

03-ABC-011

UNITED STATES
AGENCY FOR INTERNATIONAL DEVELOPMENT

THE
INSPECTOR
GENERAL



Regional Inspector General for Audit

TEGUCIGALPA

PD-ABC-011

IN 62792

LIMITED PRE-AWARD
SURVEY OF THE CREDIT COMPONENT OF
THE EARTHQUAKE RECONSTRUCTION PROJECT
WITH AHORROS METROPOLITANOS, S.A.
USAID/EL SALVADOR PROJECT NO. 519-0333

Audit Report No. 1-519-89-08-N
December 30, 1988

AGENCY FOR INTERNATIONAL DEVELOPMENT

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

OFFICE OF THE REGIONAL INSPECTOR GENERAL
AMERICAN EMBASSY
TEGUCIGALPA - HONDURAS

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

December 30, 1988

MEMORANDUM

TO : D/USAID/El Salvador, Henry H. Bassford
FROM : RIG/A/T, *Coinage N. Gothard*
Coinage N. Gothard, Jr.
SUBJECT: Audit Report No. 1-519-89-08-N, "Limited Pre-award Survey of the Credit Component of the Earthquake Reconstruction Project with Ahorros Metropolitanos, S.A. in El Salvador"

This report presents the results of a non-Federal limited pre-award survey requested by your Mission of the Credit Component of the Earthquake Reconstruction Project, USAID/El Salvador Project No. 519-0333, with Ahorros Metropolitanos (AHORROMET), S.A., a savings and loan association in El Salvador. The certified public accounting firm of Price Waterhouse in El Salvador prepared the report, which is dated December 12, 1988.

The purpose of this limited pre-award survey was to determine whether: (1) AHORROMET, S.A.'s accounting system contains sufficient capacity to accurately capture accounting data under the project and the internal accounting and administrative controls are adequate for USAID/El Salvador purposes, and (2) AHORROMET, S.A. has financial and administrative capability for performing the proposed work.

In the opinion of Price Waterhouse: (1) AHORROMET, S.A.'s accounting system is adequate and its internal controls sufficient for recording, identifying and controlling data and operations related to the project; and (2) AHORROMET, S.A. has both the financial and management capability to undertake the project.

The Price Waterhouse report contains 5 recommendations concerning AHORROMET, S.A.'s management capability and its accounting system and internal controls. We believe that the findings are significant and should be implemented. AHORROMET, S.A.'s comments to the report indicated that most but not all of the recommendations have already been implemented. To assure Mission oversight of the implementation of the recommendations we are making the following recommendation:

Recommendation No. 1

We recommend that USAID/El Salvador require Ahorros Metropolitanos (AHORROMET), S.A. to implement, as soon as possible, the 5 recommendations concerning its management capability and its accounting system and internal controls contained in the Price Waterhouse report dated December 12, 1988.

This report is advisory only, since it is our policy not to include pre-award survey recommendations in the Office of the Inspector General's audit recommendation follow-up system unless the recommendations involve potential savings or cost avoidance.

LIMITED PRE-AWARD SURVEY OF THE CREDIT COMPONENT
OF THE EARTHQUAKE RECONSTRUCTION PROJECT
WITH AHORROS METROPOLITANOS, S. A.
USAID/EL SALVADOR PROJECT NO. 519-0333

* * *
DECEMBER 12, 1988

LIMITED PRE-AWARD SURVEY OF THE CREDIT COMPONENT
OF THE EARTHQUAKE RECONSTRUCTION PROJECT
WITH AHORROS METROPOLITANOS, S. A.
USAID/EL SALVADOR PROJECT NO. 519-0333

TABLE OF CONTENTS

	<u>PAGE</u>
Transmittal Letter and Summary	
Background	1 - 3
Audit objectives and scope	3
Results of audit	4
Management comments	4
Financial Capability	
Auditor's opinion	5
Management Capability	
Auditor's opinion	6
Findings	7 - 10
Accounting System and Internal Accounting	
Controls	
Auditor's opinion	11 - 12
Finding	13
List of Report Recommendations	14

Price Waterhouse



December 12, 1988

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

Dear Mr. Gothard:

This report presents the results of our limited pre-award survey of the credit component of the Earthquake Reconstruction Project assigned to Ahorros Metropolitanos, Sociedad Anónima (AHORROMET, S. A.), USAID/El Salvador Project No. 519-0333.

