

PD-ABC-498

**AUDIT OF USAID/BOLIVIA'S
CHAPARE REGIONAL DEVELOPMENT PROJECT
ACTIVITIES MANAGED BY THE
NATIONAL SERVICE OF ROADS
FOR THE YEAR ENDED DECEMBER 31, 1989**

**Audit Report No. 1-519-91-11-N
December 27, 1990**

AGENCY FOR INTERNATIONAL DEVELOPMENT

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December 27, 1990

MEMORANDUM

TO: D/USAID/Bolivia, Carl H. Leonard

FROM: RIG/A/T Acting, Lou Mundy *Lou Mundy*

SUBJECT: Audit of USAID/Bolivia's Chapare Regional Development Project, Activities Managed by the National Service of Roads for the Year Ended December 31, 1989

This report presents the results of a non-Federal financial audit of the National Service of Roads (Service) for the year ended December 31, 1989. The audit was part of a series of six audits performed to evaluate entities receiving funding under the Chapare Regional Development Project (Project), USAID/Bolivia Project No. 511-0543. The accounting firm of Price Waterhouse prepared the report which is dated November 30, 1990.

The Project was initiated in 1983 as a part of the Government of Bolivia's program to reduce coca plantings. The Project focuses on the development of the Chapare region-Bolivia's principal illicit coca growing area. In this regard the Project is concentrated in four major areas designed to develop: (1) agricultural and forestry production, (2) rural industry and marketing, (3) a production and transport infrastructure, and (4) a Project investment fund. The life-of-project budget as of December 31, 1989, was over US\$61 million. USAID/Bolivia grant and loan funds totaled US\$26.5 million with the balance provided by the Government of Bolivia through its PL-480 Program and through direct funding. The Government of Bolivia has also developed a separate but related program whereby it makes compensation payments of US\$2,000 per hectare, from its own resources, to peasant farmers who voluntarily reduce their coca plantings.

The Service has participated in the project since 1987, improving the basic infrastructure of roads and building bridges in the Chapare region. The audit coverage included US\$1,111,443 of A.I.D. funds advanced to the Service in 1989,

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as well as US\$50,339 provided by the Government of Bolivia during the year ended December 31, 1989. The audit did not include direct payments made by USAID/Bolivia and the Government of Bolivia for their procurement of technical assistance, equipment, and supplies on behalf of the Service. These direct payments totaled approximately US\$973,646 for the year ended December 31, 1989.

The purpose of the audit was to report on (1) the fairness of the fund accountability statement for the Project's activities managed by the Service, (2) the adequacy of the Service's internal control structure, and (3) the Service's compliance with the terms of the Project Agreement and applicable laws and regulations.

Price Waterhouse found that, except for the inclusion of certain questionable costs amounting to US\$75,068, the fund accountability statement presents fairly, in all material respects, the cash receipts and disbursements of the activities managed by the Service. The questionable costs were related primarily to the procurement of material and parts which circumvented A.I.D. regulations requiring prior authorization by USAID/Bolivia.

With respect to the internal control structure of the Service, Price Waterhouse identified three material weaknesses concerning: (1) controls over materials and supplies in the Service's stores and warehouses, (2) shortfalls in counterpart contributions by the Government of Bolivia, and (3) deficiencies in accounting and administrative documentation.

In its report on compliance with agreement terms and applicable laws and regulations, Price Waterhouse found that the Service complied in all material respects except for: (1) performing certain required maintenance and improvement tasks, (2) observing A.I.D. regulations requiring prior authorization for purchases over a certain amount, (3) observing certain Bolivian legal requirements concerning its Social Security System, and (4) marking assets acquired with A.I.D. funds.

In its written response to the report, dated November 13, 1990, the Service expressed overall agreement with the findings except that they stated that they have complied with ceiling amounts established by USAID/Bolivia regarding materials purchases and have followed A.I.D. norms and regulations. In its response to these comments, Price Waterhouse stated that the Service's compliance with regulations was accomplished by dividing purchases, and that they consider this to be a deliberate avoidance of the required procedures.

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/Bolivia negotiate a recovery of US\$75,068 (\$6,075 unsupported) in questioned costs included in the Price Waterhouse report dated November 30, 1990 and related to fractioned purchases, purchases made without required quotations, and unsupported purchases.

Recommendation No. 2

We recommend that USAID/Bolivia, in conjunction with the National Service of Roads, develop a plan for providing adequate safeguards for the Service's materials and supplies inventories, for obtaining agreed-upon counterpart contributions from the Government of Bolivia, for improving accounting and administrative documentation, for improving its technical planning procedures, for complying with A.I.D. procurement regulations concerning price quotations and prior approvals, and for marking goods acquired with A.I.D. funds.

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

CHAPARE REGIONAL DEVELOPMENT PROJECT, ACTIVITIES
MANAGED BY THE NATIONAL SERVICE OF ROADS (SNC)
USAID/BOLIVIA PROJECT No. 511-0543
FOR THE YEAR ENDED DECEMBER 31, 1989



CHAPARE REGIONAL DEVELOPMENT PROJECT, ACTIVITIES
MANAGED BY THE NATIONAL SERVICE OF ROADS (SNC)
USAID/BOLIVIA PROJECT No. 511-0543
FOR THE YEAR ENDED DECEMBER 31, 1989

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Moreno Muñoz



November 30, 1990

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

Dear Mr. Howard:

This report presents the results of our audit of the activities managed by the National Service of Roads (Servicio Nacional de Caminos - SNC) under the Chapare Regional Development Project, USAID/Bolivia Project No. 511-0543, for the year ended December 31, 1989.

BACKGROUND

On August 12, 1983, the Republic of Bolivia and the United States of America acting through the U.S. Agency for International Development Mission to Bolivia (USAID/Bolivia), signed a loan and grant agreement to implement the Chapare Regional Development Project, USAID/Bolivia Project No. 511-0543, which consisted in an integrated package of financing and technical assistance for small farmer related production, agroindustry development/marketing and institutional development support activities to be carried out by Bolivian public and private institutions for development of the Chapare region and associated high valleys sub-regions.

