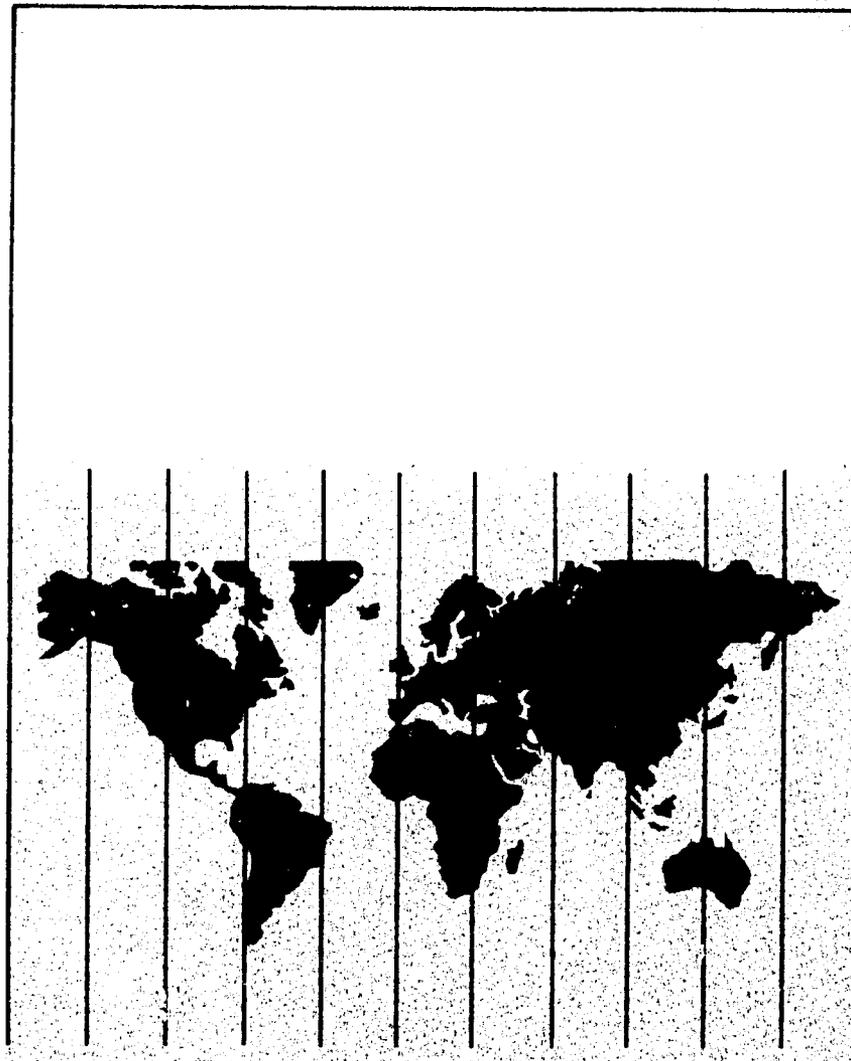


UNITED STATES
AGENCY FOR INTERNATIONAL DEVELOPMENT

THE
INSPECTOR
GENERAL



Regional Inspector General for Audit

TEGUCIGALPA

PD-ABC-204

AUDIT OF USAID/EL SALVADOR'S
IMPROVED DELIVERY OF FAMILY PLANNING
SERVICES PROJECT, MANAGED BY THE
SALVADORAN DEMOGRAPHIC ASSOCIATION,
JANUARY 1, 1984 TO SEPTEMBER 30, 1988

Audit Report No. 1-519-91-06-N
December 5, 1990

AGENCY FOR INTERNATIONAL DEVELOPMENT

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OFFICE OF THE REGIONAL INSPECTOR GENERAL
AMERICAN EMBASSY
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December 5, 1990

MEMORANDUM

TO: D/USAID/El Salvador, Henry H. Bassford

FROM: RIG/A/T Acting, Lou Mundy 

SUBJECT: Audit of USAID/El Salvador's Improved Delivery of Family Planning Services Project, Managed by the Salvadoran Demographic Association, January 1, 1984 to September 30, 1988

This report presents the results of a non-Federal financial audit of the Improved Delivery of Family Planning Services Project (Project), USAID/El Salvador Project No. 519-0275, managed by the Salvadoran Demographic Association (Association), for the period January 1, 1984 to September 30, 1988. The accounting firm of Price Waterhouse prepared the report which is dated October 18, 1990.

Project activities included communal distribution and marketing of contraceptives, mass communication campaigns, and voluntary surgical sterilization.

The purpose of the audit was to determine, for the period audited, whether: (1) the fund accountability statement for Project receipts and expenditures was presented fairly, (2) the internal control structure of the Association was adequate to manage Project funds, and (3) the Association had complied with agreement terms and applicable laws and regulations.

Price Waterhouse did not express an opinion on the fund accountability statement because of certain limitations to their audit scope. The limitations were related primarily to the unavailability of original documentation supporting project disbursements for the years 1984 to 1986, the fact that the Association had not reconciled its accounting records with A.I.D. funds disbursed, and the lack of controls over proceeds from the sale of contraceptives. The auditors identified questionable costs incurred by the Association totaling \$146,491 (+525,312).

a

With respect to the Association's internal control structure the auditors noted six reportable conditions relating to significant design or operation deficiencies. The auditors considered one of these conditions, the Association's inadequate procedures pertaining to the procurement of material and supplies, a weakness which could materially affect the fund accountability statement and not be detected in the normal course of business.

Price Waterhouse reported four instances of material noncompliance with agreement terms and applicable laws and regulations. The Association had not materially complied with the requirements to:

(1) maintain separate project records to account for proceeds from sales of A.I.D. donated contraceptives, (2) maintain an appropriate file documentation system, (3) implement an accounting control system to account for disbursements made with counterpart contribution funds, and (4) maintain evidence in the accounting records of salary and fringe benefit payments.

The report was discussed with management of both the Association and USAID/El Salvador who generally agreed with the findings on internal control and compliance. Management's comments are included in Appendix 1 to the report.

We are including the following recommendations in the Office of the Inspector General's audit recommendation follow-up system:

Recommendation No. 1

We recommend that USAID/El Salvador negotiate a settlement with the Salvadoran Demographic Association for \$146,491 (*525,312) in questionable costs included in the Price Waterhouse report dated October 18, 1990.

Recommendation No. 2

We recommend that USAID/El Salvador ensure that the Salvadoran Demographic Association establish and implement procedures for the procurement of supplies and materials in accordance with the guidelines identified in the Price Waterhouse report dated October 18, 1990.

Recommendation No.3

We recommend that USAID/El Salvador require that the Salvadoran Demographic Association establish separate records to account for Project and component revenues and costs related to the sale of contraceptives and establish procedures so that the net revenues from these sales are refunded to the project.

Recommendation No. 4

We recommend that USAID/El Salvador require that the Salvadoran Demographic Association establish procedures complying with the Project Agreement terms regarding the filing and custody of Project documentation.

Recommendation No. 5

We recommend that USAID/El Salvador require that the Salvadoran Demographic Association establish and implement a system to properly account for disbursements made with counterpart contribution funds.

Recommendation No. 6

We recommend that USAID/El Salvador require that the Salvadoran Demographic Association establish and implement procedures to ensure that salaries and related fringe benefits allowable under the Project are fully and directly supported by the Project account.

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

IMPROVED DELIVERY OF FAMILY PLANNING SERVICES PROJECT
MANAGED BY THE SALVADORAN DEMOGRAPHIC ASSOCIATION
USAID/EL SALVADOR PROJECT No. 519-0275
FINANCIAL AUDIT
FOR THE PERIOD JANUARY 1, 1984
THROUGH SEPTEMBER 30, 1988

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Price Waterhouse



October 18, 1990

Mr. Reginald Howard
Regional Inspector General for Audit
U. S. Agency for International Development
Tegucigalpa, Honduras

Dear Mr. Howard:

This report presents the results of our audit of the Improved Delivery of Family Planning Services Project, USAID/El Salvador Project No. 519-0275, managed by the Salvadoran Demographic Association (Asociación Demográfica Salvadoreña - ADS), for the period from January 1, 1984 to September 30, 1988.

BACKGROUND

On September 30, 1983, the U. S. Government, through the Agency for International Development Mission to El Salvador (USAID/El Salvador), signed a Cooperative Agreement with ADS to cover costs of the Improved Delivery of Family Planning Services Project, USAID/El Salvador Project No. 519-0275, through December 31, 1984. Project activities included communal distribution of contraceptives, marketing and retail selling of contraceptives, mass communication campaigns and voluntary surgical sterilization. As part of this agreement A.I.D. was to provide US\$1,400,000 and ADS was to provide a counterpart contribution of US\$1,942,300. By agreement amendments, the project completion date was extended to December 31, 1989, and A.I.D. funds were increased up to US\$7,353,000.

ADS is a private voluntary non-profit organization with the main objective of research and service to:

- a. promote responsible paternity and maternity,
- b. promote family stability,
- c. study and research the country's demographic growth,

- d. orient communities to the advantages of family planning,
- e. publish material related to sexual education, and
- f. participate and collaborate with other public and private organizations, national or international, having programs closely related to its own.

AUDIT OBJECTIVES AND SCOPE

We were engaged to perform a financial audit of the Improved Delivery of Family Planning Services Project, USAID/El Salvador Project No. 519-0275, managed by the Salvadoran Demographic Association (ADS) for the period from January 1, 1984 to September 30, 1988.

The objectives of our audit were to determine whether:

- a. The fund accountability statement of the Project managed by ADS presents fairly the receipts and disbursements for the period from January 1, 1984 to September 30, 1988, with disclosure of questionable expenditures, if any.
- b. The internal control structure of ADS is adequate to manage the project funds as required by USAID/El Salvador. This should include the controls surrounding the procurement system, inventories management, and fixed assets.
- c. ADS complied with agreement terms, project implementation letters, and applicable laws and regulations.

The scope of our work consisted of:

- reviewing on a selective test basis the documentation supporting project receipts and expenditures to determine whether the project fund accountability statement presents fairly the project's financial position as of September 30, 1988;
- studying and evaluating the internal control structure of ADS related to project activities;
- reviewing project transactions to determine compliance with agreement terms and applicable laws and regulations;
- reviewing bank reconciliations for income and expenditures related to USAID/El Salvador funds, for determining the validity of recorded transactions; and

- reviewing supporting documentation to determine whether expenditures reported as incurred, were in fact allowable, allocable and reasonable in accordance with the agreement.

We attempted to conduct our audit in accordance with generally accepted auditing standards and the U. S. Comptroller General's "Government Auditing Standards" (1988 Revision) but we were prevented from doing so because of the scope limitations noted below. During the audit, we were alert to situations or transactions which might indicate fraud, abuse or illegal expenditures or acts.

SCOPE LIMITATIONS

1. We were unable to examine the original documentation supporting project disbursements for 1984, 1985 and 1986, as such documentation was remitted to USAID/El Salvador and was not made available for our examination, and instead we reviewed photocopies of such documentation. However, we do not consider the examination of photocopies to be sufficient to comply with generally accepted auditing standards.
2. ADS did not reconcile its accounting records with A.I.D.'s; and the scope of our audit did not include direct project disbursements made by A.I.D. on ADS's behalf, which have not been recorded nor reflected in ADS's fund accountability statement.
3. As of September 30, 1988, ADS had not reconciled the project's net excess of disbursements over receipts with cash in the bank account, thus leaving open an unreconciled difference of ¢20,835 on the fund accountability statement whose final effect, if any, is unknown.
4. ADS did not maintain control of the proceeds from sales of contraceptives provided by USAID/El Salvador.

RESULTS OF AUDIT

Fund Accountability Statement

Because of the material limitations to the scope of our audit mentioned above, we are not in the position to express and we do not express an opinion on the fund accountability statement of the Improved Delivery of Family Planning Services Project, USAID/El Salvador Project No. 519-0275. However, as a result of our work we identified incurred costs by ADS amounting to ¢525,312 as described in Note 8 to the fund accountability statement which, in our opinion, are questionable.

Internal Control Structure

In planning and performing our audit of the fund accountability statement, we considered ADS's 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 its internal control structure.

Our evaluation of ADS's internal control structure included the following categories:

- a. personnel costs and fringe benefits,
- b. procurement and disbursements,
- c. contraceptives administration,
- d. fixed assets management, and
- e. accounting and financial reporting.

Our review disclosed the following reportable conditions which except for finding No. 2 are not deemed to have the potential to materially affect the fund accountability statement:

1. There was a lack of control over the inclusion or exclusion of employees in the group life insurance policy.
2. Some procedures surrounding purchases of materials and supplies were inadequate.
3. Access to the contraceptives and materials warehouse was not controlled.
4. Some professional fees were paid to contractor representatives and not to the companies concerned.
5. Lack of written evidence on the review and approval of the accounting documentation.
6. The internal control surrounding fuel consumption is weak.

Compliance with Agreement Terms, and Applicable Laws and Regulations

Except as described in findings Nos. 1 to 4, the results of our tests of compliance indicate that, with respect to the items tested, ADS complied in all material respects with the agreement terms and applicable laws and regulations. Furthermore because of the conditions of the internal control structure, mainly dealing with the entity's book records, it was not possible for us to determine whether for those items not tested ADS complied with the terms of the agreement and applicable laws and regulations.

1. There was a lack of separate project records to account for proceeds from sales of A.I.D. donated contraceptives.
2. There was a lack of an appropriate file documentation system.
3. Control had not been established to account for counterpart contributions.
4. There was a lack of evidence in the accounting records of salary and fringe benefit payments.
5. There was no policy concerning conflicts of interest.
6. The funds of different A.I.D. projects were commingled in a single bank account.
7. A clause was not included in certain subcontracts guaranteeing A.I.D. access to subcontract information.
8. The implementation committee was not organized.
9. ADS did not comply with the Stamp Tax Law.

MANAGEMENT COMMENTS

Except for clearance of some questionable costs disclosed in the original draft report for which afterward we were provided with adequate supporting documentation, USAID/El Salvador and ADS's management generally agree with the findings on internal controls and compliance. The entire text of the written management comments is included in Appendix I of this report.

AUDITORS' RESPONSE

Subsequent to the receipt of USAID/El Salvador and ADS's management comments on the original draft report, we performed a limited survey to determine the extent of the measures taken by management, if any, to correct the deficiencies found by this audit. These actions and additional documentation provided were taken into consideration for issuing this final report.