BACKGROUND

AHORROMET, S. A. is a Savings and Loan Association organized on November 15, 1972 to make available to its members or depositors adequate financing for housing construction, acquisition, maintenance, repairs or improvements and is authorized to receive savings deposits and make loans to its members or depositors and generally to engage in the operations envisaged by the National Housing Financier (Financiera Nacional de la Vivienda - FNV) and Savings and Loan Association laws and regulations. AHORROMET is controlled by a Board of Directors which for implementing its resolutions can designate a general manager and other personnel as required.

The Earthquake Reconstruction Project, USAID/El Salvador Project No. 519-0333, will provide \$75 million over a 36 month period through September 30, 1990 to assist El Salvador to restore the standard of living for Salvadorans affected by the October 10, 1986 earthquake. The project will immediately follow the \$50 million Earthquake Recovery Program, USAID/El Salvador project and will strive to provide a long-term solution to the destruction caused by the earthquake. The initial project provided immediate and intermediate solutions over an approximate one year period.

The project purpose is to assist the Government of El Salvador and the private sector to repair and reconstruct homes, businesses, basic services, and infrastructure in metropolitan zones most seriously affected by the earthquake. The project includes two major components: credit and non-credit activities.

Price Waterhouse



December 12, 1988

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

Dear Mr. Gothard:

This report presents the results of our limited pre-award survey of the credit component of the Earthquake Reconstruction Project assigned to Ahorros Metropolitanos, Sociedad Anónima (AHORROMET, S. A.), USAID/El Salvador Project No. 519-0333.

BACKGROUND

AHORROMET, S. A. is a Savings and Loan Association organized on November 15, 1972 to make available to its members or depositors adequate financing for housing construction, acquisition, maintenance, repairs or improvements and is authorized to receive savings deposits and make loans to its members or depositors and generally to engage in the operations envisaged by the National Housing Financier (Financiera Nacional de la Vivienda - FNV) and Savings and Loan Association laws and regulations. AHORROMET is controlled by a Board of Directors which for implementing its resolutions can designate a general manager and other personnel as required.

The Earthquake Reconstruction Project, USAID/El Salvador Project No. 519-0333, will provide \$75 million over a 36 month period through September 30, 1990 to assist El Salvador to restore the standard of living for Salvadorans affected by the October 10, 1986 earthquake. The project will immediately follow the \$50 million Earthquake Recovery Program, USAID/El Salvador project and will strive to provide a long-term solution to the destruction caused by the earthquake. The initial project provided immediate and intermediate solutions over an approximate one year period.

The project purpose is to assist the Government of El Salvador and the private sector to repair and reconstruct homes, businesses, basic services, and infrastructure in metropolitan zones most seriously affected by the earthquake. The project includes two major components: credit and non-credit activities.

1

The credit component's aim is to provide housing loans for repair and reconstruction of individual houses; reconstruction and rehabilitation of hosteleries for rental housing; and construction of new, low cost, condominium type apartments to replace hosteleries. The credit component's aim is to also provide business credit for private health services, private schools, and small business establishments.

The non-credit component will provide direct financing for construction of public schools, repair of municipal markets, highways reconstruction, repair of the ANDA water system, repair and reconstruction of health facilities, and development of relocation sites for families. Also, Private Voluntary Organizations (PVO) activities will be directly funded by USAID/El Salvador to provide housing assistance to low income families affected by the earthquake who have not been able to marshall the resources necessary to repair or replace their shelters.