The project is a complementary part of the Government of Bolivia (GOB)'s program to reduce the coca plantings in Bolivia, and includes different activities and sub-projects designed to focus development resources on Bolivia's principal illicit coca growing area, the Chapare region. Due to different causes, the implementation of project activities had to be delayed and the project itself was significantly modified. The amended project concentrates on four principal development areas: 1) agriculture and forestry production; 2) rural industry and marketing; 3) productive and transport infrastructure; and 4) a project

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investment fund. Each area includes activities of immediate impact and applied research components to support medium and long-term activities. The current project assistance completion date is August 31, 1991 and the life-of-project budget as modified in December 1989, expressed in US\$000's, includes the following:

	USAID/BOLIVIA		GOVERNMENT OF BOLIVIA		Total
	Grant	Loan	PL-480	GOB	
Technical assistance	\$ 7,671				\$ 7,671
Training	479	\$ 1,458	\$ 2,523		4,460
Constructions	100	1,149	3,246	\$ 1,600	6,095
Commodities	3,024	2,825	240		6,089
Operating costs	2,376	5,781	2,300	1,147	11,604
Evaluations	250	53			303
Other		889	22,831		23,720
Contingencies	100	345	860		1,305
	<u>\$ 14,000</u>	<u>\$ 12,500</u>	<u>\$ 32,000</u>	<u>\$ 2,747</u>	<u>\$ 61,247</u>

Additionally the Government of Bolivia has developed a program to reduce the cultivation of coca and make compensation payments of US\$ 2,000 per hectare from its own resources to the peasant farmers who voluntarily reduce their coca plantations. The plan foresaw the eradication of 5,000 hectares of coca plants in 1989, but in accordance with DIRECO's reports, only 2,439 hectares were in fact eradicated.

USAID/Bolivia performs the overall supervision of the project, which consists of various phases carried out by different GOB administrative units, as indicated in the following summary:

<u>Phase</u>	<u>Administrative Unit</u>
1 Administration of the project and overall supervision and coordination of the Government or Bolivia's programs related to coca eradication.	Subsecretariat for Alternative Development and Coca Planting Substitution (Subsecretaría de



<u>Phase</u>	<u>Administrative Unit</u>
	Desarrollo Alternativo y Sustitución de Cultivos de Coca - SUBDESAL)
2 Technical assistance to farmers to allow access to financial services and development of community projects in Chapare and associated High Valleys	Program of Alternative Development of Cochabamba (Programa de Desarrollo Alternativo de Cochabamba - PDAC)
3 Technical assistance in the development of alternative crops, and sale of genetic material for alternative crops	Bolivian Institute of Agriculture and Cattle Technology/Chapare (Instituto Boliviano de Tecnología Agropecuaria - IBTA/Chapare)
4 Granting of loans to farmers to plant alternative crops	PL-480 Executive Secretariat
5 Compensation to coca growers to reduce coca cultivation	National Directorate for Agricultural Reconversion (Dirección Nacional de Reversión Agrícola - DIRECO)
6 Development of productive and transport infrastructure through the maintenance of roads	National Service of Roads (Servicio Nacional de Caminos - SNC)

The National Service of Roads (SNC), has contributed to the regional development project of the Chapare and associated high valleys since November 1987, improving the basic infrastructure of existing roads, improving rural roads, and building bridges. These operations are exclusively carried out through the Rural Roads Department, District 4 of the National Service of Roads (Servicio Nacional de Caminos - SNC).



SNC operates with funding from USAID/Bolivia and the Government of Bolivia (GOB). The funding is received in the following manner:

- National Treasury's transfers of funds to the SNC's bank account for the program - called special account.
- Goods and services paid for directly by USAID/Bolivia - called direct account.
- Support from the Government of Bolivia through the PL-480 Executive Secretariat.

AUDIT OBJECTIVES AND SCOPE

We were contracted by USAID/Bolivia, to conduct a financial audit of the Chapare Regional Development Project for the year ended December 31, 1989. The audit included the operations carried out by each administrative unit under the loan and grant agreement signed between the Government of Bolivia and USAID/Bolivia, and the fund accountability statement of the project taken as a whole.

The audit did not include the examination of the documentation and operations of prior periods nor transactions made directly by USAID/Bolivia and the Government of Bolivia through direct payments. However, for information purposes only, we include as Annex I, a fund accountability statement of the project's accumulated costs as of December 31, 1989, including direct payments made by USAID/Bolivia and the Government of Bolivia. This statement is expressed in United States dollars.

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



1. The fund accountability statement of the activities managed by the National Service of Roads (SNC) presents fairly in all material respects, the cash receipts and disbursements for the year ended December 31, 1989, identifying costs which were not fully supported with adequate records or which were not allowable, allocable, and reasonable under the agreement terms, project implementation letters, and applicable laws and regulations;
2. SNC's internal control structure is adequate for project purposes; and
3. SNC complied in all material respects, with agreement terms, project implementation letters, and applicable laws and regulations.

The scope of our work included:

- Reviewing the accounting records and bank accounts used by SNC to record the receipt of funds, and obtaining direct confirmation from the banks.
- Confirming the funds received for the project with the records of USAID/Bolivia and the PL-480 Executive Secretariat.
- Reviewing the supporting documentation of the principal disbursements made by SNC. This test covered 86% of the amount spent during the year. The objective of this test was to determine whether the expenses were properly supported with documentation, the expenditures were made to achieve the objectives of the project in accordance with agreement terms and project implementation letters, and that the recording was adequate.
- On-site visits and inspection of roads on which improvement and maintenance works had been performed.
- Physical inspection of the primary equipment and an evaluation of the procedures and controls employed by SNC to ensure its maintenance and preservation.



- Understanding the control environment, accounting system and control procedures used by SNC to account for project funds. For this purpose we evaluated the following significant categories: cash receipts and disbursements, budgeting controls, bank accounts and fund controls, inventory management and procurement system.
- Reviewing and evaluating SNC's compliance with agreement terms, implementation letters, and applicable laws and regulations.

RESULT OF AUDIT

Fund Accountability Statement

The National Service of Roads (SNC) recorded its transactions on the basis of cash receipts and disbursements. Consequently, revenues are recognized when received rather than when earned and expenses are recognized when paid rather than when the obligation is incurred. This is a comprehensive basis of accounting other than generally accepted accounting principles. Our audit disclosed questionable costs in the amount of Bs216,945 which are summarized in the fund accountability statement.

In our opinion, except for the inclusion of certain questionable costs amounting to Bs216,945, the fund accountability statement audited by us presents fairly, in all material respects, the cash receipts and disbursements of the activities managed by the National Service of Roads under the Chapare Regional Development Project, USAID/Bolivia Project No. 511-0543, for the year ended on December 31, 1989, on the basis of accounting described in the preceding paragraph.

Internal Control Structure

We have considered the internal control structure of SNC in order to determine our auditing procedures for the purpose of expressing our opinion on the fund accountability statement of the Chapare Regional Development Project, and not to provide assurance on the internal control structure of SNC taken as a whole.



Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we observed the following matters involving the internal control structure that we consider to be material weaknesses under standards established by the American Institute of Certified Public Accountants.