Eric Waterhouse

* * *

Price Waterhouse



**IMPROVED DELIVERY OF FAMILY PLANNING SERVICES PROJECT
MANAGED BY THE SALVADORAN DEMOGRAPHIC ASSOCIATION
USAID/EL SALVADOR PROJECT N° 519-0275**

**FUND ACCOUNTABILITY STATEMENT
FROM JANUARY 1, 1984 TO SEPTEMBER 30, 1988**

INDEPENDENT AUDITOR'S REPORT

We were engaged to audit the fund accountability statement of the Improved Delivery of Family Planning Services Project, USAID/El Salvador Project No. 519-0275, managed by the Salvadoran Demographic Association (Asociación Demográfica Salvadoreña-ADS), for the period from January 1, 1984 to September 30, 1988. This statement is the responsibility of ADS management.

We attempted to conduct our audit in accordance with generally accepted auditing standards and the U.S. Comptroller General's "Government Auditing Standards" (1988 Revision). Because of the material scope limitations described below and in the notes to the fund accountability statement we were unable to perform our audit in accordance with these standards.

As described in Note 2, the fund accountability statement was prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

As described in Note 5, ADS has not reconciled its records with the funds disbursed by A.I.D. Also the original documentation supporting project disbursements for the years 1984, 1985 and 1986, was not made available to us, and instead we reviewed photocopies of such documentation. Further, there were no controls over proceeds from the sale of contraceptive inventories.

In addition, as described in Note 4, disbursements were made directly in U.S. dollars by USAID/El Salvador for \$831,483 (¢4,157,415). These costs were not recorded in the accounting books and records of ADS and are not shown in the ADS fund accountability statement since they were not included in the scope of our audit. Furthermore, as explained in Note 6, certain

adjustments for ¢114,164 pertaining to funds reimbursements corresponding to expenses incurred on behalf of the Population Dynamics Project, USAID/El Salvador Project 519-0210, although not registered in the books of record, have been reflected in the fund accountability statement, for a fair presentation and to conform with the basis of accounting mentioned in Note 2.

As mentioned in Note 7 to the fund accountability statement, we identified certain transactions in the amount of ¢525,312 which are considered to be questionable costs due to insufficient documentation or because they were not in compliance with agreement terms.

Because of the scope limitations discussed in the fourth and fifth paragraphs above, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the fund accountability statement of the Improved Delivery of Family Planning Services Project, USAID/El Salvador Project No. 519-0275, managed by the Salvadoran Demographic Association (Asociación Demográfica Salvadoreña - ADS), for the period from January 1, 1984 to September 30, 1988.

This report is intended solely for the information and use of the Salvadoran Demographic Association and the U.S. Agency for International Development. This restriction is not intended to limit the distribution of this report which, upon acceptance of the Office of the Inspector General, is a matter of public record.

Pricewaterhouse
September 21, 1990

**IMPROVED DELIVERY OF FAMILY PLANNING SERVICES PROJECT
MANAGED BY THE SALVADORAN DEMOGRAPHIC ASSOCIATION
USAID/EL SALVADOR PROJECT N° 519-0275**

**FUND ACCOUNTABILITY STATEMENT
FROM JANUARY 1, 1984 TO SEPTEMBER 30, 1988**

(Salvadoran colones - Note 3)

	<u>BUDGET</u> (not audited)	Costs funded by A.I.D. and incur- <u>red by ADS</u> (Note 4)	Questionable costs incurred <u>by ADS</u> (Note 7)
Receipts (Note 3)		<u>¢22,374,989</u>	
Disbursements (Note 5):			
Community Based Distri- bution	¢ 4,428,782	3,480,378	¢ 67,146
Mass Media	6,922,900	5,801,076	44,292
Medical Program Support	4,275,315	2,950,498	65,499
Social Marketing	6,017,409	4,681,292	73,635
Evaluation	2,408,870	1,108,708	39,713
Observational Travels	644,710	47,634	
Administrative Expenses	1,606,121	292,679	963
Maintenance and General Services	4,938,375	3,813,635	134,134
Central American Congress	26,220	73,416	
Training	1,118,895	574,241	
Technical Assistance	3,180,000		
Sundries	<u>1,197,403</u>	<u>491,404</u>	<u>99,930</u>
	<u>¢36,765,000</u>	<u>23,314,961</u>	<u>¢ 525,312</u>
Excess of receipts over disbursements		<u>(939,972)</u>	
Add:			
Accounts payable			
Borrowings from the ADS general fund		458,722	
Population Dynamics Project, USAID/ El Salvador Project No. 519-0210		<u>468,927</u>	
		927,649	
Unexplained difference in the reconci- liation of cash in bank balance		<u>20,835</u>	
		<u>948,484</u>	
Cash in bank at the end of period		<u>¢ 8,512</u>	

IMPROVED DELIVERY OF FAMILY PLANNING SERVICES PROJECT
MANAGED BY THE SALVADORAN DEMOGRAPHIC ASSOCIATION
USAID/EL SALVADOR PROJECT No. 519-0275

NOTES TO THE FUND ACCOUNTABILITY STATEMENT
FROM JANUARY 1, 1984 TO SEPTEMBER 30, 1988

NOTE 1 -- THE COOPERATIVE GRANT AGREEMENT:

On September 30, 1983, the U.S. Government through the Agency for International Development mission to El Salvador (USAID/El Salvador) signed a cooperative agreement with the Salvadoran Demographic Association (ADS) to provide support for the Improved Delivery of Family Planning Services Project. The purpose of this project is to assist the ADS, in coordination with agencies of the Government of El Salvador involved in population planning, in reaching the national goal of reducing population growth. Amendments to the agreement have extended the project through December 31, 1989. Currently approved A.I.D. funding totals US\$7,353,000 (Q36,765,000) for the project.

NOTE 2 -- SUMMARY OF ACCOUNTING POLICIES:

The significant accounting policies adopted by ADS for the Improved Delivery of Family Planning Services Project do not necessarily reflect the application of accounting principles generally accepted in the United States of America. A summary of such policies is summarized below:

Basis of accounting -

Although Generally Accepted Accounting Principles require the accrual method to account for transactions, receipts and disbursements of the project are recorded under the cash basis method.

Fixed assets -

Fixed assets purchased by ADS with project funds are recorded as project costs. Fixed assets purchased directly by A.I.D. with project funds are not recorded by ADS.

Fringe benefits and severance payments -

Compensation accruing in favor of the ADS employees, according to the Labor Code, is payable to them annually. ADS claims 40% over labor costs as a reimbursable item, which includes the following legal benefits: vacations, Christmas bonus, severance compensation, social security and social housing fund contributions. Beginning in 1987, ADS has recognized as fringe benefits the payments of employees' life insurance coverage as well as social security and social housing fund contributions, which according to the law are the employees' burden.

NOTE 3 - EXCHANGE RATE:

ADS maintains its accounting records in Salvadoran colones, represented by the symbol ¢ in the accompanying fund accountability statement. The official exchange rate with the U.S. dollar from January 1, 1984 to January 21, 1986 was ¢2.50 to US\$1.00 and beginning January 22, 1986 the official exchange rate was established at ¢5.00 for US\$1.00. Out of the fund advances which ADS has received from USAID/El Salvador ¢8,414,334 were translated at the previous exchange rate of ¢2.50 to US\$1.00, and ¢13,960,655 were translated at the current exchange rate of ¢5.00 to US\$1.00.

NOTE 4 - FOREIGN CURRENCY DISBURSEMENTS:

According to the grant agreement terms, foreign currency allocations will be exclusively used for the acquisition of goods and services from the U.S., the cooperating country, "Selected Free World" countries (A.I.D. Geographic code 941) or "Special Free World" countries (A.I.D. Geographic code 935) origin, in order of preference. The related funds have been directly administered by A.I.D.

Substantial project expenditures such as technical assistance services and purchases of commodities and major equipment items have been paid directly by A.I.D. Such direct A.I.D. expenditures, totaling US\$831,483 (¢4,157,415) through September 30, 1988, were not included in the ADS fund accountability statement and, therefore, were not included in the scope of the audit.

NOTE 5 - ADS's LOCAL CURRENCY DISBURSEMENTS FUNDED BY AID:

The disbursements made by ADS in local currency funded by A.I.D. made as at September 30, 1988 are the following:

	<u>Community</u> <u>Based Dis-</u> <u>tribution</u>	<u>Mass</u> <u>Media</u>	<u>Medical</u> <u>Program</u> <u>Support</u>	<u>Social</u> <u>Marketing</u>	<u>Other</u> <u>components</u>	<u>Total</u>
Labor and fringe benefits	¢2,440,536	¢1,148,425	¢2,316,648	¢1,871,804		¢ 7,777,413
Maintenance	752,569		60,348			812,917
Training	86,377					86,377
Per diem allowances	200,896					200,896
Advertising		3,728,258		2,809,488		6,537,746
Audiovisual printed material		924,393				924,393
Laboratory			285,375			285,375
Materials			288,127			288,127
Other expenses					¢6,401,717	6,401,717
	<u>¢3,480,378</u>	<u>¢5,801,076</u>	<u>¢2,950,498</u>	<u>¢4,681,292</u>	<u>¢6,401,717</u>	<u>¢23,314,961</u>

The disbursements of the project managed by ADS included in the fund accountability statement are not supported by adequate records and documentation, as evidenced by the following conditions, also detailed in audit findings:

1. The original documentation supporting project disbursements for the years 1984, 1985 and 1986, which was submitted to USAID/El Salvador together with the related reimbursement requests, was not made available to the auditors, and instead they reviewed photocopies of such documentation. It is considered that examination of photocopies of the documentation supporting project disbursements is not sufficient to comply with generally accepted auditing standards.
2. ADS has not attempted to reconcile its records with the funds disbursed by A.I.D. nor has it recorded the payments made directly by A.I.D. on ADS's behalf, which mainly covered technical assistance, fixed assets and contraceptives and therefore are not included in the ADS's fund accountability statement.
3. ADS did not maintain control of the proceeds from the sale of contraceptives provided by USAID/El Salvador.

NOTE 6 - ADJUSTMENTS NOT REGISTERED IN THE BOOKS OF RECORDS:

During the period under review, some expenses corresponding to salary and fringe benefits payment for ¢25,705 and training disbursements for ¢88,459 for the period from July, 1988 to September 1988, both pertaining to the Population Dynamics Project, USAID/El Salvador Project 519-0210, were charged to the project costs, without written authorization from USAID/El Salvador. On August 22, 1990 these funds were reimbursed to the project 519-0275 and the related adjustments in the project expense liquidations submitted to USAID/El Salvador will be registered by ADS at year ending September 30, 1990.

The aforementioned adjustments, although not registered in the books of record at September 30, 1988, have been reflected in the accompanying fund accountability statement for its fair presentation and to conform with the basis of accounting described in Note 2.

NOTE 7 - QUESTIONABLE COSTS:

Following is a summary of costs deemed to be questionable for not meeting the project eligibility, applicability and/or reasonableness requirements:

Questionable
costs

Component

1. COMMUNITY BASED DISTRIBUTION

- | | |
|---|----------|
| a. Fringe benefits charged to the project in excess of actual (social security and social housing fund), Exhibit I. | Ø 48,810 |
| b. Fringe benefits charged to the project in excess of actual (life insurance), Exhibit II. | 3,320 |
| c. Fringe benefits for December 1983 payrolls charged to the project in excess of actual (social security and social housing fund) | 9,407 |
| d. Spare parts and materials purchased in Guatemala with ADS dollar funds. The exchange difference is charged to the project, and profits thereof are picked up by the ADS general fund. It does not matter that foreign exchange is not acquired in the free market. It is received from other donors at the legal rate and transactions charged to the project are at the free market rate: | |

Voucher N°	Date	Expense Recorded by ADS	Charged to A.I.D.	Exchange profits recorded by ADS	
503	May 29, 1984	Ø5,610	Ø8,639	Ø3,029	
107	February 8, 1984	4,961	7,541	<u>2,580</u>	<u>5,609</u>
Carried over . . .					<u>Ø 67,146</u>

Questionable
costs

Brought forward . . .

ø 67,146

2. MASS MEDIA

a. Fringe benefit costs charged to the project in excess of actual (social security and social housing fund), Exhibit I.

1,057

b. Checks issued from the project bank account pertaining to purchase discounts granted by suppliers. The checks issued for such discounts were deposited in the ADS general fund, as follows:

<u>Reimbursement</u>		<u>Check</u>		
<u>Request N°</u>	<u>Date</u>	<u>number</u>	<u>Amount</u>	
12	December, 1985	1258	ø1,000	
12	December, 1985	1304	1,200	
13	February, 1986	1358	<u>2,000</u>	4,200

c. Reimbursement requested for purchase of books made in August 1985 for US\$15,178 includes US\$7,807 related to proforma invoices No. 1264 and 1265 amounting to US\$3,047 and US\$4,760, respectively, which are not supported by original invoices and packing lists from vendors

39,035

44,292

3. MEDICAL PROGRAM SUPPORT

a. Fringe benefits charged to the project in excess of actual (social security and social housing fund), Exhibit I.

56,574

Carried over . . .

56,574

Carried over . . .