The credit activities component includes housing credit and business credit. The housing credit will be administered by way of discount credit lines with the Central Bank of Reserve (Banco Central de Reserva - BCR), which will provide local currency to the National Housing Financier (Financiera Nacional de la Vivienda - FNV), which will in-turn provide funding to seven savings and loan associations in El Salvador, as needed, to provide loans for housing repair and reconstruction activities. The seven savings and loan associations involved are:

- (1) Crece, S. A.
- (2) APRISA, S. A. (Ahorro, Préstamos, Inversiones, S. A.)
- (3) Atlacatl, S. A.
- (4) AHORROMET (Ahorros Metropolitanos, S. A.)
- (5) CASA (Construcción y Ahorro, S. A.)
- (6) CREDISA (Crédito Inmobiliario, S. A.)
- (7) La Central de Ahorros, S. A.

The business credit will be administered as a rediscount credit line by the Central Bank of Reserve (BCR) to nine commercial banks, Banco Hipotecario - a private mortgage bank, Fondo de Financiamiento y Garantía para la Pequeña Empresa (FIGAPE) - a GOES financial institution, and Banco Nacional de Fomento Industrial (BANAFI) - a GOES bank. The nine commercial banks involved are:

- (1) Banco Agrícola Comercial
- (2) Banco Capitalizador
- (3) Banco de Comercio
- (4) Banco de Crédito Popular
- (5) Banco Cuscatlán
- (6) Banco de Desarrollo e Inversión
- (7) Banco Financiero

- (8) Banco Mercantil
- (9) Banco Salvadoreño

AUDIT OBJECTIVES AND SCOPE

The specific objectives of our limited pre-award survey were to determine whether:

- 1. AHORROMET, S.A.'s accounting system contains sufficient capacity to accurately capture accounting data under the project and the internal accounting and administrative controls are adequate for USAID/El Salvador purposes, and
- 2. AHORROMET, S. A. has financial and administrative capability for performing the proposed work.

The survey was performed in accordance with generally accepted auditing standards and with the U.S. Comptroller General's "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions" (1981 Revision) and accordingly included such tests as considered necessary in the circumstances.

The scope of our work consisted of:

- 1. Reviewing AHORROMET's accounting system. This review included the evaluation of:
 - a. Internal accounting controls.
 - b. Policies for the management of funds and loans.
 - c. Procedures to request project funding, promote and receive credit applications, approve and disburse credit, and prepare periodic reports on credit lines.
- 2. Evaluating AHORROMET's financial and administrative capability for performing the proposed work. This task included:
 - a. Evaluation of past performance in administering similar credit lines.
 - b. Ascertaining that current assets on hand are sufficient for AHORROMET to function until USAID/El Salvador funding is received.

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

IT

Financial Capability

AHORROMET, S. A. appears to have the financial capability for undertaking the housing credit component of Earthquake Reconstruction Project No. 519-0333, under the system of fund requests submitted to the National Housing Financier (FNV) to cover the approved loans.

Management Capability

AHORROMET, S. A. appears to have the management capability for undertaking the Earthquake Reconstruction Project No. 519-0333 except that:

- A current organization manual did not exist.
- Key project related personnel were not acquainted with the project's standards and regulations
- AHORROMET'S budget did not include project operations
- The content of the project progress reports to be submitted to FNV had not been established.

Accounting System and Internal Accounting Controls

AHORROMET, S. A.'s accounting system appears to be adequate and its internal controls are deemed to be sufficient for recording, identifying and controlling data and operations related to the housing credit component of the Earthquake Reconstruction Project No. 519-0333, except that its chart of accounts does not include the accounts required to control project operations.

MANAGEMENT COMMENTS

The Ahorromet's management in general agreed with the report and commented the following:

1. Organization manuals

These manuals are being prepared; copies of the sections already completed and approved were afterward remitted to price Waterhouse.