1. Lack of proper safekeeping of materials and supplies in stores and warehouses.
2. Bolivian counterpart contribution was not made in full.
3. Formal deficiencies in accounting and administrative documentation.

We also noted other matters involving the internal control structure and its operations that we have reported to the management of the National Service of Roads in a separate letter.

Compliance with Agreement Terms, Project Implementation Letters, and Applicable Laws and Regulations

In our opinion, except for the noncompliance mentioned below, with respect to the items tested, SNC complied in all material respects with the terms and provisions of the agreement, project implementation letters, and applicable laws and regulations. With respect to items not tested nothing came to our attention that caused us to believe that SNC had not complied, in all material respects, with those terms and provisions.

1. Non compliance in carrying out maintenance and improvement tasks.
2. SNC made some simultaneous purchases that, if taken together, would have required previous authorization from USAID/Bolivia.
3. SNC did not comply with the state social security system and INFOCAL requirements.



4. Lack of identification and marking of goods.

MANAGEMENT COMMENTS

In its written response to this report, see Appendix I, the management of the National Service of Roads (SNC) expressed overall agreement with all but one of the findings. SNC outlined corrective actions which have been taken or are in the process of being implemented. In regard to finding No. 2 of the compliance section, SNC stated that they have complied with ceiling amounts established by USAID/Bolivia, and have followed A.I.D. norms and regulations.

Auditor's response:

Finding No. 2. Compliance Section. The SNC complied with USAID/Bolivia regulations by dividing purchases so to avoid the need to obtain approval. We consider this to be a deliberate avoidance of the procedures laid down by the project.

Price Waterhouse



Moreno Muñoz



CHAPARE REGIONAL DEVELOPMENT PROJECT, ACTIVITIES
MANAGED BY THE NATIONAL SERVICE OF ROADS (SNC)
USAID/BOLIVIA PROJECT No. 511-0543
FOR THE YEAR ENDED DECEMBER 31, 1989

FUND ACCOUNTABILITY STATEMENT

INDEPENDENT AUDITOR'S REPORT

We have audited the fund accountability statement of the activities managed by the National Service of Roads (Servicio Nacional de Caminos - SNC) under the Chapare Regional Development Project, USAID/Bolivia Project No. 511-0543, for the year ended December 31, 1989. This fund accountability statement is the responsibility of SNC's management. Our responsibility is to express an opinion on this fund accountability statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the United States 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the fund accountability statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial presentation. We believe that our audit provides a reasonable basis for our opinion.

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, and is not intended to be a presentation in conformity with generally accepted accounting principles.

As mentioned in Note 4, our audit disclosed certain questionable costs amounting to Bs216,945, which are summarized in the fund accountability statement.

In our opinion, except for the inclusion of certain questionable costs amounting to Bs216,945 as described in the preceding paragraph, the fund accountability statement audited by us presents fairly, in all material respects, the cash receipts and disbursements of the activities managed by the National Service of Roads under the Chapare Regional Development Project, USAID/Bolivia Project No. 511-0543, for the year ended December 31, 1989, on the basis of accounting described in paragraph 3.

This report is intended for the information of the National Service of Roads 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.

February 12, 1990

Rice Waterhouse



CHAPARE REGIONAL DEVELOPMENT PROJECT, ACTIVITIES
MANAGED BY THE NATIONAL SERVICE OF ROADS (SNC)
USAID/BOLIVIA PROJECT No. 511-0543

FUND ACCOUNTABILITY STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 1989
(Expressed in Bolivianos - Note 3)

<u>Special Account (Note 2)</u>	Funds balance as of December 31, 1988 <u>Bs</u>	Funds received during 1989 <u>Bs</u>	Funds available <u>Bs</u>	1989 Disbursements <u>Bs</u>	Funds balance as of December 31, 1989 <u>Bs</u>	Questionable Costs (Note 4) <u>Bs</u>
USAID/BOLIVIA						
Training, Studies and Communication		2,320	2,320	100	2,220	
Goods	59,353	1,454,818	1,514,171	1,514,171	-	208,907
Operating Costs	<u>46,483</u>	<u>1,504,394</u>	<u>1,550,877</u>	<u>1,543,771</u>	<u>7,106</u>	<u>8,038</u>
	<u>105,836</u>	<u>2,961,532</u>	<u>3,067,368</u>	<u>3,058,042</u>	<u>9,326</u>	<u>216,945</u>
BOLIVIAN TREASURY - SPECIAL ACCOUNT						
Operating Costs	<u>707</u>	<u>139,474</u>	<u>140,181</u>	<u>139,849</u>	<u>332</u>	
Totals	<u>106,543</u>	<u>3,101,006</u>	<u>3,207,549</u>	<u>3,197,891</u>	<u>9,658</u>	<u>216,945</u>

CHAPARE REGIONAL DEVELOPMENT PROJECT, ACTIVITIES
MANAGED BY THE NATIONAL SERVICE OF ROADS (SNC)
USAID/BOLIVIA PROJECT No. 511-0543

NOTES TO THE FUND ACCOUNTABILITY STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 1989

NOTE 1 - DESCRIPTION OF THE PROGRAM AND NATURE OF OPERATIONS

On August 12, 1983, the Republic of Bolivia and the United States of America acting through the U.S. Agency for International Development Mission to Bolivia (USAID/Bolivia), signed a loan and grant agreement to implement the Chapare Regional Development Project, USAID/Bolivia Project No. 511-0543, which consisted of an integrated package on financing and technical assistance for small farmer related production, agroindustry development/marketing and institutional development support activities to be carried out by Bolivian public and private institutions for development of the Chapare region and associated high valleys sub-regions.

The project is a complementary part of the Government of Bolivia (GOB)'s program to reduce the coca plantings in Bolivia, and includes different activities and sub-projects designed to focus development resources on Bolivia's principal illicit coca growing area, the Chapare region. Due to different causes, the implementation of project activities had to be delayed and the project itself was significantly modified. The amended project concentrates on four principal development areas: 1) agriculture and forestry production; 2) rural industry and marketing; 3) productive and transport infrastructure; and 4) a project investment fund. Each area includes activities of immediate impact and applied research components to support medium and long-term activities. The current project assistance completion date is August 31, 1991, and the life-of-project budget as modified in December 1989, expressed in US\$000's, includes the following:

	USAID/BOLIVIA		GOVERNMENT OF BOLIVIA		Total
	Grant	Loan	PL-480	GOB	
Technical assistance	\$ 7,671				\$ 7,671
Training	479	\$ 1,458	\$ 2,523		4,460
Constructions	100	1,149	3,246	\$ 1,600	6,095
Commodities	3,024	2,825	240		6,089
Operating costs	2,376	5,781	2,300	1,147	11,604
Evaluations	250	53			303
Other		889	22,831		23,720
Contingencies	100	345	860		1,305
	<u>\$ 14,000</u>	<u>\$ 12,500</u>	<u>\$ 32,000</u>	<u>\$ 2,747</u>	<u>\$ 61,247</u>

SNC was incorporated to the Chapare Regional Development Project on November 23, 1987 to work on basic infrastructure and to maintain the system of rural roads in Chapare and associated high valleys.