ø111,438

	<u>Questionable costs</u>
Brought forward . . .	<u>Ø111,438</u>
Brought forward . . .	56,574
b. Fringe benefits charged to the project in excess of actual (life insurance), Exhibit II.	<u>8,925</u>
	<u>65,499</u>
4. <u>SOCIAL MARKETING</u>	
a. Fringe benefits charged to the project in excess of actual (social security and social housing fund), Exhibit I.	28,235
b. Fringe benefits charged to the project in excess of actual (life insurance), Exhibit II.	2,513
c. Advance to Publicidad Comercial, S. A. for filming a TV commercial, paid with check No. 02807 of December 16, 1986, and included in the monthly liquidation submitted to USAID/El Salvador although the film production was suspended. The agency issued a credit note which was deducted by ADS per voucher No. 548, check No. 03287 dated May 26, 1987, but the credit was not included in the expense liquidation submitted to USAID/El Salvador.	38,987
d. Disbursement charged to the project but not actually incurred, as it pertains to a purchase discount granted by the supplier. The charge, however, was reimbursed by A.I.D. under request No. 8 in 1984. Check No. 1257 was issued from the project bank account for such discount and deposited in the ADS' general fund.	<u>1,000</u>
Carried over . . .	<u>70,735</u>
Carried over . . .	<u>Ø176,937</u>

	Questionable costs
Brought forward . . .	<u>Ø176,937</u>
Brought forward . . .	70,735
e. Disbursement for sales commission earned during August 1984 by Carlos Portillo, ADS salesman, but check not actually cashed by him. Check No. 1230 requested under reimbursement No. 7 during 1984, was issued to ADS and the corresponding receipt form is signed by the ADS administrative and financial manager. No proof that the commission had been paid against the ADS general fund was shown to the auditors.	<u>2,900</u>
	<u>73,635</u>
 5. <u>EVALUATION</u>	
a. Fringe benefit costs covering vacations, Christmas bonuses, severance payment and life insurance for personnel contracted for the Demographic Health Survey (FESAL/85) activity. The benefits were not paid by ADS.	<u>39,713</u>
	<u>39,713</u>
 6. <u>ADMINISTRATIVE EXPENSES</u>	
a. Fringe benefits charged to the project in excess of actual (social security and social housing fund), Exhibit I.	<u>963</u>
	<u>963</u>
 7. <u>MAINTENANCE AND GENERAL SERVICES</u>	
a. Fringe benefits charged to the project in excess of actual (social security and social housing fund), Exhibit I.	28,661
b. Fringe benefits charged to the project in excess of actual (life insurance), Exhibit II.	<u>3,630</u>
Carried over . . .	<u>32,291</u>
Carried over . . .	Ø291,248

	Questionable <u>costs</u>
Brought forward . . .	<u>Ø291,248</u>
Brought forward . . .	32,291
c. 2.66% overhead charged to the project, with no specific provision in the agreement or in the corresponding im- plementation letter.	<u>101,843</u>
	<u>134,134</u>
8. <u>SUNDRIES</u>	
a. 2.66% overhead charged to the project, with no specific provision in the agreement nor in the corresponding implementation letters	<u>99,930</u>
Total questionable costs	<u>Ø525,312</u>

**IMPROVED DELIVERY OF FAMILY PLANNING SERVICES PROJECT
WITH THE SALVADORAN DEMOGRAPHIC ASSOCIATION
USAID/EL SALVADOR PROJECT N° 519-0275**

**FUND ACCOUNTABILITY STATEMENT
FROM JANUARY 1, 1984 TO SEPTEMBER 30, 1988**

FRINGE BENEFITS REPORTED IN EXCESS OF ACTUAL

ADS charged to project costs 40 percent above the total salaries paid as fringe benefits (social security and social housing fund contributions). However, the actual contributions for social security and social housing fund contributions are based on a graduated tax up to a maximum salary taxed. The result is that actual contributions are less than the 40 percent charged to the project. Following is a summary of the excess amounts charged to the project from 1984 through 1988.

<u>Component</u>	<u>Years</u>					<u>Total</u>
	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	
Communal distribution	£40,182	£ 8,628				£ 48,810
Mass media	236	236	£ 413	£ 172		1,057
Medical program	18,606	8,495	13,682	7,205	£ 8,586	56,574
Social marketing	5,250	9,525	7,272	3,482	2,706	28,235
Maintenance and general services		2,029	12,697	6,252	7,683	28,661
Administrative costs					963	963
	<u>£64,274</u>	<u>£28,913</u>	<u>£34,064</u>	<u>£17,111</u>	<u>£19,938</u>	<u>£164,300</u>

EXHIBIT II

IMPROVED DELIVERY OF FAMILY PLANNING SERVICES PROJECT
WITH THE SALVADORAN DEMOGRAPHIC ASSOCIATION
USAID/EL SALVADOR PROJECT N° 519-0275

FUND ACCOUNTABILITY STATEMENT
FROM JANUARY 1, 1984 TO SEPTEMBER 30, 1988

LIFE INSURANCE COVERAGE COSTS REPORTED
BUT NOT ACTUALLY INCURRED

The 40% fringe benefits rate claimed by ADS included 8.34% for 1984, 1985 and 1986 and 4.34% for 1987 and 1988 for life insurance costs. Although these rates were designed to recover the total cost of employee insurance, when applied only to the salaries of those employees receiving insurance coverage, these rates were also charged against the salaries of employees who were not under such coverage. Consequently, ADS did not incur the claimed costs (see details in Exhibit III).

A summary of such costs classified per year and activity is detailed as follows:

<u>Component</u>	----- Years -----				<u>Total</u>
	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	
Communal distribution of contraceptives	<u>₡3,320</u>				<u>₡ 3,320</u>
Support to medical program	<u>2,300</u>	<u>₡6,625</u>			<u>8,925</u>
Social marketing		<u>750</u>	<u>1,763</u>		<u>2,513</u>
Maintenance and general services	<u>-----</u>	<u>1,100</u>	<u>1,125</u>	<u>1,405</u>	<u>3,630</u>
	<u>₡5,620</u>	<u>₡8,475</u>	<u>₡2,888</u>	<u>₡1,405</u>	<u>₡18,388</u>

IMPROVED DELIVERY OF FAMILY PLANNING SERVICES PROJECT
WITH THE SALVADORAN DEMOGRAPHIC ASSOCIATION
USAID/EL SALVADOR PROJECT N° 519-0275

FUND ACCOUNTABILITY STATEMENT
FROM JANUARY 1, 1984 TO SEPTEMBER 30, 1988

INSURANCE COSTS CHARGED AGAINST THE PROJECT FOR
EMPLOYEES NOT INCLUDED IN THE
GROUP LIFE INSURANCE POLICY

<u>Employee name</u>	<u>Amount claimed</u>
<u>1984</u>	
1. Carlos Antonio Mejia	¢ 940
2. Miguel Angel Palomo G.	690
3. Rafael de J. Rodríguez	690
4. Daysi del Carmen Caballero	1,000
5. Carmen Estela Canales	565
6. Maria Irene Manzanares de Ortiz	900
7. Miguel E. Molina Clara	835
	<u>¢5,620</u>
<u>1985</u>	
1. Alfonso Molina González	950
2. Olga Vega de Pérez	1,175
3. Gloria Estela Mejía	1,125
4. Delmy Leticia Andrade de B.	1,125
5. Guillermina Castellón	1,125
6. Esther María de Buruca	1,125
7. Oscar Daniel Santos de la Cruz	750
8. Carlos Antonio Mejía	1,100
	<u>¢8,475</u>
<u>1986</u>	
1. Oswaldo Enrique Guadrón	863
2. Manuel Antonio Hernández Serrano	900
3. Miguel Angel Quintanilla Herrera	1,125
	<u>¢2,888</u>
<u>1987</u>	
1. Miguel Angel Quintanilla Herrera	<u>¢1,405</u>

Price Waterhouse



**IMPROVED DELIVERY OF FAMILY PLANNING SERVICES PROJECT
MANAGED BY THE SALVADORAN DEMOGRAPHIC ASSOCIATION
USAID/EL SALVADOR PROJECT No. 519-0275**

INTERNAL CONTROL STRUCTURE

INDEPENDENT AUDITOR'S REPORT

We were engaged to audit the fund accountability statement of the Improved Delivery of Family Planning Services Project, USAID/El Salvador Project No. 519-0275, managed by the Salvadoran Demographic Association (Asociación Demográfica Salvadoreña-ADS) for the period from January 1, 1984 to September 30, 1988. We have issued our report thereon dated September 21, 1990, in which we disclaimed an opinion because of significant audit scope limitations mentioned therein.

We attempted to conduct 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 Improved Delivery of Family Planning Services Project, USAID/El Salvador Project No. 519-0275, managed by ADS, for the period from January 1, 1984 to September 30, 1988, we considered the 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 ADS is responsible for establishing and maintaining an adequate internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related cost of control 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 adequate financial information. 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 may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

As described in the following pages, the internal control structure contains so many weaknesses that we elected to rely on substantive testing for a more efficient audit. Consequently, our evaluation was limited to a preliminary review of the internal control structure to obtain an understanding of the accounting systems. For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories: personnel costs and fringe benefits, procurement and disbursements, contraceptives administration, fixed assets management, accounting and financial reporting.

Our evaluation of ADS's internal control structure disclosed certain matters involving the project's execution that we consider reportable conditions in accordance with generally accepted auditing standards and the United States Comptroller General's "Government Auditing Standards" (1988 Revision). The reportable conditions are described in the following pages of this report, under findings numbers 1 to 6, and involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect ADS's ability to record, process, summarize and report financial data consistent with the assertions of management in the fund accountability statement.

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 may occur in amounts that would be material in relation to the fund accountability statement being audited and not be detected by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters 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. Nevertheless, except for finding No. 2, we believe that none of the reportable conditions described above are material weaknesses.

This report is intended solely for the use of the Salvadoran Demographic Association 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.

Trice Watshouse
September 21, 1990

IMPROVED DELIVERY OF FAMILY PLANNING SERVICES PROJECT
MANAGED BY THE SALVADORAN DEMOGRAPHIC ASSOCIATION
USAID/EL SALVADOR PROJECT No. 519-0275

INTERNAL CONTROL STRUCTURE

AUDIT FINDINGS

1. There was a Lack of Control Over the Inclusion or Exclusion of Employees in the Group Life Insurance Policy

Condition:

There was insufficient control being exercised to ensure that all employees of ADS were included in the coverage of its group life insurance policy and that former employees were dropped from coverage.

Criteria:

Controls need to be in place to ensure that those employees entitled to receive free insurance coverage receive it and to avoid paying insurance premiums on existing employees until the insurance company picks them up under the coverage or on former employees that have left the organization.

Cause:

ADS's administration of its group life insurance plan and coverage was deficient.

Effect:

- a. Costs of Q18,388 , were charged to the project and not incurred, for coverage of certain employees, but these employees were not actually covered under the group life insurance policy because the insurance company had not picked them up in its records or were not reported by ADS (Exhibit III of the Fund Accountability Statement).
- b. Insurance premiums might be paid for employees no longer working for ADS.

Recommendation:

The Salvadoran Demographic Association (ADS) should implement controls to ensure that employees receive the life insurance coverage they are entitled to and that former employees are dropped from such coverage. Also, ADS cannot charge the project more than the correct premium amounts for the coverage of project employees and therefore we are recommending that it refund the Q18,388 in excess premiums paid.

2. Some Procedures Surrounding Purchases of Materials and Supplies were Inadequate

Condition:

The internal control environment surrounding procurement of materials and supplies has the following weaknesses:

- a. The form used by the procurement department to analyze the quotations received did not evidence in writing the criteria applied in selecting a specific quotation even though awards are not always made based upon the best price.
- b. No dollar floor has been established regarding the agreement requirement in procurements to obtain at least three quotations and to prepare purchase orders and contracts.
- c. Materials were purchased which differed from the authorized purchase orders, with no written evidence of authorization for any change.
- d. Purchases were made without purchase orders.
- e. Some materials and supplies were delivered directly to the interested department, bypassing warehouse controls.
- f. Purchases were made in cash by the employee responsible for quotations.
- g. Some purchases were made by the operating departments without going through the procurement department.

Criteria:

- a. All the purchases, without exception, should be recorded in the warehouse controls.
- b. For procurement of materials and supplies greater than Ø2,500 and less than the equivalent of US\$8,000, at least three quotations should be obtained and be approved by the Financial Director.
- c. A.I.D. procurement regulations require that all purchases greater than US\$8,000 should be approved by A.I.D. and supported by at least three quotations, and when the purchase is not awarded to the best quotation offered a form should document the analysis of the quotations received and evidence in writing the criteria used for selection.

- d. In addition purchases above US\$8,000 should be supported by a contract as required by the grant agreement.

Cause:

There is lack of supervision on the procurement department transactions and there were deviations from previously established procurement procedures.

Effect:

- a. There is insufficient evidence to assure that purchases were made at the best market prices on the basis of a free and open competition. In addition, there is no assurance that all the purchases were properly approved.
- b. Insufficient formal documentation is prepared in order to be able to demand compliance with the quality, price and time of delivery conditions agreed upon during the purchase negotiations.
- c. The fact that some purchases bypass the warehouse nullifies controls designed to assure that all the materials were actually received.
- d. Purchases made in cash may lead to irregularities.

Recommendation:

The Salvadoran Demographic Association, in its materials and supplies procurements, should establish as its policy and ensure the following:

- a. All purchases should be supported by a purchase order. For purchases greater than Q2,500 at least three quotations should be obtained and the procurement officer should fill out a form analyzing the quotations received and document in writing the basis for selection when the purchase is not awarded based on the best price.
- b. For purchases greater than US\$8,000 a contract should be required to comply with the grant agreement.
- c. Purchases should not differ from the quantity, prices and quality established in the purchase order. Any deviation should be justified.
- d. Purchases greater than US\$8,000 should be approved by A.I.D. in accordance with the terms of the agreement.

- e. All purchases should be approved by the procurement department and materials and supplies should be delivered to and issued from the warehouse.
- f. Cash purchases should be performed by other than the employee responsible for quotations.
- g. The transactions executed by the procurement department should be reviewed by the internal audit department.

3. Access to the Contraceptives and Materials Warehouse was not controlled

Condition:

A door inside the general warehouse allows for access to the room where contraceptives are packed. This door remains open and it is beyond the warehouseman's field of vision.

Criteria:

The control structure within the financial management system, covered by A.I.D. handbook 13, section 1L, requires that appropriate safeguarding measures over all assets be adopted.

Cause:

The condition exists due to lack of foresight when the warehouse was built.

Effect:

A potential exists for losses of contraceptives or materials without their being detected on a timely basis for accountability purposes. Our physical inspection of the warehouse did not disclose any irregularity in this respect.

Recommendation:

The Salvadoran Demographic Association should instruct its warehouseman to maintain the above mentioned door under lock at all times.

4. Some Professional Fees Were Paid to Contractor Representatives and Not to The Companies Concerned

Condition:

Professional services contracted with the consulting companies I.P.M., S. A. de C. V., Daniel Carr & Associates and Camar, S. A. were paid with checks issued to their legal representatives rather than to the companies themselves.

Criteria:

Adequate control procedures require that checks be issued to the contracting companies and not to their representatives.

Cause:

ADS considered this procedure appropriate because the above companies' legal representatives are practically their sole proprietors.