2. Disclosure to its departments of the relevant aspects, regulations, standards and procedures governing the project.

This recommendation was already implemented.

3. Plans, budgets and cash flow.

The 1989 projections will include the required information.

4. Progress reports to FNV.

We enclose the pertinent form, as recommended by Price Waterhouse.

5. Specific ledger and subsidiary accounts.

We enclose copy of the applicable chart of accounts which includes the specific ledger and subsidiary accounts to manage the project.

The entire text of management comments is included in Appendix I.

Price Waterhouse

* * *

- 11 -

Price Waterhouse



AHORROS METROPOLITANOS, S. A.
CREDIT COMPONENT OF THE EARTHQUAKE RECONSTRUCTION PROJECT
USAID/EL SALVADOR PROJECT No. 519-0333

REPORT ON FINANCIAL CAPABILITY

AUDITOR'S OPINION

We have performed a limited pre-award survey of Ahorros Metropolitanos, Sociedad Anónima's (AHORROMET, S. A.) financial capability to manage the credit component of the Earthquake Reconstruction Project, USAID/El Salvador Project No. 519-0333. The survey was performed pursuant to the statement of work for the limited pre-award survey and in accordance with the United States Comptroller General's "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions" (1981 Revision). Our work included, to the extent we considered necessary, a review of audited financial statements as of December 31, 1987, unaudited financial statements as of June 30, 1988 and the operating budget for 1988.

Based on our review, as described in the first paragraph above, we believe that at present Ahorros Metropolitanos, Sociedad Anónima (AHORROMET, S. A.) has the financial capability for undertaking the housing credit component of Project No. 519-0333, under the system of fund requests submitted to FNV to cover the approved loans.

This report is intended solely for the use of Ahorros Metropolitanos, Sociedad Anónima (AHORROMET, S. A.) and the United States Agency for International Development. This restriction is not intended to limit distribution of this report which, upon acceptance by the Office of the Inspector General, is a matter of public record.

Price Waterhouse

August 18, 1988
El Salvador, C. A.

Price Waterhouse



AHORROS METROPOLITANOS, S. A.
CREDIT COMPONENT OF THE EARTHQUAKE RECONSTRUCTION PROJECT
USAID/EL SALVADOR PROJECT No. 519-0333

REPORT ON MANAGEMENT CAPABILITY

AUDITOR'S OPINION

We have performed a limited pre-award survey of Ahorros Metropolitanos, Sociedad Anónima's (AHORROMET, S. A.) capability for managing the credit component of the Earthquake Reconstruction Project, USAID/El Salvador Project No. 519-0333. The survey covered those areas we considered relevant to the criteria established by the statement of work for the limited pre-award survey. Our work was performed in accordance with the United States Comptroller General's "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions" (1981 Revision).

Based on our study and our understanding of the criteria included in the statement of work mentioned in the preceding paragraph, we believe that at present Ahorros Metropolitanos, Sociedad Anónima (AHORROMET, S. A.) has the management capability for undertaking the housing credit component of the Earthquake Reconstruction Project No. 519-0333, except for findings 1 to 4 described in the following pages.

This report is intended solely for the use of Ahorros Metropolitanos, Sociedad Anónima (AHORROMET, S. A.) and the United States Agency for International Development. This restriction is not intended to limit distribution of this report which, upon acceptance by the Office of the Inspector General, is a matter of public record.

Price Waterhouse

August 18, 1988
El Salvador, C. A.

AHORROS METROPOLITANOS, S. A.
CREDIT COMPONENT OF THE EARTHQUAKE RECONSTRUCTION PROJECT
USAID/EL SALVADOR PROJECT No. 519-0333

REPORT ON MANAGEMENT CAPABILITY

FINDINGS

1. AHORROMET, S. A. Did not have Current and Approved Organization and Position Description Manuals.

Condition:

At the date of our evaluation, the organization and position description manuals were not current and had not been approved.