SNC is a decentralized institution which depends on and reports to the Ministry of Transport, Communications and Civil Aeronautics of the Government of Bolivia. Operations and works related to the project are exclusively done through the Rural Roads Department, District 4 of the SNC.

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES

The National Service of Roads' policy is to prepare the fund accountability statement of the project on the basis of cash receipts and disbursements. Consequently, revenues are recognized when received rather than when earned and expenses are recognized when paid rather than when the obligation is incurred. Therefore, the fund accountability statement does not pretend to present the financial information in accordance with generally accepted accounting principles.

The costs of fixed assets are charged directly to the project and are not depreciated. Using the same procedure, materials and supplies are charged directly to the project when the payment is made and not when the goods are used.

The fund accountability statement includes only the income and expenditures related to the special account, which includes only the funding provided to SNC and does not include the direct payments made by USAID/Bolivia and the Government of Bolivia for their procurement of technical assistance and equipment and supplies on behalf of the project.

NOTE 3 - EXCHANGE RATES

The fund accountability statement is presented in "Bolivianos" the local currency of Bolivia. During 1989 the Bolivian currency devalued against the United States dollar from Bs2.47 per US\$ 1 on January 1, 1989 to Bs2.98 on December 31, 1989.

NOTE 4 - QUESTIONABLE COSTS (AUDITOR'S NOTE)

The following costs incurred by SNC and charged to the project during 1989, are considered to be questionable costs:

<u>Voucher No.</u>	<u>Description</u>	<u>Questionable costs</u>	
		<u>Unsupported</u>	<u>Questioned</u>
		<u>Bs</u>	<u>Bs</u>
<u>Purchasing of goods:</u>			
- Vouchers not found:			
468/6	Wood	8,370	
437/8	Spare parts	<u>1,148</u>	
		<u>9,518</u>	
- Fractioned purchases:			
413/4	Wood		1,745
414/4	Wood		2,900
415/6	Cement		4,800
446/4	Cement		4,800
447/4	Cement		4,800
430/5	Cement		4,800
431/5	Cement		4,800
415/4	Wood		2,900
416/6	Cement		4,800
425/6	Dynamite		4,350
426/6	Dynamite		4,350
456/6	Cement		4,800
457/6	Cement		4,800
445/7	Cement		4,800
446/7	Cement		4,800
412/8	Dynamite		3,950
413/8	Dynamite		3,950
414/8	Dynamite		3,950
415/8	Dynamite		3,950
437/8	Spare parts		3,672
438/8	Spare parts		<u>3,672</u>
Carried forward		9,518	87,389

<u>Voucher No.</u>	<u>Description</u>	<u>Questionable costs</u>	
		<u>Unsupported</u> Bs	<u>Questioned</u> Bs
Brought forward		<u>9,518</u>	<u>87,389</u>
468/8	Cement		6,000
469/8	Cement		6,000
492/8	Dynamite		3,950
493/8	Dynamite		3,950
495/8	Materials	(*)	3,300
496/8	Materials	(*)	3,300
402/10	Cement		5,600
403/10	Cement		5,600
106-8/11	Drills		11,756
412/11	Gavion		5,129
413/11	Gavion		5,129
431/11	Cement		5,600
432/11	Cement		5,600
451/11	Lubricant grease		4,990
452/11	Lubricant grease		4,990
419/12	Cement		5,600
420/12	Cement		5,600
469/12	Drills		5,100
470/12	Drills		5,200
479/12	Drills		5,400
			<u>195,183</u>
- Purchases without obtaining quotations (*):			
427/04	Spare parts		2,124
428/04	Spare parts		2,082
			<u>199,389</u>
<u>Operating costs</u>			
- Purchases without legal invoices			
412/02	Repairs	660	
472/10	Repairs	2,583	
475/10	Repairs	150	
441/11	Repairs	350	
479/11	Repairs	680	
401/12	Personnel transportation	2,565	
440/12	Personnel transportation	1,050	
		<u>8,038</u>	
Total operating costs			<u>199,389</u>
Total questionable costs (Bs216.945)		<u>17,556</u>	<u>199,389</u>

NOTE 5 - ACCUMULATED FUND ACCOUNTABILITY STATEMENT THROUGH
DECEMBER 31, 1989 EXPRESSED IN UNITED STATES DOLLARS
(NOT AUDITED)

The project activities managed by SNC have been supported by equipment purchased for past projects of similar nature funded by USAID/Bolivia and the Government of Bolivia. Also, as of December 31, 1989, the total accumulated costs through both the special and the direct accounts were as follows:

	Source of Funding	
	USAID/Bolivia	Government of Bolivia
	US\$	US\$
Special account	1,827,383	100,408
Direct account	<u>735,597</u>	<u>502,703</u>
	<u>2,562,980</u>	<u>603,111</u>

The accumulated fund accountability statement for the period from the beginning of project activities by SNC through December 31, 1989 (expressed in United States dollars), is included for the reader's information in the following pages. This statement has been prepared on the basis of cash receipts and disbursements. Direct payments made in U.S. dollar by USAID/Bolivia have been recorded as such. Operations carried out in Bolivianos have been translated into U.S. dollars using the following basis:

- a) Transactions involving the special account were translated using the exchange rates current when the transfers of funds were received, using the first-in first-out basis.
- b) Direct payments by USAID/Bolivia were translated at the exchange rate of the day of payment. Information on direct payments (both for dollar and boliviano expenditure) was provided by USAID/Bolivia to SNC for recording purposes only. SNC does not manage the funds but has control and uses the assets and commodities thus provided.
- c) The operations carried out with funds provided by Bolivia's National Treasury were translated using the average exchange rate in force on a quarterly basis.