Effect:

This practice may affect the Government of El Salvador's fiscal interests because these companies could avoid payment of income and other related taxes. Also a conflict of interest could exist and not be detected.

Recommendation:

The Salvadoran Demographic Association should issue the checks in the name of the contracted companies and avoid the practice of issuing checks in the names of their representatives.

5. Lack of Written Evidence on the Review and Approval of the Accounting Documentation

Condition:

Most of the documentation supporting project recorded transactions lacks the signatures of responsible employees as evidence of their preparation, review and authorization.

Criteria:

Sound administrative procedures require that the accounting documentation used for recording project transactions be reviewed and authorized by employees vested with such responsibility.

Cause:

The institution has not established procedures in this regard and it is not aware of the risk that the lack of such procedures could imply.

Effect:

Lack of review and authorization of the accounting documentation leads to more frequent errors and causes the resulting data to be unreliable and not useful.

Recommendation:

The Salvadoran Demographic Association should establish procedures to ensure that all the accounting transactions and their supporting documentation are reviewed and authorized in writing by responsible officers prior to their registration.

6. The Internal Control Surrounding Fuel Consumption is Weak

Condition:

ADS's practice is to procure fuel through the system of coupons, five gallons for each one, which are given to drivers according to needs. The following weaknesses were noted in the fuel purchase and consumption procedures:

- a. Purchases of fuel coupons from fuel distribution companies are not supported with purchase orders evidencing proper authorization from responsible officials. Additionally, the coupons are not numbered.
- b. Fuel consumption control reports are not supported with the coupons and actual mileage driven, and these reports did not always indicate who received the fuel.
- c. Some vehicles have damaged mileage meters.

Criteria:

The agreement requires that the administrative practices adopted by the grantee be sufficient for an adequate control over project funds.

Cause:

- a. There were no purchase and fuel consumption internal controls in force.
- b. Mileage meters were not repaired because repairs have been limited to those necessary to continue operation of the vehicles.

Effect:

There is no formal control over how many fuel coupons are purchased by ADS and there is incomplete information on who received these coupons. Such a system allows for the misuse of fuel without detection. Additionally, the lack of functioning mileage meters on certain vehicles does not allow for an evaluation of gallons consumed vs. mileage.

Recommendation:

The Salvadoran Demographic Association should strengthen its internal control procedures surrounding fuel purchase and consumptions by:

- a. Using purchase orders approved by responsible officials for all fuel purchases and sequentially numbering each fuel coupon purchased upon receipt.
- b. Supporting fuel consumption reports with the numbered fuel consumption coupons which should indicate: 1) trips made and associated kilometers traveled on each trip since the last coupon was issued and the proposed trips and kilometers to be traveled with fuel to be purchased with the new coupon, 2) the name and signature of the person who receives the fuel, and 3) written evidence of approval by responsible officials.
- c. Repairing the damaged mileage meters so that kilometers traveled on each trip or day can be computed and compared with fuel consumed.

* * *

Price Waterhouse



**IMPROVED DELIVERY OF FAMILY PLANNING SERVICES PROJECT
MANAGED BY THE SALVADORAN DEMOGRAPHIC ASSOCIATION
USAID/EL SALVADOR PROJECT No. 519-0275**

**COMPLIANCE WITH AGREEMENT TERMS
AND APPLICABLE LAWS AND REGULATIONS**

INDEPENDENT AUDITOR'S REPORT

We were engaged to audit the fund accountability statement of the Improved Delivery of Family Planning Services Project, USAID/El Salvador Project No. 519-0275, managed by the Salvadoran Demographic Association (Asociación Demográfica Salvadoreña-ADS), for the period from January 1, 1984 to September 30, 1988 and have issued our report thereon dated September 21, 1990, in which we disclaimed our opinion because of significant audit scope limitations that prevented us from conducting our audit in accordance with generally accepted auditing standards and the U. S. Comptroller General's "Government Auditing Standards" (1988 Revision).

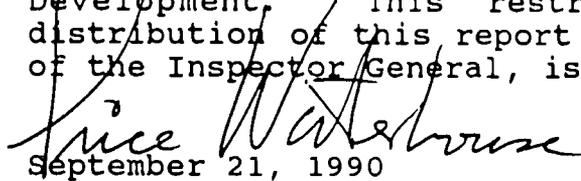
The management of ADS is responsible for compliance with the terms of the agreement and applicable laws and regulations. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement we performed tests of transactions and records to determine the ADS's compliance with provisions of the agreement, and applicable laws and regulations. However, our objective was not to provide an opinion on overall compliance with such provisions.

Material instances of noncompliance are failures to follow agreement terms and applicable laws and regulations that cause us to conclude that the aggregation of the misstatements resulting from those failures or violations could be material with respect to the fund accountability statement. The results of our tests of compliance disclosed findings Nos. 1 to 4, described in the following pages, as material instances of noncompliance, the effects of which have been disclosed in the fund accountability statement. Other noncompliances are reported as finding Nos. 5 to 9. In addition, possible matters of noncompliance may exist in those areas of the project which we did not review because of the scope limitation mentioned in the first paragraph above.

We considered these material instances of noncompliance in attempting to form our opinion on whether the Improved Delivery of Family Planning Services Project's fund accountability statement mentioned above is presented fairly, in all material respects, in conformity with the accounting basis, mentioned in Note 2 to the fund accountability statement. This report does not affect our report dated September 21, 1990 on such statement.

Except as described above, the results of our tests of compliance indicate that, with respect to the items tested, ADS complied in all material respects, with the terms mentioned in the second paragraph, above. Furthermore, because of the condition of the internal control structure, mainly dealing with the entity's books of record, it was not possible for us to determine whether for those items not tested ADS complied with the terms of the agreement, and applicable laws and regulations.

This report is intended solely for the use of Salvadoran Demographic Association and the U.S. 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.


September 21, 1990

IMPROVED DELIVERY OF FAMILY PLANNING SERVICES PROJECT
MANAGED BY THE SALVADORAN DEMOGRAPHIC ASSOCIATION
USAID/EL SALVADOR PROJECT No. 519-0275

COMPLIANCE WITH AGREEMENT TERMS,
AND APPLICABLE LAWS AND REGULATIONS

AUDIT FINDINGS

1. There was a Lack of Separate Project Records to Account for Proceeds from Sales of A.I.D. Donated Contraceptives

Condition:

ADS did not implement separate records to control proceeds from sales of project contraceptives, which should have been used to finance project related activities other than those covered by the annual implementation plans.

Criteria:

Provisions of A.I.D. Handbook 13, section 1J, related to proceeds from sales require that specific records should be maintained. The administration system should detail proceeds derived by each project.

Cause:

ADS did not have procedures to implement the above mentioned regulations.

Effect:

The Salvadoran Demographic Association reported as counterpart contribution activities financed with proceeds from the sales of contraceptives. However, because there were multiple donors of contraceptives and the proceeds from these sales flowed into ADS's general fund, we did not attempt to determine the amount.

Recommendation:

USAID/El Salvador should require the Salvadoran Demographic Association (ADS) to establish separate records to account for project and component costs incurred in the sale of contraceptives. Also, ADS should determine the sales proceeds amount from the sale of contraceptives funded by the project and it should refund to the project that amount less expenses incurred which can appropriately be charged against such sales proceeds.

2. There was a Lack of an Appropriate File Documentation System

Condition:

ADS did not keep appropriate files to control the documentation related to transactions pertaining to the project as evidenced by the following:

- a. The quotations for some purchases of furniture and equipment, and printed materials made during 1984, 1985 and 1986 could not be located so as to evidence that such purchases were made under free and open competition conditions.
- b. During 1984 a significant advertising contract was awarded to Publicidad Comercial, S. A. for the amount of \$1,731,600. However the documentation related to quotations submitted by the various advertisement companies and the criteria applied to award the contract was not located.
- c. It was not possible to locate the 1984 project bank account statements.
- d. It was not possible to locate the contraceptives kardex cards for October to December 1986.
- e. The personnel files of the employees that worked on the Communal Distribution of Contraceptives activity during the period January 1, 1984 to March 31, 1985 were destroyed. Also, personnel files in general lacked individual labor contracts covering the period from 1984 through 1986.
- f. The monitoring reports tracking whether the services of the advertising companies had actually been aired in the media were destroyed.

As a result of the audit exit conference and due to the gravity of the situation most of the documentation mentioned in above items were located by ADS and provided to the auditors for their examination during August and September 1990.

Criteria:

According to section 5, paragraph b, of the standard provisions, the grantee is required to keep records and make them available for review by A.I.D., the U. S. Comptroller General or their authorized representatives for a three-year period after the project has been completed.

A.I.D. handbook 13, paragraph 1I, requires that financial records, supporting documentation, statistical records and other pertinent project records be maintained for a three-year period, unless they have been transferred to A.I.D.

Cause:

The Executive Director of ADS decided to destroy some of the documentation damaged by the 1986 earthquake and transfer ADS's operations to other premises. In the process the importance of maintaining on file the documentation supporting project disbursements was overlooked.

Effect:

- a. It was not possible to determine whether some purchases of equipment, materials and supplies during 1984, 1985 and 1986 were made competitively, and according to A.I.D. requirements.
- b. It was difficult to independently verify whether advertisements paid for by the project had been aired in the media as contracted.
- c. It was difficult to determine whether the employee positions and their corresponding salaries were those authorized by the implementation plans.
- d. It was not possible to determine whether movements of contraceptives during October, November and December 1986 were reasonable.

As mentioned above, we were subsequently provided with related information.

Recommendation:

For the remaining life of the agreement, ADS management should establish appropriate procedures to guarantee compliance of the agreement terms related to the filing and custody of all project documentation.

3. Control Had Not Been Established to Account for Counterpart Contributions.

Condition:

ADS did not implement an accounting control system to properly account for disbursements made with counterpart contribution funds.

Criteria:

Proper controls over funds either donated or owned by ADS and disbursed for project purposes are required in order to assure full accountability over their use.

Cause:

According to management, Agreement terms do not call for establishment of the above suggested controls.

Effect:

Costs reported as incurred were obtained from a proportional distribution of the program support and administration expenses incurred, and allotted from the general fund on the basis of direct expenditures made for USAID/El Salvador and/or other donors financed programs.

Recommendation:

USAID/El Salvador should require ADS to establish accounting controls over project contributions in order to assure that such contributions are provided opportunely to the project according to agreement terms and that their disbursements are made following the applicable standard provisions.

4. There Was a Lack of Evidence in the Accounting Records of Salary and Fringe Benefit Payments

Condition:

Salaries and fringe benefits, legal withholdings and other payroll discounts are paid out from the ADS general fund. For project purposes, a check is issued to cover gross salaries, and another check is issued to cover 40% of the related fringe benefits. Consequently, payment of both fringe benefits and legal withholdings are not registered directly through the project bank account. Instead, they are registered through the ADS general fund only.

Criteria:

Paragraph B, section 14.A of the general provision for non-U.S. and non-Government grantees requires that A.I.D. funds be deposited in a separate bank account and that "all disbursements covering goods and services be made out of such account."

Cause:

ADS practice is to handle payment of salaries, fringe benefits and legal withholdings out of the general fund, and to accumulate in such fund the fringe benefits charged to the project but not actually paid to the employees.

Effect:

A.I.D. could be charged for salaries and fringe benefits not actually paid and this would be difficult to discover since such charges are not fully and directly supported with payroll documentation.

Recommendation:

The Salvadoran Demographic Association should pay net salaries to project employees from the project account, and withholdings and payments of fringe benefits should be reflected in the respective auxiliary record.

5. There was no Policy Concerning Conflicts of Interest

Condition:

ADS has not established a formal policy related to avoiding conflicts of interest and unacceptable business practices regarding project transactions.

Criteria:

The General Requirements for Non-Governmental, Non-U.S. Grantees (Section 17a - Acquisition of goods and services) requires standards to be followed by officials and employees to avoid situations of possible conflicts of interest.

Cause:

ADS overlooked the implementation of a conflict of interest policy as required by regulations.

Effect:

Due to lack of guidance to avoid conflicts of interest, irregularities in the procurement activities and administration of the project may occur and not be detected opportunely for potential disciplinary actions.

Recommendation:

USAID/El Salvador should require the Salvadoran Demographic Association to establish a written conflict of interest policy and ensure that the policy is complied with.

6. The Funds of Different A.I.D. Projects were Commingled in a Single Bank Account

Condition:

The Salvadoran Demographic Association commingled the funds provided under this project into the same bank account with other A.I.D. Projects: No. 519-0178 "AID-CONADES, CESAD and HOPE" and 519-0181 "Family Planning Evaluation Program".

Criteria:

Paragraph B, section 14.A of the general provisions for non-U.S. and non-Government grantees establishes that A.I.D. funds cannot be commingled with other funds pertaining to or controlled by the grantee. The grantee should deposit such A.I.D. funds in a separate bank account.

Cause:

ADS management did not consider it necessary to establish separate bank accounts for each project.

Effect:

The availability of funds for each project cannot be easily determined. The project's fund accountability statement at September 30, 1988 shows a ø20,835 overage pending reconciliation, whose effect on the fund accountability statement, if any, is unknown.

Recommendation:

USAID/El Salvador should require the Salvadoran Demographic Association to reconcile the overage reflected in the fund accountability statement for this project as of September 30, 1988, determine the balance outstanding, and open a separate project bank account.

7. A Clause was not Included in Certain Subcontracts Guaranteeing A.I.D. Access to Subcontract Information

Condition:

The Salvadoran Demographic Association did not include the A.I.D. required access to subcontractor information clause in its subcontracts for technical assistance with IMP, S. A. de C. V. related to "Research on oral rehydration salts in drug stores and potential users" and "Updating and reproduction of the sampling framework for the national survey on family health (FESAL 85), in the San Salvador metropolitan area and urban surroundings". These subcontracts exceed the ceiling established to include the above mentioned clause.

Criteria:

In accordance with Section 17.b.5 of the general provisions for non-U.S. and non-Government grantees, the contractor binds himself to include in the subcontracts entered into a clause whereby the subcontractor agrees to permit the contractor, A.I.D. or anyone of its authorized agents access to the subcontractor's records.

Cause:

The failure to include the access to information clause in the cited subcontracts was due to a management oversight.

Effect:

ADS and A.I.D. could be prevented from reviewing documentation regarding the subcontractor's compliance with contractual commitments. Therefore, unallowable or unsupported costs could be claimed by the subcontractors.