Criterion:

To achieve its goals, every entity should have current organization and position description manuals, approved and implemented.

Cause:

It appears that due to the accelerated operations and organization growth of AHORROMET, S. A., its recently created Organization and Methods Unit had not been able to update and/or complete the required organization manuals.

Effect:

Lack of organization and position description manuals precludes a clear definition of the functions, responsibilities, authority levels and segregation of functions regarding the entity's normal operations and those of Project No. 519-0333.

Recommendation:

USAID/El Salvador should require AHORROMET, S. A. to ensure that its Organization and Method Unit prepares and/or updates its organization and position description manuals, in accordance with the general goals of the entity and those of the project.

2. Project No. 519-0333 Regulations, Standards and Procedures Had not Been Disclosed to the Support and Control Units and Departments Concerned.

AHORROS METROPOLITANOS, S. A.
CREDIT COMPONENT OF THE EARTHQUAKE RECONSTRUCTION PROJECT
USAID/EL SALVADOR PROJECT No. 519-0333

REPORT ON MANAGEMENT CAPABILITY

FINDINGS

Condition:

As of the date of this report, the staff of the accounting, loans and internal audit departments were not acquainted with the regulations, standards and procedures governing the housing credit component of the Earthquake Reconstruction Project No. 519-0333.

Criterion:

All key staff concerned with the project should be acquainted with the applicable standards and regulations of the housing credit component, for adequate management of the corresponding credit line.

Cause:

As of the date of our evaluation, the project had been disclosed only to the credit department, as the department concerned with the project's initial stage. The other departments and units were to be informed at a later date.

Effect:

Lack of knowledge of the project's regulations, standards and procedures could lead to the application of inadequate criteria by the project credit line management.

Recommendation:

USAID/El Salvador should require AHORROMET's management to communicate to its departments and units as soon as possible all relevant aspects related to the credit agreement as well as the regulations, standards and procedures governing Project No 519-0333.

3. AHORROMET, S. A. Had not Prepared Project Related Budgets and Cash Flows

Condition:

AHORROMET, S. A. had not prepared specific budgets and cash flows to execute project related operations and had not considered them in its general operation plans.

AHORROS METROPOLITANOS, S. A.
CREDIT COMPONENT OF THE EARTHQUAKE RECONSTRUCTION PROJECT
USAID/EL SALVADOR PROJECT No. 519-0333

REPORT ON MANAGEMENT CAPABILITY

FINDINGS

Criterion:

AHORROMET should include project related budgets and cash flows into its general operation plans.

Cause:

Preparation of project budgets and cash flows or their inclusion in AHORROMET's own plans had not been done because project related credit applications had not yet received.

Effect:

Exclusion of project credit lines from plans and budgets could limit promotion of the project and result in lost opportunities for potential users.

Recommendation:

USAID/El Salvador should require AHORROMET, S. A. to prepare, approve and include project operations in its plans, budgets, and cash flows, in order to adequately promote project related benefits.

4. AHORROMET, S.A. Had not Designed the Reports that it Should Submit Monthly to FNV.

Condition:

AHORROMET, S. A. had not designed the format of the monthly project progress reports to be submitted to FNV, in accordance with the related credit agreement.

Criterion:

According to the credit agreement with FNV, AHORROMET, S.A. should design the format of the progress reports that should be submitted monthly to FNV.

Cause:

The above mentioned format had not been designed because it was assumed that it will be furnished by FNV.

AHORROS METROPOLITANOS, S. A.
CREDIT COMPONENT OF THE EARTHQUAKE RECONSTRUCTION PROJECT
USAID/EL SALVADOR PROJECT No. 519-0333

REPORT ON MANAGEMENT CAPABILITY

FINDINGS

Effect:

Lack of the required report format could lead to errors in the reports, noncompliance with agreement terms and distortions in the information submitted to FNV.

Recommendation:

USAID/El Salvador should require AHORROMET, S. A. and FNV together to establish as soon as possible the content of the progress reports required to be submitted monthly in accordance with agreement terms.

