OF INDEPENDENT ACCOUNTANTS

We have audited the fund accountability statement of the Human Rights Training Program of the Nicaraguan Resistance (the Program), managed by the Nicaraguan Resistance under the agreement No. 594-0000-A-00-9006-00 for the period May 1, 1989 through April 30, 1990 and accumulated from the inception of the Program, and have issued our report thereon dated May 9, 1990.

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.

Compliance with applicable laws, regulations, and agreement terms is the responsibility of the Nicaraguan Resistance's management. As part of obtaining reasonable assurance about whether the fund accountability statement is free of material misstatement, we performed tests of the Program's compliance with 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, the Nicaraguan Resistance 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 Nicaraguan Resistance had not complied, in all material respects, with those provisions.

This report is intended solely for the use of the Nicaraguan Resistance 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

May 9, 1990

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