Recommendation:

USAID/El Salvador should require the Salvadoran Demographic Association (ADS) to amend subcontracts in process to incorporate the clause which permits A.I.D. and ADS to have access to the subcontractor's records and to incorporate in future A.I.D. financed subcontracts the required clause.

8. The Implementation Committee was not Organized

Condition:

ADS did not establish a project implementation committee comprised of the Executive Director, the Administrative Director and the Internal Auditor on behalf of ADS and two

A.I.D. representatives. Although such a committee actually functioned for other ADS activities, no evidence of its organization or its participation in project activities was found.

Criteria:

Paragraph F, Section 3-A of the standard provisions requires that an implementation committee be organized immediately after contract signing.

Cause:

ADS apparently overlooked this requirement.

Effect:

There was a lack of supervision from this committee mainly related to project disbursements for: materials for the mass campaign, radio and TV spots, and personnel movements regarding contracting, vacations and separations.

Recommendation:

USAID/El Salvador should require the Salvadoran Demographic Association to establish the specified implementation committee and document in writing its responsibilities and decisions taken.

9. ADS did not comply with the Stamp Tax Law

Condition:

Generally, for payments made to CAMAR, S. A.; IPM, S. A. de C. V. and DC & Associates, ADS did not assure that the related invoices or receipts comply with section 39 of the Stamp Tax Law which establish the requirements for invoices.

Criteria:

The Stamp Tax Law requires that invoices, receipts or any other document covering sales or services be prepared on loose forms or invoice books, but in any event preprinted in numerical sequence, showing also the issuer name, address and tax identification number.

Cause:

There was clerical oversight in non-complying with this legal requirement.

Effect:

Invoices and/or receipts not complying with the Stamp Tax Law do not protect the Government's fiscal interests and sanctions could be imposed in accordance with Article 51 of said law.

Recommendation:

The Salvadoran Demographic Association should require that its suppliers comply with the Stamp Tax Law on invoices or receipts for sales or services to ADS.

* * *

**IMPROVED DELIVERY OF FAMILY PLANNING SERVICES PROJECT
MANAGED BY THE SALVADORAN DEMOGRAPHIC ASSOCIATION
USAID/EL SALVADOR PROJECT No. 519-0275**

LIST OF REPORT RECOMMENDATIONS

INTERNAL CONTROL STRUCTURE

Recommendation 1:

The Salvadoran Demographic Association (ADS) should implement controls to ensure that employees receive the life insurance coverage they are entitled to and that former employees are dropped from such coverage. Also, ADS cannot charge the project more than the correct premium amounts for the coverage of project employees and therefore we are recommending that it refund the Q18,388 in excess premiums paid.

Recommendation 2:

The Salvadoran Demographic Association, in its materials and supplies procurements, should establish as its policy and ensure the following:

- a. All purchases should be supported by a purchase order. For purchases greater than Q2,500 at least three quotations should be obtained and the procurement officer should fill out a form analyzing the quotations received and document in writing the basis for selection when the purchase is not awarded based on the best price.
- b. For purchases greater than US\$8,000 a contract should be required to comply with the grant agreement.
- c. Purchases should not differ from the quantity, prices and quality established in the purchase order. Any deviation should be justified.
- d. Purchases greater than US\$8,000 should be approved by A.I.D. in accordance with the terms of the agreement.
- e. All purchases should be approved by the procurement department and materials and supplies should be delivered to and issued from the warehouse.
- f. Cash purchases should be performed by other than the employee responsible for quotations.
- g. The transactions executed by the procurement department should be reviewed by the internal audit department.

Recommendation 3:

The Salvadoran Demographic Association should instruct its warehouseman to maintain the above mentioned door under lock at all times.

Recommendation 4:

The Salvadoran Demographic Association should issue the checks in the name of the contracted companies and avoid the practice of issuing checks in the names of their representatives.

Recommendation 5:

The Salvadoran Demographic Association should establish procedures to ensure that all the accounting transactions and their supporting documentation are reviewed and authorized in writing by responsible officers prior to their registration.

Recommendation 6:

The Salvadoran Demographic Association should strengthen its internal control procedures surrounding fuel purchase and consumptions by:

- a. Using purchase orders approved by responsible officials for all fuel purchases and sequentially numbering each fuel coupon purchased upon receipt.
- b. Supporting fuel consumption reports with the numbered fuel consumption coupons which should indicate: 1) trips made and associated kilometers traveled on each trip since the last coupon was issued and the proposed trips and kilometers to be traveled with fuel to be purchased with the new coupon, 2) the name and signature of the person who receives the fuel, and 3) written evidence of approval by responsible officials.
- c. Repairing the damaged mileage meters so that kilometers traveled on each trip or day can be computed and compared with fuel consumed.

COMPLIANCE WITH AGREEMENT TERMS, AND APPLICABLE
LAWS AND REGULATIONS

Recommendation 1:

USAID/El Salvador should require the Salvadoran Demographic Association (ADS) to establish separate records to account for project and component costs incurred in the sale of contraceptives. Also, ADS should determine the sales proceeds amount from the sale of contraceptives funded by the project and it should refund to the project that amount less expenses

incurred which can appropriately be charged against such sales proceeds.

Recommendation 2:

For the remaining life of the agreement, ADS management should establish appropriate procedures to guarantee compliance of the agreement terms related to the filing and custody of all project documentation.

Recommendation 3:

USAID/El Salvador should require ADS to establish accounting controls over project contributions in order to assure that such contributions are provided opportunely to the project according to agreement terms and that their disbursements are made following the applicable standard provisions.

Recommendation 4:

The Salvadoran Demographic Association should pay net salaries to project employees from the project account, and withholdings and payments of fringe benefits should be reflected in the respective auxiliary record.

Recommendation 5:

USAID/El Salvador should require the Salvadoran Demographic Association to establish a written conflict of interest policy and ensure that the policy is complied with.

Recommendation 6:

USAID/El Salvador should require the Salvadoran Demographic Association to reconcile the overage reflected in the fund accountability statement for this project as of September 30, 1988, determine the balance outstanding, and open a separate project bank account.

Recommendation 7:

USAID/El Salvador should require the Salvadoran Demographic Association (ADS) to amend subcontracts in process to incorporate the clause which permits A.I.D. and ADS to have access to the subcontractor's records and to incorporate in future A.I.D. financed subcontracts the required clause.

Recommendation 8:

USAID/El Salvador should require the Salvadoran Demographic Association to establish the specified implementation committee and document in writing its responsibilities and decisions taken.

Recommendation 9:

The Salvadoran Demographic Association should require that its suppliers comply with the Stamp Tax Law on invoices or receipts for sales or services to ADS.

* * *

memorandum

DATE: October 10, 1990

REPLY TO
ATTN OF: John Lovaas, D/DIR, USAID/ES

SUBJECT: Mission Response to the Draft Audit Report on the
Salvadoran Demographic Association (USAID project 519-0275)

TO: Mr. Reginald Howard, RIG/A/T

The audit for the 519-0275 was originally called for in 1987 and the USAID prepared the grantee for this eventuality. However, the actual scope of work was not drafted until late 1988 and due to contracting problems, the contract was not signed until 1989. The draft report was received in July 1990, 15 months after the initiation of the contracted audit services.

Subsequent to the exit interview held on July 26, 1990, the Salvadoran Demographic Association submitted the attached letter which incorporates the various observations/justifications to the audit report on project 519-0275, Improved Delivery of Family Planning Services.

RIG/A/T Actions Requested

The Mission requests RIG/A/T concurrence with our determination of the eligibility of certain questioned costs as identified below in response to the draft audit report. The Mission also requests that any resulting recommendation concerning these questioned costs be classified as resolved upon issuance of the final report. Finally, the Mission requests that internal control recommendations be considered resolved for all but three areas discussed in the draft audit report and that the remaining three (see Internal Control Findings section below) be cleared upon evidence that they are implemented in the new Family Health Service Project (519-0363).

Questioned Costs

The majority of the points presented here were discussed in detail with your contractors, Price Waterhouse of El Salvador (Lopez Salgado). Please note that we have made an effort to reference your audit report by identifying the page number and section to which we direct our comments. What follows is the list of all the questionable costs.

	Amount in Colones	Page
1. Fringe benefits were charged to the project in excess of actual expenses or were not paid by ADS.	40,810	14
	3,320	14
	1,057	15
	56,574	16
	8,925	16
	28,235	17
	2,513	18
	39,713	18
	963	19
	28,661	19
	3,630	19

The SDA has made a error in accounting judgment and the USAID believes that they must return the funds that correspond to overpaid fringe benefits, for a total of ¢ 222,401.

2. Payment to Community-Based Distribution workers in 1983.	114,030	14
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The SDA outreach program in contraceptive distribution started under the USAID project 519-0149 and was to be continued and expanded under the 519-0275 project. The USAID will approve of these expenses through a Project Implementation Letter to include the payment of Community Based Distributors for the month of December, 1983. The USAID agrees to accept ¢ 104,623.38 which corresponds to the questioned costs less the overpaid fringe benefits.

3. Spare parts and materials purchased abroad with SDA foreign exchange funds and exchange profits charged to SDA general fund.	5,609	15
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The amounts which correspond to exchange profits are unacceptable and will have to be reimbursed to the USAID.

4.	Purchase discounts granted by suppliers were deposited in the SDA general fund.	4,200 1,000	15 18
	Amounts that correspond to rebates and discounts will have to be reimbursed by the SDA.		
5.	Purchase of books made in August, 1985, included profonna invoices in the expense reports submitted to USAID.	53,147	16
	The USAID agrees to \$ 36,855.00 as an eligible cost. A Project Implementation Letter approving this expense is now concluded (see PIL attached).		
6.	Procurement of commodities and supplies had no controls and documentation.	28,436 715,862 14,607 154,341 111,874 928 34,899	16 16 16 17 18 19 20
	Contract auditors (Price Waterhouse) inspected documents collected by the administrative division of the SDA and have made the determination that those questioned costs should be eliminated.		
7.	Proceeds from the sale of Contraceptives did not defray Project expenses.	15,968	17
	The USAID has personal knowledge that the proceeds from the Social Marketing Program were used to purchase additional U.S. manufactured condoms which are not available for purchase by the USAID. Additionally, the USAID has no objection to the accounting practice used during the Life of Project 0275 in this regard. A Project Implementation Letter has been drafted to allow for the proceeds from the sale of Contraceptives to generally strengthen the SDA.		

8. An advance for filming a TV commercial that was subsequently included in an expense report submitted to USAID, was never executed. 38,987 17
- The SDA has made an error in accounting and the USAID believes that they must return the funds.
9. A question is raised in recognizing and paying commissions to the Social Marketing Program (SMP) sales force. 393,669 18
- The USAID has drafted a Project Implementation Letter which accepts sales commissions as eligible costs under the Social Marketing Program. These expenses were discussed and accepted in previous year (1984) action plans and are considered legitimate operating expenses for a program of this type.
10. A disbursement for sales commissions were paid but the check was cashed by an ADS official instead of the salesman. 2,900 18
- The SDA never paid the commission to the salesman. Therefore, the USAID believes that the SDA must return the funds.
11. A question was raised by the auditors regarding expenses charged to the "Others" line item. 172,644 19
- Due to the necessity of using the "Administrative" line funds for a temporary reprogramming of the SDA Project Budget, this line was left in zero temporarily. Therefore, the USAID approves the eligibility of costs incurred in administration and charged to the "Others" line item of the SDA Cooperative Agreement budget. Please see the attached Project Implementation Letter which addresses this concern.

- | | | | |
|-----|--|---------|----|
| 12. | 2.66% overhead charged to the project without specific provision in the agreement or in a Project Implementation Letter. | 101,843 | 19 |
| | | 99,930 | 20 |

The SDA erroneously charged the USAID an overhead. Therefore, they must return these funds.

- | | | | |
|-----|--|-------|----|
| 13. | The contracting of a janitor was questioned by the auditors. | 9,720 | 19 |
|-----|--|-------|----|

The USAID has reviewed this expense which was charged to the Maintenance and General Services Component and approves the eligibility of this cost as a necessary personnel expense for operating the project. Please find the attached Project Implementation Letter.

- | | | | |
|-----|---|--------|----|
| 14. | A question was raised by the auditors regarding expenses of the 519-0210 Project charged to the 519-0275 Project. | 25,705 | 19 |
| | | 89,459 | 20 |

These costs are eligible under both projects. However, the contract auditors and the USAID agree to have the SDA transfer these expenses to the 519-0210 project and make the accounting adjustments in the 519-0275 project.

Internal Control Findings

The audit findings for internal control structure and compliance with the terms and conditions of the agreement were reviewed in detail with the RIG contractor, Price Waterhouse of El Salvador (Lopez Salgado). What appears in this section are the findings which were not cleared as a result of these meetings. The USAID understands that the SDA has overcome almost all of the findings with the exception of the following:

1. There was a lack of separate project records to account for proceeds from sales of USAID donated contraceptives.

The SDA has multiple donors of contraceptives and the proceeds from all these sales flowed into the SDA general fund. The USAID agrees with the auditors recommendation that the SDA must establish a separate record to account for the sales of contraceptives and the expenses charged against such sales proceeds. However, this recommendation will be implemented under the new project.

2. There was no policy concerning conflicts of interest.

The SDA is drafting a conflict of interest policy but it requires a change to the by-laws and the implementation of a new policy.

3. There was a lack of evidence in the accounting records of salaries and fringe benefit payments.

The SDA paid salaries and fringe benefits from its general fund. The project account only registers the funds transferred to SDA general fund. The USAID agrees with the auditors recommendation that the SDA must pay salaries and fringe benefits directly from the project account. However, this recommendation will be implemented under the new project.

Observation on tone of Report

As noted by Lic. Jorge Hernandez Isussi, Executive Director of the SDA, the tone of the draft audit report is a bit harsh. It may lead the reader to assume that the SDA knowingly committed fraud on the U.S. Government for personal and institutional gain. In view of the actual findings and the subsequent meetings with Price Waterhouse and the SDA, it is clear that the problems encountered in the audit are largely due to poor fiscal management rather than the intention to commit fraud. Therefore, the USAID requests that the final report be edited to reflect this.