Price Waterhouse



AHORROS METROPOLITANOS, S. A.
CREDIT COMPONENT OF THE EARTHQUAKE RECONSTRUCTION PROJECT
USAID/EL SALVADOR PROJECT No. 519-0333

REPORT ON THE ACCOUNTING SYSTEM AND INTERNAL ACCOUNTING CONTROLS

AUDITOR'S OPINION

We have performed a study and evaluation of the internal accounting and administrative control systems of Ahorros Metropolitanos, Sociedad Anónima (AHORROMET, S. A.) in connection with the limited pre-award survey of the credit component of the Earthquake Reconstruction Project, USAID/El Salvador Project No. 519-0333. The purpose of our study and evaluation was to determine the adequacy of the control systems to record transactions under the agreement. Our study and evaluation was performed in accordance with the United States Comptroller General's "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions" (1981 Revision) and pursuant to the criteria set forth in the statement of work for the limited pre-award survey. Our work was limited to an evaluation of the key controls over the procedures used to request project funding, promote and receive credit applications, approve and disburse credits, prepare periodic reports on credit lines and the record-keeping of such transactions.

The management of AHORROMET, S. A. is responsible for establishing and maintaining adequate internal control systems in areas of significance to the project covered by the above mentioned agreement. In fulfilling that responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of internal control systems are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against waste, loss, and misuse; that resources are properly used and in compliance with established policies and procedures and applicable laws and regulations; and that reliable data are obtained, maintained, and fairly disclosed in management reports.

Because of inherent limitations in any system of internal accounting and administrative controls, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the systems to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

Price Waterhouse



AHORROS METROPOLITANOS, S. A.
CREDIT COMPONENT OF THE EARTHQUAKE RECONSTRUCTION PROJECT
USAID/EL SALVADOR PROJECT No. 519-0333

REPORT ON THE ACCOUNTING SYSTEM AND INTERNAL ACCOUNTING CONTROLS

AUDITOR'S OPINION

Based on our study and the criteria referred to in the first paragraph of this report, we believe that at present the accounting system of Ahorros Metropolitanos, Sociedad Anónima (AHORROMET, S. A.) appears to be adequate and its internal controls are deemed to be sufficient for recording, identifying and controlling data and operations related to the housing credit component of the Earthquake Reconstruction Project No. 519-0333, except for finding No. 1 described in the following page.

This report is intended solely for the use of Ahorros Metropolitanos, Sociedad Anónima (AHORROMET, S. A.) and the United States Agency for International Development. This restriction is not intended to limit distribution of this report which, upon acceptance by the Office of the Inspector General, is a matter of public record.

Price Waterhouse

August 18, 1988
El Salvador, C. A.

AHORROS METROPOLITANOS, S. A.
CREDIT COMPONENT OF THE EARTHQUAKE RECONSTRUCTION PROJECT
USAID/EL SALVADOR PROJECT No. 519-0333

REPORT ON THE ACCOUNTING SYSTEM AND INTERNAL ACCOUNTING CONTROLS

FINDING

1. The Chart of Accounts of AHORROMET, S.A. Did not Include Project Credit Line General Ledger Accounts and Subsidiary Accounts to Record and Control Project Operations

Condition:

AHORROMET, S. A. had not defined, approved and included in its chart of accounts specific general ledger accounts and subsidiary accounts to record, identify and control the subcomponents and beneficiaries of the housing credit component of project No. 519-0333.

Criterion:

According to Section B.5 (b) of Annex II to the agreement, the fund administrators should establish adequate accounting records to control separately specific project operations.

Cause:

The above mentioned specific general ledger accounts and subsidiary accounts had not been defined because project operations had not yet begun.

Effect:

Lack of specific general ledger accounts and subsidiary accounts to identify project related operations could result in inadequate recording of project operations and unreliable financial data.