NOTE 6 - FUNDS BALANCE

The funds balance as of December 31, 1989 consist of:

	<u>Bs</u>	<u>US\$</u>
<u>A.I.D. Funds</u>		
Banco del Estado (State Bank)	9,326	3,249
<u>National Treasury Funds</u>		
Banco del Estado (State Bank)	<u>332</u>	<u>116</u>
Total Funds Balance	<u>9,658</u>	<u>3,365</u>

CHAPARE REGIONAL DEVELOPMENT PROJECT, ACTIVITIES
MANAGED BY THE NATIONAL SERVICE OF ROADS (SNC)
USAID/BOLIVIA PROJECT No. 511-0543

ACCUMULATED FUND ACCOUNTABILITY STATEMENT AS OF DECEMBER 31, 1989 (UNAUDITED)

	Budget	Actual Costs		Excess (deficit) over 1989 budget
	1989	as of 12-31-88	1989	
	US\$	US\$	US\$	US\$
<u>RECEIPTS</u>				
<u>Special Account:</u>				
USAID/Bolivia		719,189	1,111,443	1,830,632
Bolivian National Treasury		50,185	50,339	100,524
<u>Direct Payments:</u>				
USAID/Bolivia		26,879	708,718	735,597
Bolivian National Treasury		237,775	264,928	502,703
Total receipts		<u>1,034,028</u>	<u>2,135,428</u>	<u>3,169,456</u>
<u>EXPENDITURES</u>				
<u>Special Account</u>				
<u>USAID/Bolivia:</u>				
Training, studies and communications	11,000	192	35	227
Goods	641,500	343,970	569,653	913,623
Operating costs	816,000	330,837	582,696	913,533
Contingencies	11,500	-	-	-
Subtotal	1,480,000	674,999	1,152,384	1,827,383
Bolivian National Treasury:				
Operating costs	185,000	49,890	50,518	100,408
Subtotal Special Account	<u>1,665,000</u>	<u>724,889</u>	<u>1,202,902</u>	<u>1,927,791</u>
<u>Direct Payments:</u>				
<u>USAID/Bolivia:</u>				
Technical assistance	-	26,879	43,395	70,274
Training, studies and communications	10,000	-	-	-
Goods	-	-	665,323	665,323
	10,000	26,879	709,718	735,597
Bolivian National Treasury:				
Operating cost	180,000	237,775	264,928	502,703
Subtotal Direct Payments	<u>190,000</u>	<u>264,654</u>	<u>973,646</u>	<u>1,238,300</u>
Total expenditures	<u>1,855,000</u>	<u>989,543</u>	<u>2,176,548</u>	<u>3,166,091</u>
<u>Summary</u>				
Total receipts		1,034,028	2,135,428	3,169,456
Less: Total expenditures		<u>989,543</u>	<u>2,176,548</u>	<u>3,166,091</u>
Cash on hand		44,485	(41,120)	3,365

Moreno Muñoz



CHAPARE REGIONAL DEVELOPMENT PROJECT, ACTIVITIES
MANAGED BY THE NATIONAL SERVICE OF ROADS (SNC)
USAID/BOLIVIA PROJECT No. 511-0543
FOR THE YEAR ENDED DECEMBER 31, 1989

INTERNAL CONTROL STRUCTURE

INDEPENDENT AUDITOR'S REPORT

We have audited the fund accountability statement of the activities managed by the National Service of Roads (Servicio Nacional de Caminos - SNC) under the Chapare Regional Development Project, USAID/Bolivia Project No. 511-0543, for the year ended December 31, 1989 and have issued our report thereon dated February 12, 1990.

We conducted our audit in accordance with generally accepted auditing standards and the United States 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 from material misstatement.

In planning and performing our audit of the fund accountability statement of the activities managed by the National Service of Roads under the Chapare Regional Development Project, for the year ended December 31, 1989, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the fund accountability statement and not to provide assurance on the internal control structure.

The management of the National Service of Roads is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures.

The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the proper preparation of the fund accountability statement. 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 effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified and evaluated the following significant internal control categories:

- cash receipts and disbursements,
- budgeting controls,
- banks accounts and fund controls,
- inventory management, and
- procurement system.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize and report financial data consistent with the assertions of management in the fund accountability statement. The reportable conditions noted are included in the following pages as finding Nos. 1 through 3.

A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the fund



accountability statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

This report is intended for the information of the management of the National Service of Roads and the United States 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.

February 12, 1990

Rice Waterhouse



Moreno Muñoz



CHAPARE REGIONAL DEVELOPMENT PROJECT, ACTIVITIES
MANAGED BY THE NATIONAL SERVICE OF ROADS (SNC)
USAID/BOLIVIA PROJECT No. 511-0543
FOR THE YEAR ENDED DECEMBER 31, 1989

REPORT ON INTERNAL CONTROL STRUCTURE

FINDINGS

1. Lack of Proper Safekeeping of Materials and Supplies
in Stores and Warehouses

Condition:

The warehouses and stores used by SNC for the project operations did not have sufficient security provided to adequately safeguard the materials and supplies.

During our visits to the stores, the following matters came to our attention:

- The main store has certain physical weaknesses, and as a result a considerable amount of dust enters the store. This dust damages certain spares, particularly filters which are kept in the store.
- The store in Suticollo does not allow proper security measures to avoid the loss of spares to be in place. As a result tires with a value of approximately US\$ 20.000 were lost. This amount, according to the component's lawyer, will be recovered from the persons accused of the robbery, once the respective legal actions are complete.

Criteria:

There should be procedures and rules to ensure that the materials and supplies belonging to the project are adequately protected from physical damage or loss.

Cause:

The project being carried out by National Service of Roads has some rules and procedures for safeguarding project assets but, due to the transitory nature of the stores in the field, the installation of permanent stores which comply with all the security conditions was not possible.

Effect:

Some spare parts were exposed to the harmful effects of dust particles. Other project equipment, materials and supplies were subject to a higher risk of loss.

Recommendation:

The National Service of Roads should:

- a) Conduct a review of its existing rules and procedures pertaining to the physical safekeeping of project assets, in order to determine their adequacy;
- b) if current rules and procedures are inadequate, design and implement needed rules and procedures pertaining to the physical safekeeping of project assets; and
- c) assign responsibility to specific individuals for compliance with the rules and regulations.

2. The Bolivian Counterpart Contribution was not made in full

Condition:

The Bolivian Government failed to meet its agreed upon counterpart contribution of US\$ 365,000. Specifically, its contributions to the special account for operating costs were US\$ 134,462 less than agreed in the budget. Considering both the direct account and the special account (see Annex I) the overall counterpart contribution deficit was US\$ 49,554.



Criteria:

According to Project Implementation Letter (PIL) No. 92, in 1989 the Bolivian Government was to make a total counterpart contribution of US\$ 365,000 to partially cover SNC's operating costs. The budget required that US\$ 180,000 be contributed through the direct account and the remaining US\$ 185,000 be contributed through the special account.

Cause:

We were informed by the SNC that the requests for funds were made on a timely basis. However the National Treasury did not disburse all the funds requested.

Effect:

Because the Government of Bolivia failed to contribute US\$ 49,554 of the agreed upon counterpart contribution the project's operations were not totally funded as originally budgeted and may impact the success of the project. We have been informed by the SNC that these failures to disburse funds did not have a significant effect on the operations of the project.