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AGENCY FOR INTERNATIONAL DEVELOPMENT
UNITED STATES OF AMERICA A. I. D. MISSION
TO EL SALVADOR
C/O AMERICAN EMBASSY.
SAN SALVADOR, EL SALVADOR, C. A.

APPENDIX I
7 OF 21

September 21, 1990

Lic. Jorge Hernández Isussi
Director Ejecutivo
Asociación Demográfica Salvadoreña
San Salvador

Lic. Jorge Hernández Isussi
Executive Director
Salvadoran Demographic Association
San Salvador

ASUNTO: Proyecto 519-0275
Asociación Demográfica
Salvadoreña
Carta de Implementación No. 48

SUBJECT: Project 519-0275
Salvadoran Demographic
Association
Implementation Letter No. 48

Estimado Lic. Hernández:

Dear Lic. Hernández:

Hacemos referencia a los hallazgos de la auditoría del proyecto 519-0275, Mejoramiento de la Entrega de Servicios de Planificación Familiar, efectuada por la oficina del Inspector General del Gobierno de los Estados Unidos a través de la firma de Auditoría Price Waterhouse.

We make reference to the findings of the project 519-0275 audit, Improved Delivery of Family Planning Services, carried out by the Office of the Regional Inspector General of the United States Government, through the Price Waterhouse auditing firm.

Después de analizar los gastos incurridos desde su inicio por la ADS bajo el proyecto en referencia, ciertos gastos han sido juzgados que son elegibles por la USAID. Por lo tanto, esta Carta de Implementación aprueba lo siguiente:

After analyzing costs incurred by the SDA under the subject project, since its inception, certain costs have been judged to be eligible by the USAID. Therefore, this Implementation Letter approves the following:

1. Programa de Distribución Comunitaria de Anticonceptivos: Debido al hecho que la USAID debía mantener la continuidad entre los proyectos 519-0149 y 519-0275, se aprueba la inclusión de las planillas de salarios de diciembre de 1983, hasta por un monto de ₡ 104,623.38, como gastos elegibles. (Numeral 1c. del reporte de auditoría)

1. Contraceptive Community Based Distribution Program: Due to the fact that the USAID had to maintain continuity between 519-0149 and 519-0275 projects, it approves the inclusion of the December 1983 payrolls up to ₡ 104,623.38 as eligible costs. (Number 1c. of the Audit report)

2. Programa de Medios Masivos: La compra de libros hecha en agosto de 1985, hasta por un monto de ₡ 36,855.00, se aprueba como gasto elegible. (Numeral 2c. del reporte de auditoría).

2. Mass Media Program: The purchase of books made in August 1985 up to ₡ 36,855.00 is approved as an eligible cost. (Number 2c. of the audit report)

51'

3. Programa de Mercadeo Social de Anticonceptivos: La USAID está de acuerdo con el uso de las ganancias de la venta de anticonceptivos para fortalecer la ADS y para financiar gastos generales institucionales. Por lo tanto, la inclusión de los gastos incurridos bajo el Plan de Acción de 1984, por un total de ¢ 15,968.00, se aprueban como gastos elegibles. (Numeral 4c. del reporte de auditoría).

Similarmente, el pago de las comisiones de ventas que fueron aplicadas al proyecto en referencia, por un total de ¢ 393,669.00, se aprueban como gastos elegibles. (Numeral 4g. del reporte de auditoría).

4. Gastos Administrativos: Debido a una reprogramación de fondos, el Componente Gastos Administrativos fue dejado a cero por un tiempo limitado. La USAID aprueba la inclusión de gastos administrativos aplicados al Componente "Otros", por un total de ¢ 152,308.00, como gastos elegibles, ya que los otros ¢ 20,336.00 fueron aprobados anteriormente en PIL No. 14 (Numeral 6b. del reporte de auditoría).

5. Mantenimiento y Servicios Generales: La contratación de un ordenanza en el Plan de Implementación de 1988, hasta, por un monto de ¢ 9,720.00, se aprueba como gasto elegible. (Numeral 7c. del reporte de auditoría).

Atentamente,

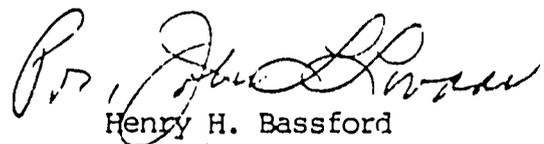
3. Contraceptive Social Marketing Program: The USAID agrees with the use of proceeds from the sale of contraceptives to strengthen the SDA and to finance general institutional expenses. Therefore, the inclusion of costs incurred under the 1984 Action Plan for a total of ¢ 15,968.00 is approved as eligible costs. (Number 4c. of the audit report.)

Similarly, the payment of sales commissions that were charged to the subject project for a total of ¢ 393,669.00 are approved as eligible costs in operating the Social Marketing Program. (Number 4g. of the audit report.)

4. Administrative Expenses: Due to a reprogramming of funds, the Administrative Expenses Component was left in zero for a limited period of time. The USAID approves the inclusion of Administrative Expenses charged to "Others" Component as eligible costs for total of ¢ 152,308.00, since the remaining ¢ 20,336.00 were approved by PIL No. 14. (Number 6b. of the audit report.)

5. Maintenance and General Services: The contracting of a janitor under the 1988 Action Plan for ¢ 9,720.00 is approved as an eligible cost. (Number 7c. of the audit report.)

Sincerely,

 9/17/90
Henry H. Bassford
Director

ASOCIACION DEMOGRAFICA SALVADOREÑA

APARTADO POSTAL 1130. SAN SALVADOR, EL SALVADOR, C. A.

APPENDIX I
9 OF 21

ACTION COPY

USAID / SANSALVADOR
 No. 018003
C + R
 Date: AUG 21 1990

RECEIVED

20 de agosto de 1990

Señor
 Richard L. Thornton,
 Director Oficina de Salud,
 Población y Nutrición,
 USAID/ELS,
 Presente.

ACTION TO: <u>HPN</u>	IRD / MID	ECON	INFO:
ACTION DUE: <u>8/20</u>	IRD / RUD	RCD	DIR /
	IRL / CDD	HPN /	DIR /
	IRD / ERD	COET /	AMUG /
	RSO	OFT	RLA
	GSO / S	CO	LO
	JAO / PER	PRE	EXO
	ECON / S	ODI	DPO /
		IRD	PRJ /

SUBJECT: Sending Recommendations
+ answers to Auditorship
Report, Proj. 519-0275.

ACTION TAKEN: [Signature]

INITIALS: [Signature] DATE: 8/26

Estimado señor Thornton:

Anexo encontrará las aclaraciones y respuestas de nuestra Asociación, a los gastos cuestionados, observaciones y recomendaciones mencionadas en el reporte de Auditoría, correspondientes al Proyecto 519-0275.

Esperamos que nuestras respuestas satisfagan los requerimientos de esa Agencia, ya que hemos trabajado con la mejor buena disposición y voluntad, a fin de que nuestra imagen se mantenga siempre en el lugar que con tanto esfuerzo ha alcanzado a través de arduos años de labor en favor de la población más desposeída de nuestro país.

No obstante lo anterior, estaremos prestos a proporcionar cualquier información adicional que sea requerida.

Atentamente,

[Signature]
 Dr. Oscar Antonio Rodríguez,
 Presidente.



ANEXO LO INDICADO.

rrdet
 no c:PROY275.AID

Recvd. in HPN
 Date AUG 21 1990

PROYECTO 519-0275
RECOMENDACIONES Y OBSERVACIONES

RECOMENDACION	OBSERVACION
DEL REPORTE EN GENERAL	Este reporte no presenta detalle de la mayoría de gastos cuestionables y en suspenso, así como de otras observaciones de control interno y cláusulas del convenio que contribuiría a identificar clara y rápidamente los gastos sujetos a observación como las demás observaciones hechas en este informe. Es un reporte negativo que no menciona lo positivo.
<p>ESTRUCTURA DEL CONTROL INTERNO.</p> <p>1. Planes de Implementación sin detalles sobre las plazas y sueldos del personal y sin guías para el pago de viáticos.</p> <p>a. En general los Planes de Implementación del proyecto para los años de 1986 a 1988 no detallan las plazas y los respectivos sueldos a contratar sino únicamente el costo total del personal.</p>	<p>En los Planes de Implementación de 1986 se detalla el personal y sus sueldos, en 1987 se detalla lo relacionado al personal de mantenimiento y servicios generales y global de mercadeo social y programa médico. En Plan de implementación de 1988 se encuentra detallado mercadeo social y global de mantenimiento y servicios generales. Se menciona que será el mismo personal del año anterior, para futuros Planes de Implementación se será más específico en esta clase de información.</p>
<p>b. La reglamentación interna de ADS ni los Planes de Implementación definen una política en relación al pago de viáticos en las actividades relacionadas con Cursos de Adiestramiento.</p>	<p>Internamente ADS regula el pago de viáticos a través de comunicación escrita emitida por la División de Administración y Finanzas de fecha 7 de noviembre de 1986. Para futuros planes de acción será incorporada esta política.</p>
<p>2. Falta de registros para el control apropiado sobre la inscripción de empleados en la Póliza de Seguro de Vida Colectivo.</p> <p>a. Costo por \$ 18,388.00 fueron rechazados por el proyecto y no incurridos, correspondiente a la cobertura del seguro de vida de ciertos empleados, pero ellos realmente no fueron cubiertos por el seguro de vida, ya que la aseguradora no los inscribió en sus registros ni fueron informados por ADS.</p>	<p>Actualmente se cuenta con un control efectivo de ingresos y salidas de personal y de reporte a la compañía de seguros, el cual es llevado por la nueva Sección de Recursos Humanos.</p>
<p>b. Podrían estarse pagando primas de seguros por empleados que no continúan trabajando para ADS.</p>	<p>Con relación a esta observación ADS considera que es una suposición que no debería tener cabida en este informe.</p>
<p>3. Los procedimientos de control interno relacionados con las compras de materiales y suministros fueron inadecuados.</p> <p>a. En los formularios utilizados por el departamento de compras para analizar las cotizaciones recibidas, no se deja evidencia escrita del criterio utilizado cuando la cotización seleccionada no corresponde a la oferta más económica.</p>	<p>En la actualidad existe un comité formado por Dirección Ejecutiva, Dirección Administrativa Financiera y División solicitante, quienes analizan las cotizaciones en relación a calidad, tiempo de entrega, y costos para seleccionar la oferta a quien se le asignará la compra, firmando como responsables, dejando constancia por escrito del criterio utilizado, si no es la oferta más económica.</p>



PROYECTO 519-0275
RECOMENDACIONES Y OBSERVACIONES

RECOMENDACION	OBSERVACION
b. Falta establecer un monto límite para compras menores al monto estipulado por el convenio (\$8,000) a partir del cual se requiera obtener al menos tres cotizaciones de compra, que evidencien una competencia libre y abierta, y para suscribir contratos formales de suministro.	Existe un procedimiento de compras desde el 5 de diciembre de 1984, el cual se ha estado actualizando; en éste se establece el valor desde el cual se exigen tres ofertas y orden de compra, ya que no todas las compras se pueden efectuar por medio de orden de compra para los gastos menores se compran por caja chica. Procedimiento reconocido como práctica contable. Según Enmienda No. 3 del Noviembre de 1988 el monto límite fue incrementado a \$ 25,000.--. Para compras mayores de \$ 2,500 se exige un mínimo de tres ofertas en la actualidad.
c. Se efectuaron compras de materiales por montos diferentes a los autorizados en las órdenes de compra respectivas, sin dejar evidencia escrita de la autorización de tales cambios.	Cuando esto suceda se dejará evidencia por escrito del criterio de la razón de la diferencia entre la orden de compra y la factura, más que todo esto sucede en la producción de materiales donde con anticipación se acepta un 10% de más o de menos en la producción.
d. Se efectuaron compras de materiales y suministros sin la orden de compra.	Actualmente cuando las compras son en efectivo, a través del fondo circulante de compras por valor de \$ 1,000 no se hace orden de compra, si son compras a crédito si se hace orden de compra.
e. Algunos materiales y suministros fueron entregados por los proveedores directamente a los departamentos solicitantes sin pasar por el control de la bodega.	Consideramos que hay suministros y equipos que por sus características propias es necesario que los reciba el departamento solicitante, lo que se establece es que se debe levantar un acta de recepción, la cual es firmada por el jefe del departamento solicitante y el auditor interno. Procedimiento que se está siguiendo en la actualidad.
f. Compras en efectivo fueron realizadas por la persona responsable de efectuar las cotizaciones.	ADS a fin de agilizar las compras menores se ha creado un fondo el cual como está establecido en el procedimiento de compras deberá ser utilizado para compras menores de \$ 1,000, pasando un detalle a administración de las compras realizadas por este fondo (Liquidación) el cual es revisado por funcionarios de Admón.
g. Algunas compras de materiales fueron efectuadas directamente por los departamentos operativos, sin canalizarlas por medio del departamento de compras.	En la actualidad todas las compras son canalizadas a través del Departamento de Compras.
4. Los inventarios de anticonceptivos y materiales existentes en bodega no fueron apropiadamente salvaguardados.	Se han girado instrucciones al Encargado de Bodega para que esta puerta de acceso al área de empaque permanezca siempre cerrada con llave.
5. Honorarios por servicios profesionales pagados directamente a los representantes de las empresas y no a favor de las compañías contratistas.	ADS ya se había enterado del lapsus cometido y que únicamente los dos casos que se menciona en el informe tienen esa deficiencia. Los cheques son emitidos a nombre de las compañías contratistas.
6. Falta de evidencia de revisión y autorización de los comprobantes de contabilidad.	ADS ha establecido procedimiento desde el 21 de octubre de 1987 que asegura que todo comprobante contable y su documentación de soporte sea revisado y autorizado por un funcionario responsable.



PROYECTO 519-0275
RECOMENDACIONES Y OBSERVACIONES

RECOMENDACION	OBSERVACION
!7.El control interno relacionado con el consumo de combustible presenta debilidades.	
!a.Por las compras de combustible no se elaboran las órdenes de compra que evidencien la adecuada autorización de los funcionarios responsables	! Observación aceptada, se tomará en cuenta para el futuro.
!b.En los reportes de control de consumo de combustible no se registran consistentemente los cupones que amparan el consumo, el kilometraje recorrido por los vehículos y el motorista que recibió los cupones de combustible.	! No estamos de acuerdo . Se llevan controles de consumo de combustible por todos los vehículo de la Asociación en forma detallada así como también la entrega de los cupones a cada uno de los motorists.
!c.Existen vehículos con marcadores de kilometrajes dañados.	! APS lleva un control de las revisiones preventivas de los vehículos, lo que nos proporciona el detalle de las reparaciones a efectuar por lo que creemos no se nos volverán a escapar esta clase de deficiencias.