Recommendation:

USAID/El Salvador should require AHORROMET to define and approve specific general ledger accounts and subsidiary accounts to identify, record and control project operations by subcomponent and credit beneficiaries.

AHORROS METROPOLITANOS, S. A.
CREDIT COMPONENT OF THE EARTHQUAKE RECONSTRUCTION PROJECT
USAID/EL SALVADOR PROJECT No. 519-0333

LIST OF REPORT RECOMMENDATIONS

Management Capability

Recommendation 1:

USAID/El Salvador should require AHORROMET, S. A. to ensure that its Organization and Methods Unit prepares and/or updates its organization and position description manuals, in accordance with the general goals of the entity and those of the project.

Recommendation 2:

USAID/El Salvador should require AHORROMET'S management to communicate to its departments and units as soon as possible all relevant aspects related to the credit agreement as well as the regulations, standards and procedures governing Project No 519-0333.

Recommendation 3:

USAID/El Salvador should require AHORROMET, S. A. to prepare, approve and include project operations in its plans, budgets, and cash flows, in order to adequately promote project related benefits.

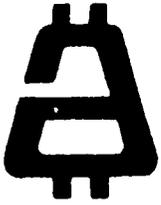
Recommendation 4:

USAID/El Salvador should require AHORROMET, S. A. and FNV together to establish as soon as possible the content of the progress reports required to be submitted monthly in accordance with agreement terms.

Accounting System and Internal Accounting Controls

Recommendation 1:

USAID/El Salvador should require AHORROMET to define and approve specific general ledger accounts and subsidiary accounts to identify, record and control project operations by subcomponent and credit beneficiaries.



AHORROMET

Asociación de Ahorro y Préstamo

Calle Arce y 5a. Av. Sur, Edif. Arque
Apartado Postal No. 824
San Salvador, El Salvador, C. A.

Tel. 71-0888

Appendix I

Noviembre, 17 de 1988

Licenciado
Wilfredo López Salgado
Socio Price Waterhouse
Presente.

Estimado Licenciado López:

Nos referimos a su carta del 3 de noviembre del corriente año, con la que nos comunica los resultados de la revisión realizada por la firma Price Waterhouse; previa a la adjudicación de fondos del componente de crédito del proyecto de Reconstrucción del Terremoto USAID/ El Salvador No.579-0333. Sobre las observaciones indicadas, les manifestamos lo siguiente:

- 1o) Respecto a la primera observación sobre Manuales de Organización; me es grato comunicarle que éstos están en proceso de elaboración. Anexo les remitimos fotocopia de la parte concluida y aprobada.
- 2o) En lo que se refiere al conocimiento las normas y procedimientos del proyecto; hacemos notar que a la fecha las diferentes unidades de ejecución y control conocen lo relativo a -- Reglamentos Normas y Procedimientos del proyecto.
- 3o) Sobre los presupuestos y flujos de efectivo para el proyecto; ✓ éste será incluido en el flujo de caja para el año de 1989.
- 4o) Sobre los informes que deben presentarse mensualmente a la -- ✓ F.N.V. Anexo fotocopia de los formatos pertinentes.
- 5o) Relativo a la nomenclatura de cuentas por el proyecto, le -- ✓ anexo fotocopia de nuestro Plan de Cuentas.

Sin otro particular, aprovecho la oportunidad para saludarle muy atentamente,

AHORROS METROPOLITANOS, S. A.


Lic. Efraín Fuentes A.
Presidente



APPENDIX 2

REPORT DISTRIBUTION

	<u>No. of Copies</u>
Director, USAID/El Salvador	5
AAA/SER	5
AA/LAC	1
LAC/CAP/ES	1
FM	1
LAC/CONT	1
LAC/DP	1
LAC/DR	1
IG	1
AIG/A	1
IG/PPO	2
IG/PSA	1
IG/LC	1
IG/ADM/C&R	5
IG/I	1
RIG/I/T	1
Other RIG/As	1