Recommendation:

SNC should obtain USAID/Bolivia's assistance in obtaining the total budgeted and agreed-upon counterpart contribution from the Government of Bolivia.

3. Formal Deficiencies in Accounting and Administrative Documentation

Condition:

The following deficiencies were observed:

- Work contracts and certificates for work performed did not have all the signatures required; examples:



<u>Date</u>	<u>Voucher</u>	<u>Concept</u>	<u>Amount</u> <u>Bs</u>	<u>Work</u> <u>contract</u>	<u>Certi-</u> <u>ficat-</u> <u>e</u> <u>for</u> <u>work</u> <u>per-</u> <u>formed</u>
WITHOUT CONTRACTOR SIGNATURE					
8-89	420	Jaime Dominguez	9,302	x	
8-89	451	Fernando Castellón (1)	11,183	x	
9-89	443	Fernando Montella- no	(2) 9,749		x
9-89	444	Fernando Montella- no	(2) 9,180		x

WITHOUT SIGNATURE OF PROJECTS' CONTROL

7-89	431	Fernando Montellano	10,408	x	
7-89	432	Fernando Montellano	8,784	x	
8-89	481	Fernando Montellano	10,190	x	x
8-89	482	Jaime Dominguez	8,144	x	x
8-89	483	Fernando Castellón	9,304	x	x
8-89	484	Fernando Castellón	9,453	x	x
8-89	452	Fernando Montellano	10,938		x
8-89	453	Fernando Montellano	9,654		x
8-89	486	Fernando Castellón	9,936		x
9-89	459	Jaime Dominguez	11,921	x	

(1) Additionally, the Certificate for Work performed was not signed by the Project Administrator because he was ill, and there was no provision for a substitute responsible person.

(2) Additionally, the Work Contract did not have the Project Administrator's signature because of the reasons stated above.

- Payment vouchers without all the required authorizing signatures. Examples:



<u>Date</u>	<u>Voucher</u>	<u>Concept</u>	<u>Amount</u> <u>Bs</u>
11-89	(1) 470	Payment to Serafin Villegas	275
11-89	(2) 406	Salaries paid to temporary personnel - October 1989	9,308
12-89	(3) 480	Purchase of spare parts	615
12-89	(3) 479	Purchase of drills L. Maldonado	5,400
12-89	(3) 498	Payment to contractor F. Castellón	7,873
12-89	(3) 499	Payment to contractor F.Mon- tellano certificate No. 38	11,007
12-89	(3) 500	Payment to contractor F.Mon- tellano certificate No. 37	11,572
12-89	(3) 502	Payment to contractor F.Mon- tellano certificate No. 36	<u>10,114</u>
			<u>56,164</u>

- (1) Without District Chief's signature
- (2) Without Administrative Chief's signature
- (3) Without Project Control's signature

- Purchases without sufficient price quotations:

<u>Date</u>	<u>Voucher</u>	<u>Concept</u>	<u>Amount</u> <u>Bs</u>
4-89	427	Raipe Ltda. - spare parts	2,124
4-89	428	Roxane - spare parts	2,082
8-89	495	La Colmena - materials	3,300
8-89	496	La Colmena - materials	3,300

These cases are included in Note 4 to the fund accountability statement labeled "Questionable Costs".

- Purchases without official invoice:

2-89	412	Repairs	660
10-89	472	Repairs	2,583
11-89	479	Repairs	680
10-89	440	Personnel transportation	1,050
12-89	401	Personnel transportation	2,565
11-89	441	Repairs	350
10-89	475	Repairs	150



These cases are included in Note 4 to the fund accountability statement labeled "Questionable Costs".

- Vouchers not found

<u>Date</u>	<u>Voucher</u>	<u>Concept</u>	<u>Amount</u> <u>Bs</u>
6-89	468	Law pit San Lorenzo - purchase of wood	8,370
8-89	439	Trans Atlantic - purchase of spare parts	1,148

These cases are included in Note 4 to the fund accountability statement labeled "Questionable Costs".

Criteria:

Accounting and administrative documentation issued by the unit must be signed by responsible parties verifying their preparation, review and approval in order to provide valid evidence and proper support for the operations.

Cause:

SNC has not properly supervised compliance with these requirements.

Effect:

The absence of the requirements referred to above may permit improper expenditure of project resources.

Recommendation:

SNC should assign to a specific individual or to its internal audit department the responsibility for verifying that:

- a) The work contracts, the certificates for work performed, and the payment vouchers have all the required signatures; and



b) purchases are supported with an adequate number of price quotations and the corresponding official vendor invoices.



Moreno Muñoz



CHAPARE REGIONAL DEVELOPMENT PROJECT, ACTIVITIES
MANAGED BY THE NATIONAL SERVICE OF ROADS (SNC)
USAID/BOLIVIA PROJECT No. 511-0543
FOR THE YEAR ENDED DECEMBER 31, 1989

COMPLIANCE WITH AGREEMENT TERMS,
PROJECT IMPLEMENTATION LETTERS, AND
APPLICABLE LAWS AND REGULATIONS

INDEPENDENT AUDITOR'S REPORT

We have audited the fund accountability statement of the activities managed by the National Service of Roads (Servicio Nacional de Caminos - SNC) under the Chapare Regional Development Project, USAID/Bolivia Project No. 511-0443, for the year ended December 31, 1989 and have issued our report thereon dated February 12, 1990.

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

Compliance with agreement terms, project implementation letters, and laws and regulations applicable to this portion of the Chapare Regional Development Project is the responsibility of the National Service of Roads' management. As part of obtaining reasonable assurance about whether the fund accountability statement is free of material misstatement, we performed tests of the National Service of Roads' compliance with certain provisions of laws, regulations, and agreement terms. However, our objective was not to provide an opinion on the overall compliance with such terms and provisions.

As described in the following pages, the National Service of Roads did not comply with 1) carrying out some maintenance and improvement tasks; 2) the regulations laid down in A.I.D. handbooks 1 and 11 regarding

USAID/Bolivia's previous authorization for purchases exceeding limiting amounts; 3) Bolivian legal requirements to register temporary employees in the Social Security System, and to pay 1% as employer contributions to a State institution; and 4) the marking of goods, as required by the standard provisions of the agreement.

In our opinion, except for the noncompliance mentioned in the preceding paragraph, with respect to items tested, the National Service of Roads complied in all material respects with the terms and provisions referred to in the third paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the National Service of Roads had not complied, in all material respects, with those terms and provisions.

This report is intended for the information of the management of the National Service of Roads 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.