PROYECTO 519-0275
RECOMENDACIONES Y OBSERVACIONES

RECOMENDACION	OBSERVACION
CUMPLIMIENTO DE LAS CLÁUSULAS DEL CONVENIO.	
Hallazgos de Auditoría.	
1. Falta de registros separados para contabilizar los ingresos del proyecto por ventas de anticonceptivos donados por AID.	En el futuro se llevarán controles de ingresos y costos por ventas de anticonceptivos por proyecto y componente por lo que ADS, ha iniciado la reestructuración de su Catálogo de Cuentas.
2. No se estableció una política sobre conflictos de intereses.	En efecto, la Junta Directiva de la Asociación, ya ha iniciado un proceso para regular una política sobre conflicto de intereses tal como se observa al haber reformado los Estatutos, Art. No. 19 que menciona "La ADS no podrá celebrar contratos u otras transacciones financieras con miembros de la Junta Directiva", esto se ampliará a empleados de la Asociación.
3. Falta de evidencia en los registros contables del proyecto de las operaciones relacionadas con sueldos y prestaciones sociales pagadas al personal.	Los sueldos y prestaciones de empleados ADS se pagan de la cuenta general ADS, cuando se hace reembolso de la cuenta del proyecto. Se anexa copia de la planilla, documento que consideramos evidencia suficiente para auditoría, sin embargo dentro de la nueva estructura que se está dando al Catálogo de Cuentas se tomará en cuenta esta observación y los pagos serán efectuados de una sola cuenta bancaria.
4. Falta de controles apropiados sobre la documentación de respaldo de las actividades del proyecto.	
a. Por las compras de mobiliario y equipo y material impreso correspondientes a los años 1984 a 1986, no se tienen archivos de las cotizaciones	Debido al terremoto de 1986 alguna documentación de los años 84 y 85 se extravió o dañó, pero hemos encontrado documentos correspondientes a estos años los cuales a esta fecha han sido puestos a la disposición de los señores auditores para su respectivo análisis.
b. No se localizó la documentación relacionada con la licitación, criterios de adjudicación y contratación de los servicios de la Agencia Publicidad Comercial, S.A.	Se tiene en archivo: proceso de selección de Agencias Publicitarias; presentación de agencias, punto de acta de aprobación por Junta Directiva, comunicación del Director Ejecutivo a Sr. Massey de fecha 30 abril 1984, nota acuse de recibo por parte del Sr. Massey de fecha 17 de mayo de 1984, los cuales han sido puestos en esta fecha a disposición de los señores auditores.
c. No se localizaron los estados de la cuenta corriente bancaria del proyecto correspondientes al año de 1984.	Debido al terremoto de 1986 alguna documentación de años anteriores se extravió o dañó no pudiendo encontrar los estados de cuenta corriente de 1984. Se solicitó al Banco los Estados de Cuenta de dichos años, no pudiendo rehacer las conciliaciones bancarias por encontrarse los Estados enviados por el Banco ilegibles.
d. No se localizaron las tarjetas de kardex para el control de anticonceptivos correspondiente a los meses de octubre a diciembre de 1986.	No estamos de acuerdo, se tienen las tarjetas de kardex de los meses a los que se hace referencia, las cuales han sido puestas a disposición nuevamente de los señores auditores.



PROYECTO 519-0275
RECOMENDACIONES Y OBSERVACIONES

RECOMENDACION	OBSERVACION
e. Los expedientes del personal que trabajó en las actividades de Distribución Comunal de Anticonceptivos, durante el periodo 1 de enero de 1984 al 31 de marzo de 1985, fueron destruidos.	Después de haber efectuado una exhaustiva búsqueda en los escombros del edificio, dichos expedientes fueron localizados y puestos a disposición de los señores auditores para su análisis respectivo.
f. Los reportes del monitoreo publicitario evidenciando que la publicidad de los distintos medios ha sido realizada, fueron destruidos.	En efecto, los reportes de monitoreo en el tiempo de la auditoría no se tenían, debido a que éstos eran archivados dentro del edificio que sufrió daños por el terremoto, pero ADS hizo gestiones con Monitores Publicitarios, la cual es una empresa serie que lleva los monitoreos de las principales agencias y anunciantes del país quienes, nos han proporcionado una certificación con los diferentes monitoreos tomados por ellos, los cuales han sido puestos a disposición de los señores auditores para su análisis.
5. Los fondos de diferentes proyectos financiados por AID fueron manejados en una sola cuenta bancaria.	En la nueva reestructuración del Catálogo de cuentas, ya ha sido tomado en cuenta.
6. Falta de inclusión de la cláusula especial para contratos financiados con fondos de AID.	Esta deficiencia se ha venido superando a partir del año 1989 con base a las revisiones que se han venido efectuando a los controles internos de ADS.
7. El comité de implantación del proyecto no fue organizado.	El Comité de Implantación si fue organizado en su oportunidad pero por problemas ajenos a la asociación no funcionó con la constancia debida.
8. Incumplimiento de la Ley de Papel Sellado y Timbres.	Esta deficiencia se ha venido superando a partir del año 1989 con base a las revisiones que se han venido efectuando a los controles internos de ADS.
9. ADS no mantuvo controles adecuados sobre los activos fijos adquiridos con fondos del proyecto.	ADS llevaba el control de los activos fijos en tarjetas en las cuales se incluye: el código de ubicación y costo. Fácilmente se pudo constatar su ubicación al requerirla. Esto se consideró adecuada. Desde 1989 se amplió el control de estos ampliado a los anteriores, el código del donante y No. del convenio y a la fecha se complementa aún más incluyendole el No. de cheque y proveedor.
10. No se establecieron controles para contabilizar las aportaciones de contraparte.	Para ADS el sistema utilizado para establecer las aportaciones de cada una de las Agencias Donantes es el apropiado sin embargo la distribución de la contraparte se efectúa proporcionalmente y para cumplir con los requerimientos de la AID la ADS está buscando los mecanismos necesarios para contabilizar la contraparte.



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PROYECTO 519-0275
RECOMENDACIONES Y OBSERVACIONES

RECOMENDACION	OBSERVACION
NOTAS AL ESTADO DE RENDICION DE CUENTAS DEL	
NOTA 7- COSTOS CUESTIONABLES.	
1. DISTRIBUCION COMUNITARIA DE ANTICONCEPTIVOS	
a. Costo de prestaciones sociales del personal (cotizaciones patronales al ISSS y FSV) cargado al proyecto en exceso del costo realmente pagado (Anexo I).	De acuerdo a Cláusulas del Convenio, AID reembolsará únicamente la cantidad de gastos realmente pagados. ✓
b. Costo de prestaciones sociales del personal. (seguro de vida) cargado al proyecto en exceso del costo realmente pagado. (Anexo II).	De acuerdo a Cláusulas del Convenio, AID reembolsará únicamente la cantidad de gastos realmente pagados. ✓
c. Planillas de sueldos correspondientes al mes de diciembre de 1983 incluidas en solicitud de reembolso No. 1 correspondiente al año 1984, La carta de ejecución No. 1 del 6 de febrero de 1984 aprueba actividades a realizarse a partir de 1984. Además no obtuvimos la evidencia de aprobación por parte de USAID/El Salvador: Sueldos Reg. Central ₡ 31,350.-- Sueldos Reg. Oriental 28,070.-- Sueldos Reg. Para central 22,030.-- ----- Sub-Total 81,450.-- Más: 40% Prestac. Sociales sobre ₡ 81,450.-- 32,580.-- ----- ₡ 114,030.-- =====	De acuerdo a la reunión sostenida con personeros de AID y Auditoría se llegó a la conclusión de que estos gastos serán elegible después de que AID emita la correspondiente Carta de Implementación, ya que estos gastos son continuidad de los Proyectos que venía desarrollando la Asociación. Todo gasto en exceso de lo realmente pagado no es elegible. Sumando estos la cantidad de ₡ 9,406.62 correspondientes a prestaciones sociales no pagadas. ✓
d. Compras de repuestos y otros materiales efectuadas al exterior a través de fondos de la cuenta corriente en moneda extranjera de ADS por las cuales el diferencial cambiario lo absorbe el proyecto y la utilidad se registra a favor del fondo general de ADS; sin que las divisas utilizadas se hayan adquirido en el mercado extrabancario sino recibidas en donación a la tasa oficial de cambio.	ADS para efectos de recuperar los dólares invertidos en esta compra tomó la tasa de cambio tal como se encontraba en el mercado, por compras efectuadas según comprobante 503 el cual se refiere a repuestos para vehículos que no se encontraron en el país fueron adquiridos en Guatemala aplicando la tasa de recuperación de ₡ 3.85 por dólar. Para el comprobante 107 por la compra de material quirúrgico que no había en plaza, ADS utilizó la tasa del 3.80 por dólar. Dicha compra fué efectuada por G. Gutiérrez López y Co. a Panamá. Según Carta de Implementación No. 1 de fecha 6 de febrero de 1984 los reembolsos serán pagaderos en colones salvadoreños al cambio legal más alto efectivo en el momento de desembolso por AID. En reunión sostenida con personeros de AID, están de acuerdo en aplicar la tasa de cambio que se encuentre al momento de la liquidación.



PROYECTO 519-0076
RECOMENDACIONES Y OBSERVACIONES

RECOMENDACION	OBSERVACION
2. MEDIOS MASIVOS.	
a. Costo de prestaciones sociales del personal (cotizaciones patronales al ISSS y FSV) cargado al proyecto en exceso del costo realmente pagado (Anexo I).	De acuerdo a Cláusulas del Convenio, AID reembolsará únicamente la cantidad de gastos realmente pagados. ✓
b. Desembolsos cargados al proyecto realmente no incurridos, correspondientes a descuentos en compras concedidos por los proveedores, los cuales ingresaron al fondo general de ADS, por medio de la emisión de cheques de reembolso de la cuenta corriente del proyecto.	Esto se refiere a descuentos aplicados a proveedores por atrasos en la entrega de productos, los cuales no son elegibles por AID. ✓
c. Compra de libros efectuada en agosto de 1985, excediendo el monto límite autorizado a ADS, por lo que el reembolso fue por un monto en exceso al equivalente desembolsado en dólares, así: Reembolso requerido por ADS US \$15,178 A ₡5 por US \$ ₡ 75,890 Cheques Nos. 1241 y 1243 por US \$10,469, de los cuales US \$9,097 son aceptables como costos del proyecto debido a que fueron registros en libros y liquidados a la tasa oficial de ₡2.50 por US\$. 22,743. Además el monto del reembolso requerido por US \$15,178 incluye US \$ 7,807 cubierto por las facturas proforma Nos. 1264 y 1265 por US \$ 3,047 Y \$4,760, respectivamente, las cuales no están amparadas por facturas originales y listas de envío de los proveedores, y parcialmente cubren las facturas originales supuestamente presentadas al AID en respaldo de la ganancia cambiaria cargada al proyecto.	ADS está de acuerdo en que le sean aceptados como elegibles solamente la cantidad de \$ 9,097.- pero no a la tasa de cambio de ₡ 2.50 por U.S.Dolar, sino que a ₡ 4.00 por U.S.Dolar, tal como se encontraba autorizada en la Carta de Implementación No. 1 de fecha 6 de febrero de 1984 y Plan de Implementación de 1985. Por ende la diferencia de ₡ 39,502.-- no son elegibles por AID. ✓
d. Activos fijos adquiridos, pero cuya existencia física y uso en actividades del proyecto no pudo ser determinado, debido a registros inadecuados.	ADS incluirá dentro de los controles ya existentes, el código del donante, así como el número del Convenio con el que fue financiada dicha adquisición. A partir del 1o. de enero de 1989, fue implementado en el control de activo fijo de ADS lo antes expuesto y a esta fecha ya se cuenta hasta con el número del cheque y nombre del proveedor para una mayor identificación de los activos.



PROYECTO 519-0275
RECOMENDACIONES Y OBSERVACIONES

RECOMENDACION	OBSERVACION
e. Adquisiciones de productos y suministros sin registros de control y documentación que soporte su existencia y utilización o distribución en actividades del proyecto.	ADS no está de acuerdo con esta observación ya que cuenta con un adecuado control de existencias como son las tarjetas de inventario que se llevan en la bodega central, la cual contiene la fecha, el concepto, la cantidad de producto recibido, el número del comprobante con que se recibe, la cantidad de producto que sale con su respectivo número de comprobante, así como su saldo. Mensualmente el Departamento de contabilidad efectúa chequeos selectivos con el físico, semestralmente se efectúan inventario físico de anticonceptivos, material clínico y medicamentos y anualmente se efectúa inventario general de todos los productos que se encuentran dentro de la bodega. (producto empacado, a granel, corrugados, repuestos, medicamentos, etc.).
3. PROGRAMA MEDICO DE SOPORTE.	
a. Costo de prestaciones sociales del personal. (cotizaciones patronales al ISSS y FSV) cargado al proyecto en exceso del costo realmente pagado. (Anexo I).	De acuerdo a Cláusulas del Convenio, AID reembolsará únicamente la cantidad de gastos realmente pagados. ✓
b. Costo de prestaciones sociales del personal. (seguro de vida) cargado al proyecto en exceso del costo realmente pagado. (Anexo II).	De acuerdo a Cláusulas del Convenio, AID reembolsará únicamente la cantidad de gastos realmente pagados. ✓
c. Activos fijos adquiridos, pero cuya existencia física y uso en actividades del proyecto no pudo ser determinado, debido a registros inadecuados.	ADS incluirá dentro de los controles ya existentes, el código del donante, así como el número del Convenio con el que fue financiada dicha adquisición. A partir del 10. de enero de 1989, fue implementado en el control de activo fijo de ADS lo antes expuesto y a esta fecha ya se cuenta hasta con el número del cheque y nombre del proveedor para una mayor identificación de los activos.
d. Adquisiciones de productos y suministros sin registros de control y documentación que soporte su existencia y utilización o distribución en actividades del proyecto.	ADS no está de acuerdo con esta observación ya que cuenta con un adecuado control de existencias como son las tarjetas de inventario que se llevan en la bodega central, la cual contiene la fecha, el concepto, la cantidad de producto recibido, el número del comprobante con que se recibe, la cantidad de producto que sale con su respectivo número de comprobante, así como su saldo. Mensualmente el Departamento de contabilidad efectúa chequeos selectivos con el físico, semestralmente se efectúan inventario físico de anticonceptivos, material clínico y medicamentos y anualmente se efectúa inventario general de todos los productos que se encuentran dentro de la bodega. (producto empacado, a granel, corrugados, repuestos, medicamentos, etc.).