February 12, 1990

Price Winters



Moreno Muñoz



CHAPARE REGIONAL DEVELOPMENT PROJECT, ACTIVITIES
MANAGED BY THE NATIONAL SERVICE OF ROADS (SNC)
USAID/BOLIVIA PROJECT No. 511-0543
FOR THE YEAR ENDED DECEMBER 31, 1989

REPORT ON COMPLIANCE WITH AGREEMENT
TERMS, PROJECT IMPLEMENTATION LETTERS
AND APPLICABLE LAWS AND REGULATIONS

FINDINGS

1. Non Compliance in Carrying Out Maintenance and Improvement Tasks

Condition:

SNC did not fully comply with some improvement work requirements performed on roads in the Chapare and associated high valleys regions. Example:

- a) SNC did not build approximately 15 miles (24 Km) of drainage works in the Kury-Yacuparticu road.
- b) SNC did not perform approximately 3 miles (5 Km) of compacting works in the Villanueva-San Julian road.

Criteria:

According to Project Implementation Letter No. 96, the improvement work was to be performed on the Kury-Yacuparticu and Villanueva-San Julian roads. And, as described in the engineering job description, the improvement work was to include the compacting of the road surface and the installation of a drainage system.

Cause:

The road improvements could not be completed as required due to a shortage of needed road improvement materials. The shortage of materials was due to errors in the technical planning process. SNC personnel informed us that the tasks mentioned above will be finished during 1990.

Effect:

Delays in carrying out the unit objectives.

Recommendation:

SNC should review its technical planning procedures and implement needed changes to ensure that the proper quality and quantity of materials and supplies are timely provided for accomplishing the planned road improvement works.

2. SNC Made Some Simultaneous Purchases That, if Taken Together, Would Have Required Previous Authorization from USAID/Bolivia

Condition:

SNC made some fractioned purchases of similar materials and spare parts during the same time period but under different purchase vouchers. The method and timing of these purchases would have permitted SNC to combine the purchases in larger amounts and under fewer vouchers. The combined vouchers would have required prior authorization from USAID/Bolivia.

The cases detected in our review are the following:

<u>Voucher</u>	<u>Description</u>	<u>Amount</u> <u>Bs</u>
413/4	Wood	1,745
414/4	Wood	2,900
415/4	Wood	2,900
446/4	Cement	4,800
447/4	Cement	4,800
430/5	Cement	4,800
431/5	Cement	4,800
415/6	Cement	4,800
416/6	Cement	4,800
425/6	Dynamite	4,350
426/6	Dynamite	4,350
456/6	Cement	4,800
457/6	Cement	4,800
445/7	Cement	4,800
446/7	Cement	4,800
412/8	Dynamite	3,950
413/8	Dynamite	<u>3,950</u>
Carried forward		72,145



<u>Voucher</u>	<u>Description</u>	<u>Amount</u> <u>Bs</u>
Brought forward		72,145
414/8	Dynamite	3,950
415/8	Dynamite	3,950
437/8	Spare parts	3,672
438/8	Spare parts	3,672
468/8	Cement	6,000
469/8	Cement	6,000
492/8	Dynamite	3,950
493/8	Dynamite	3,950
495/8	Materials	3,300
496/8	Materials	3,300
402/10	Cement	5,600
403/10	Cement	5,600
106-8/11	Drills	11,756
412/11	Gaviones	5,129
413/11	Gaviones	5,129
419/11	Cement	5,600
420/11	Cement	5,600
431/11	Cement	5,600
432/11	Cement	5,600
451/11	Lubricant grease	4,990
452/11	Lubricant grease	4,990
469/12	Drills	5,100
470/12	Drills	5,200
479/12	Drills	5,400
		<u>195,183</u>

These questionable costs are reflected in Note 4 to the fund accountability statement.

Criteria:

A.I.D. Handbook 11, chapter 3 and A.I.D. Handbook 1, supplement B provide that purchases for items costing more than an established amount require prior approval from USAID/Bolivia. A.I.D. Handbook 11, chapter 3 and AID Handbook 1, supplement B - Appendix I, provide the following authorization levels:



Top amounts for
purchases without
previous authorization
US\$

Spare parts	2,500
Equipment repairs	2,500
Materials and supplies	2,500
Building contracts	5,000
Rental equipment	2,500

Cause:

SNC has no adequate procedures to ensure compliance with USAID/Bolivia's purchasing requirements.

Effect:

Non compliance with applicable A.I.D. procedures and regulations, may result in improper purchases.

Recommendation:

SNC should design and implement procedures to ensure that all of its purchases for project activities are conducted in compliance with A.I.D. rules and regulations.

3. SNC did not Comply with the State Social Security System and INFOCAL Requirements

Condition:

SNC has not registered its temporary employees in the State Social Security System. SNC has not deducted the employee contributions for social security from the temporary employees' salaries and has paid neither the employees' contribution nor the employer's contribution to the system. Furthermore SNC did not pay the employer's contribution to INFOCAL for the salaries it paid to its employees.

Criteria:

SNC is legally required to register in the State Social Security System, which covers the medical care and pension systems, all its temporary employees after they



have worked for five days. SNC is also required by Bolivian law to withhold the employees' contribution for these benefits and pay those withholdings along with the employer's contribution to the State Social Security System. Additionally, SNC is required to contribute to INFOCAL, the state employee training institute, an amount equal to 1% of salaries paid.

Cause:

SNC had no internal procedures to ensure compliance with the Bolivian Social Security System when paying temporary personnel. Furthermore, SNC's project accountant had not received specific instructions to pay the contribution to INFOCAL.

Effect:

SNC's failure to comply with the Bolivian legal requirements pertaining to the State Social Security System may result in a liability to SNC, and therefore SNC may be required by the Government of Bolivia to pay both the employer's and employees' contribution plus fines and interest. Regarding INFOCAL, SNC may be required to pay the unpaid contributions plus penalties.

Recommendation:

SNC should study the requirements of the Bolivian Social Security System and INFOCAL and then design and implement procedures to ensure its compliance with the Bolivian laws in this area.

4. Lack of Identification and Marking of Goods

Condition:

Goods acquired with A.I.D. funds were not physically identified and marked with the A.I.D. identifying emblem.

Criteria:

SNC is required by the provisions of the agreement (Annex 2, section B.8) to mark all goods acquired with A.I.D. funds with the A.I.D. emblem in a manner described in the project implementation letters.



Cause:

SNC did not have an internal procedure to ensure compliance with the A.I.D. marking requirement. SNC informed us that the plates with the emblems are frequently lost from the equipment which works in the field.