PROYECTO 519-0275
RECOMENDACIONES Y OBSERVACIONES

RECOMENDACION	OBSERVACION												
4-MERCADO SOCIAL.													
a. Costo de prestaciones sociales del personal. (cotizaciones patronales al ISSS y FSV), cargado al proyecto en exceso del costo realmente pagado (Anexo I).	De acuerdo a Cláusulas del Convenio, AID reembolsará únicamente la cantidad de gastos realmente pagados. ✓												
b. Costo de prestaciones sociales del personal. (seguro de vida) cargado al proyecto en exceso del costo realmente pagado. (Anexo II).	De acuerdo a Cláusulas del Convenio, AID reembolsará únicamente la cantidad de gastos realmente pagados. ✓												
c. Costos reembolsados que, según el plan de implantación del año 1984, serían financiados con los ingresos obtenidos de la comercialización de anticonceptivos.	En reunión sostenida con personeros de AID y Auditoría se determinó que AID analizaría el caso de estos costos reembolsados, ya que no está muy claro dentro del convenio. AID tomará decisión.												
d. Anticipo a Publicidad Comercial, S.A. por filiaci3n de un comercial de T.V., pagado con cheque No. 02807 del 16 de diciembre de 1986, incluido en la liquidaci3n de gastos del mismo mes presentada a USAID/El Salvador y sin embargo dicha producci3n fué suspendida. Según Comprobante No. 548 y cheque No. 02387 del 26 de mayo de 1987, la agencia publicitaria emiti3 la nota de abono correspondiente a AFS, sin embargo este crédito no fué tomado en cuenta para efectos de liquidaci3n de gastos a USAID/El Salvador.	En efecto, en lo planteado en esta observaci3n, ya que al momento de solicitar el reintegro por un error involuntario se tomaron las facturas con sus respectivos costos, debiendo ser lo correcto el total del cheque 3287 del 26 de mayo de 1987 por un total de \$ 139,428.60 no así el total de \$ 170,782.53 donde ya se encontraban deducidos los \$ 38,956.50 de nota de abono y \$ 7,632.57 de nota de cargo. Cabe mencionar que los \$ 38,956.50 correspondientes a la deducci3n del cheque No. 3287 se encuentran comprendidos dentro del saldo del banco de la cuenta de AID por lo tanto esta cantidad no está sujeta a devoluci3n. Pero sí a disminuci3n de los gastos acumulados, debiéndose realizar la partida correspondiente. ✓												
e. Desembolso cargado al proyecto realmente no incurrido correspondiente a descuentos en compras concedidas por el proveedor. Este descuento ingresó al fondo general de ADS por medio del cheque No. 1257 y solicitud de reembolso No. 8 del año 1984.	La cantidad de \$ 1,000.- que ingresó al fondo general de ADS no corresponde a descuentos efectuados por compras sino que a multas efectuadas por retrasos en la entrega del producto, estos gastos son elegibles por AID.												
f. Desembolsos por pago de comisiones por ventas del mes de agosto de 1984, devengadas por el Sr. Carlos Portillo, vendedor de ADS, pero no recibidas por él. El cheque No. 1230, solicitado en reintegro No. 7 del año 1984, fué emitido a favor de ADS y el recibo está firmado como recibido por el Director Administrativo Financiero de ADS, y sin embargo no se nos demostró que el pago de estas comisiones se había efectuado del fondo general de ADS. Adicionalmente, como se explica en el siguiente punto g., no estaba planificado que dichas comisiones fueran pagaderas de la aportaci3n de AID al proyecto.	La cantidad cobrada al AID corresponde a comisiones del Sr. Carlos Humberto Portillo correspondientes al mes de agosto formadas así: <table data-bbox="776 1561 1296 1758"> <tr> <td>772 dispensadores de cóndor</td> <td>\$ 1,698.40</td> </tr> <tr> <td>232 dispensadores de Perla</td> <td>626.40</td> </tr> <tr> <td>115 dispensadores de Suave</td> <td>310.50</td> </tr> <tr> <td>53 dispensadores de Panther</td> <td>265.--</td> </tr> <tr> <td></td> <td>-----</td> </tr> <tr> <td></td> <td>\$ 2,900.30</td> </tr> </table> El cheque fué emitido a nombre de ADS por encontrarse el Sr. Portillo con una deuda hacia ADS los gastos aplicados al reintegro los consideramos elegibles.	772 dispensadores de cóndor	\$ 1,698.40	232 dispensadores de Perla	626.40	115 dispensadores de Suave	310.50	53 dispensadores de Panther	265.--		-----		\$ 2,900.30
772 dispensadores de cóndor	\$ 1,698.40												
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115 dispensadores de Suave	310.50												
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	\$ 2,900.30												



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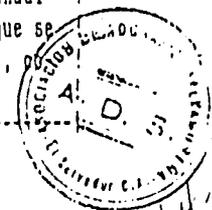
PROYECTO 619-0275
RECOMENDACIONES Y RESERVACIONES

RECOMENDACION	OBSERVACION
g. Comisiones sobre ventas fueron pagadas a vendedores por la promoción y venta de anticonceptivos y fueron cargadas al proyecto. Estos pagos contravienen al convenio, debido a que se había considerado que los ingresos por dichas ventas serían usados para financiar dichos costos.	En reunión sostenida con personeros de AID y Auditoría se determinó que AID analizaría el caso de estos costos reembolsados, ya que el concepto es claro dentro del convenio.
h. Activos fijos adquiridos, pero cuya existencia física y uso en actividades del proyecto no pudo ser determinada debido a registros inadecuados.	ADS no está de acuerdo con esta observación ya que cuenta con un adecuado control de existencias como son las tarjetas de inventario que se llevan en la bodega central, la cual contiene la fecha, el concepto, la cantidad de producto recibido, el número del comprobante con que se recibe, la cantidad de producto que sale con su respectivo número de comprobante, así como su saldo. Mensualmente el Departamento de contabilidad efectúa chequeos selectivos con el físico, semestralmente se efectúan inventario físico de anticonceptivos, material clínico y medicamentos y anualmente se efectúa inventario general de todos los productos que se encuentran dentro de la bodega. (producto empacado, a granel, corrugados, repuestos, medicamentos, etc.).
15-EVALUACION	
a. Costos de prestaciones sociales correspondientes a: vacaciones, aguinaldos, indemnizaciones y seguro de vida del personal contratado para la Encuesta de Salud Demográfica (FESAL/85), cuyos beneficios no fueron pagados por ADS.	De acuerdo a Cláusulas del Convenio, AID reembolsará únicamente la cantidad de gastos realmente pagados. ✓
b. Activos fijos adquiridos, pero cuya existencia física y uso en actividades del proyecto no pudo ser determinada, debido a registros inadecuados.	ADS no está de acuerdo con esta observación ya que cuenta con un adecuado control de existencias como son las tarjetas de inventario que se llevan en la bodega central, la cual contiene la fecha, el concepto, la cantidad de producto recibido, el número del comprobante con que se recibe, la cantidad de producto que sale con su respectivo número de comprobante, así como su saldo. Mensualmente el Departamento de contabilidad efectúa chequeos selectivos con el físico, semestralmente se efectúan inventario físico de anticonceptivos, material clínico y medicamentos y anualmente se efectúa inventario general de todos los productos que se encuentran dentro de la bodega. (producto empacado, a granel, corrugados, repuestos, medicamentos, etc.).
16-GASTOS ADMINISTRATIVOS.	
a. Costo de prestaciones sociales del personal (cotizaciones patronales al ISSS y FSV) cargado al proyecto en exceso del costo realmente pagado. (Anexo I).	De acuerdo a Cláusulas del Convenio, AID reembolsará únicamente la cantidad de gastos realmente pagados. ✓



PROYECTO 519-0275
RECOMENDACIONES Y OBSERVACIONES

RECOMENDACION	OBSERVACION
b. Costos administrativos cargados al proyecto, a pesar de que en carta de implementación No. 8 del 22 de marzo 1985 se estipuló que dichos costos no serían financiados con fondos del convenio.	No estamos de acuerdo con esta observación, ya que durante el ejercicio de 1985 fueron reclamados en concepto de gastos administrativos al AID la cantidad de \$ 20,336.-- las cuales fueron reclamados mediante cheque No. 1002 del mes de octubre por \$ 10,386.-- y cheques de Diciembre No. 1174 y 1176 por \$ 7,970.-- y \$ 1,980.-- respectivamente, que suza la cantidad antes mencionada. Autorizada mediante Carta de Implementación No. 14 de fecha 8 de octubre de 1985. La diferencia existente entre lo reportado por Auditoría y lo reclamado asciende a \$ 152,308.- los cuales fueron reclamados al AID en el Rubro "Otros" y no en "Administración".
c. Desembolsos en concepto de honorarios transferidos del proyecto 519-0210 Dinámica de Población para el cual no se nos mostró evidencia escrita de la autorización de US/AID E.S.	En relación a esta observación y de acuerdo a la opinión expresada en la reunión con el AID y los Auditores, ADS emitirá un cheque por la cantidad de la observación a nombre del Convenio 519-0275 para contabilizar en el Convenio 519-0210 los gastos correspondientes.
7-MANTENIMIENTO Y SERVICIOS GENERALES.	
a. Costo de prestaciones sociales del personal (cotizaciones patronales al ISSS y FSV) cargados al proyecto en exceso del costo realmente pagado (Anexo I).	De acuerdo a Cláusulas del Convenio, AID reembolsará únicamente la cantidad de gastos realmente pagados. ✓
b. Costos de prestaciones sociales del personal correspondientes a seguro de vida, cargado al proyecto en exceso del costo realmente pagado (Anexo II).	De acuerdo a Cláusulas del Convenio, AID reembolsará únicamente la cantidad de gastos realmente pagados. ✓
c. Sueldos pagados a un ordenanza, cuya plaza no está autorizada en el plan de implantación del año 1988.	ADS considerando la necesidad de cumplir con lo expresado en el Plan de Acción de 1988 y no excediendo del 15% de gastos de lo aprobado, procedió a la contratación del personal de ordenanza.
d. Gastos generales indirectos (2.66%) cargados al proyecto y sobre los cuales no existe estipulación alguna en el convenio ni en cartas de implementación.	Consideramos que ADS quedaría sujeto al análisis respectivo que efectúe la AID. ✓
e. Activos fijos adquiridos, pero cuya existencia física y uso en actividades del proyecto no pudo ser determinada debido a registros inadecuados.	ADS no está de acuerdo con esta observación ya que cuenta con un adecuado control de existencias como son las tarjetas de inventario que se llevan en la bodega central, la cual contiene la fecha, el concepto, la cantidad de producto recibido, el número del comprobante con que se recibe, la cantidad de producto que sale con su respectivo número de comprobante, así como su saldo. Mensualmente el Departamento de contabilidad efectúa chequeos selectivos con el físico, semestralmente se efectúan inventario físico de anticonceptivos, material clínico y medicamentos y anualmente se efectúa inventario general de todos los productos que se encuentran dentro de la bodega. (producto empacado, a granel, porrugados, repuestos, medicamentos, etc.).



PROYECTO 519-0275
RECOMENDACIONES Y OBSERVACIONES

RECOMENDACION	OBSERVACION												
<p>18. CONGRESO CENTROAMERICANO.</p> <p>a. Gastos en exceso al presupuesto autorizado.</p>	<p>ADS no está de acuerdo con esta observación ya que por el Congreso único en su especie efectuado por ADS, durante lo que va del Convenio, solamente se ha invertido la cantidad de ₡ 11,033.-- por parte de la ADS los cuales estaban autorizados en Carta de Implementación No. 14 de fecha 8 de octubre de 1985, y Carta de Implementación No. 18 de fecha 8 de enero de 1986.</p> <p>Por un error de sumatoria al trasladar el acumulado a los señores auditores sobre el saldo de esta cuenta, se tomó la cantidad de ₡ 62,362 como gastos del Congreso, debiendo ser Gastos de Adiestramiento, los cuales a esta fecha ya fueron analizado y constatados por los auditores.</p>												
<p>19. ENTRENAMIENTO.</p> <p>a. Gastos pagados en los meses de julio a septiembre de 1988 correspondientes al proyecto 210 Dinámica de población y transferidos como costos del proyecto 519-0210 Dinámica de Población y transferidos como costos del proyecto, por lo cual no se nos mostró evidencia escrita de autorización de US/AID El Salvador.</p> <table data-bbox="282 1039 774 1279"> <tr> <td>Honorarios</td> <td>6,065</td> </tr> <tr> <td>Hotel, Alimentación y viáticos</td> <td>72,151</td> </tr> <tr> <td>Suministros y papelería y materiales de oficina</td> <td>1,293</td> </tr> <tr> <td>Otros</td> <td>8,030</td> </tr> <tr> <td></td> <td>-----</td> </tr> <tr> <td></td> <td>87,459</td> </tr> </table>	Honorarios	6,065	Hotel, Alimentación y viáticos	72,151	Suministros y papelería y materiales de oficina	1,293	Otros	8,030		-----		87,459	<p>En relación a esta observación y de acuerdo a la opinión expresada en la reunión con el AID y los Auditores, ADS emitirá un cheque por la cantidad de la observación a nombre del Convenio 519-0275 para contabilizar en el Convenio 519-0210 los gastos correspondientes.</p>
Honorarios	6,065												
Hotel, Alimentación y viáticos	72,151												
Suministros y papelería y materiales de oficina	1,293												
Otros	8,030												

	87,459												
<p>10. OTROS.</p> <p>a. Gastos generales indirectos (2.66%) cargados al proyecto y sobre los cuales no existe estipulación alguna en el Convenio ni en cartas de implementación.</p>	<p>ADS queda sujeto al análisis respectivo que efectúe la AID.</p>												