Effect:

Goods acquired with A.I.D. funds were not marked with the A.I.D. emblem and beneficiaries of the project may not have been aware that the project and the goods in particular were supplied by the United States of America. Additionally the lack of the A.I.D. marking weakened the control over goods which were acquired for project procedures.

Recommendation:

SNC should:

- a) Implement a procedure to ensure that all goods acquired with A.I.D. funds are marked with the A.I.D. emblem in accordance with the provisions of the agreement, and
- b) Mark with the A.I.D. emblem all assets acquired with A.I.D. funds and currently held by SNC.



Moreno Muñoz



CHAPARE REGIONAL DEVELOPMENT PROJECT, ACTIVITIES
MANAGED BY THE NATIONAL SERVICE OF ROADS (SNC)
USAID/BOLIVIA PROJECT No. 511-0543
FOR THE YEAR ENDED DECEMBER 31, 1989

LIST OF REPORT RECOMMENDATIONS

INTERNAL CONTROL STRUCTURE

Recommendation 1:

The National Service of Roads should:

- a) Conduct a review of its existing rules and procedures pertaining to the physical safekeeping of project assets, in order to determine their adequacy;
- b) if currency rules and procedures are inadequate, design and implement needed rules and procedures pertaining to the physical safekeeping of project assets; and
- c) assign responsibility to specific individuals for compliance with the rule and regulations.

Recommendation 2:

SNC should obtain USAID/Bolivia's assistance in obtaining the total budgeted and agreed-upon counterpart contribution from the Government of Bolivia.

Recommendation 3:

SNC should assign to a specific individual or to its internal audit department the responsibility for verifying that:

- a) The work contracts, the certificates for work performed, and the payment vouchers have all the required signatures; and
- b) purchases are supported with an adequate number of price quotations and corresponding official vendor invoices.

COMPLIANCE WITH AGREEMENT TERMS, PROJECT IMPLEMENTATION LETTERS, AND APPLICABLE LAWS AND REGULATIONS:

Recommendation 1:

SNC should review its technical planning procedures and implement needed changes to ensure that the proper quality and quantity of materials and supplies are timely provided for accomplishing the planned road improvement works.

Recommendation 2:

SNC should design and implement procedures to ensure that all of its purchases for project activities are conducted in compliance with A.I.D. rules and regulations.

Recommendation 3:

SNC should study the requirements of the Bolivian Social Security System and INFOCAL and then design and implement procedures to ensure its compliance with the Bolivian laws in this area.

Recommendation 4:

SNC should:

- a) Implement a procedure to ensure that all goods acquired with A.I.D. funds are marked with the A.I.D. emblem in accordance with the provisions of the agreement, and
- b) Mark with the A.I.D. emblem all assets acquired with A.I.D. funds and currently held by SNC.





**SERVICIO NACIONAL DE CAMINOS
BOLIVIA**

Cochabamba,
13 de Noviembre de 1990
D4-429/90

Señor
Lic. José Décker Márquez
DIRECTOR EJECUTIVO P.D.A.R.
Presente.

De nuestra consideración:

Ref: MEDIDAS ADOPTADAS A
OBSERVACIONES AUDI-
TORIA EXTERNA:

Adjunto a la presente hacemos llegar a su Autoridad las medidas adoptadas a las recomendaciones de Auditoría Externa de la firma "MORENO MUÑOZ" dentro las actividades del Proyecto Caminos Vecinales Distrito Cochabamba. Asimismo hacemos llegar un ejemplar para su envío al Sr. John Davison USAID/ La Paz.

Con éste particular motivo, nos suscribimos de Ud. con atención.

SERVICIO NACIONAL DE CAMINOS
Original firmado por.
Ing. Victor Ovando B.
JEFE PROY. CC. VV. D-4

Ing. Victor Ovando B.
JEFE PROY. CC. VV. D-4

Original firmado por,
Ing. Humberto Camacho R.
JEFE DISTRITAL
V°B° Ing. Humberto Camacho R.
JEFE DISTRITAL D-4

cc.- Coordinador USAID/CBBA.
Jefatura CC.VV. D-4
Distrito D-4

Adjuntos : (lo citado)



Cochabamba,
29 de Octubre de 1990

MEDIDAS ADOPTADAS A RECOMENDACIONES DE
" AUDITORIA EXTERNA "

=====

Página 1 al 7 :

- 1.- De acuerdo a observaciones de Auditoría Externa se está procediendo a la construcción de depósitos destinados para el Almacén del Proyecto con todas las normas de seguridad, lo que originará la centralización de nuestros Almacenes en Maestranza Arocagua, al mismo tiempo se incrementa personal de apoyo, debido al crecimiento del Proyecto, y paralelamente se está procediendo a la Elaboración del manual de Procedimientos para el personal responsable de Almacenes y del proyecto.
- 2.- Se han efectuado los trámites correspondientes para los desembolsos, sin embargo la situación crítica de la Institución a Nivel Nacional ha hecho que sea imposible cumplir al 100 % de acuerdo a lo presupuestado.
- 3.- De acuerdo a una revisión realizada a consecuencia de las observaciones de Auditoría Externa a la fecha todos los documentos certificados y Contratos han sido regularizados, para cuyo efecto se ha incrementado personal responsable para la revisión de todo tipo de Documentos.

De acuerdo a normas de la Institución, del mínimo de 3 cotizaciones de las cuales 2 con precio y una sin existencia dá opción a elegir el más favorable.

Página 8 al 14 :

- 1.- En el tramo Kury-Yacuparticu tuvo que incrementarse el Drenaje Transversal debido a las intensas precipitaciones imperantes en la zona, lo que originó que efectivamente una longitud de 24 kms. recién se está ejecutando en la Gestión 1990 .

En los sub-proyectos de Chapare (Villa Nueva- San Julian) solamente se ha efectuado trabajos de reposición de ripio, y nó así como Obras de Drenaje y compactación, la misma que especifica en objetivos del Proyecto.

- 2.- El Proyecto en ningún caso ha incumplido los parámetros ó topes de gastos determinandos por USAID mediante Cartas de Implementación en las adquisiciones de materiales y repuestos, las actividades del Proyecto son efectuadas de acuerdo a normas y regulaciones de A.I.D. .

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**SERVICIO NACIONAL DE CAMINOS
BOLIVIA**

Appendix I

- 2 -

- 3.- No se procedió al registro del personal eventual al sistema de Seguridad Social durante la Gestión 1989 por falta de un buen asesoramiento legal, a la fecha se está cumpliendo con dicho registro.

El Proyecto no tiene ninguna instrucción de Oficina Central para el Pago correspondiente a INFOCAL.

- 4.- Se ha procedido a la identificación física con el Emblema de A.I.D. a todos los bienes adquiridos con fondos de A.I.D.

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