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**AUDIT OF THE REGIONAL
AGRICULTURAL HIGHER EDUCATION PROJECT
USAID/COSTA RICA PROJECT NO. 596-0129**

**Audit Report No. 1-515-91-008
March 15, 1991**

Although USAID/Costa Rica had accomplished the objective of creating the Agricultural College of the Humid Tropical Region, the following problem areas are discussed in the report:

- **the financial standing and viability of the College is uncertain, considering that compared to Project Paper projections, the endowment fund has a current shortfall of \$14.1 million,**
 - **the College did not have a written policy on the acceptance of students outside the Central America and Panama Region, and**
 - **Project monitoring needs to be strengthened to accurately reflect Project activities.**
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AGENCY FOR INTERNATIONAL DEVELOPMENT

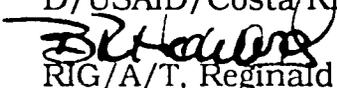
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March 15, 1991

MEMORANDUM

TO: D/USAID/Costa Rica, Ronald Venezia
FROM:  RIG/A/T, Reginald Howard
SUBJECT: Audit of USAID/Costa Rica's Regional Agricultural Higher Education Project, Audit Report 1-515-91-008

Enclosed are five copies of our audit report on USAID/Costa Rica's Regional Agricultural Higher Education Project, Report No. 1-515-91-008.

We have reviewed your comments on the draft and included them as an appendix to this report. The Mission agreed with all recommendations and has started taking action to resolve or close the recommendations. As a result of Mission actions to date recommendation Nos. 2 and 3.a. are resolved, recommendation Nos. 3.b. and 4 are closed, and recommendation No. 1 remains unresolved upon the issuance of this report.

I appreciate the cooperation and courtesy extended to my staff during the audit.

EXECUTIVE SUMMARY

In September 1985, USAID/Costa Rica's Regional Agricultural Higher Education Project (Project) was authorized to finance the creation of the Agricultural College of the Humid Tropical Region (College). A.I.D. authorized \$26.4 million life-of-project funding while the Government of Costa Rica agreed to provide no less than the local currency equivalent of \$89.6 million. As of September 1990, the Project was in its fifth year of implementation and had a project assistance completion date of September 1995. The Project has successfully completed the first phase of construction and has established the organizational structure needed to begin its first academic year. Second phase construction is scheduled for completion in 1992 and a full student body enrollment is anticipated by 1994. Only after becoming fully operational will the true success and viability of the college be determinable.

The audit was performed from October 1, 1990 through October 25, 1990 and covered the period from September 30, 1985 to September 30, 1990. We performed the audit in accordance with generally accepted government auditing standards.

Based on our review we concluded that:

- the objective of creating the College had been accomplished with the beginning of its academic operation in March 1990,
- the financial standing and viability of the College is uncertain considering that, compared to Project Paper projections, the endowment fund has a current shortfall of \$14.1 million,
- the College did not have a written policy on the acceptance of students outside the Central America and Panama Region, and
- Project monitoring needs to be strengthened to accurately reflect Project activities.

The report contains four recommendations. It also presents our assessment of internal controls (see page 11) and reports on USAID/CR's compliance with applicable laws and regulations (see page 15). A draft of this report was provided to Mission officials for comment. In responding to the draft report, USAID/Costa Rica agreed with the recommendations and planned to take immediate action. Although the Project has made

commendable progress we believe the implementation of these recommendations will help ensure its continued success in the future.

Office of the Inspector General

Office of the Inspector General
March 15, 1991

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INTRODUCTION

Background

Increasing the production of basic food, industrial and export crops is a principal challenge facing the Central American and Panama region. Although most of the best lands are already in production, no country in the region is self-sufficient in basic food crops. Income from principal export crops has been decreasing, and each country is facing increasing pressures due to expanding population. A suitable trained professional resource base was identified as one means for addressing this challenge and the Regional Agricultural Higher Education Project (Project) was developed in response. The goal of this Project is to increase agricultural productivity in Central America and Panama, thereby enhancing rural economic growth and employment opportunities.

The Project consists of a grant to finance the creation of the Agricultural College of the Humid Tropical Region (College). The objective of the College will be to strengthen the technical quality of the human resource base working in agriculture, particularly in the lowland humid tropics. The College will be a four-year undergraduate institution with a course of study leading to a Bachelor of Science degree in agriculture. It will emphasize a "hands-on" method of teaching.

To achieve the long term financial viability of the College, an endowment fund of \$60 million consisting of local currency and U.S. dollars was established.

The Project was authorized on September 30, 1985 and has a current project assistance completion date of September 30, 1995. A.I.D. agreed to grant \$26.4 million and the Government of Costa Rica agreed to contribute no less than local currency equivalent of \$89.6 million for a total Project cost of \$116 million.

As of September 30, 1990 USAID/Costa Rica had obligated \$18.6 million for the Project and had expenditures of \$4.6 million. The Government of Costa Rica's counterpart contribution for this same ending period was the local currency equivalent of \$98.7 million.

Audit Objectives

The Office of the Regional Inspector General for Audit, Tegucigalpa conducted an audit survey of USAID/Costa Rica's Regional Agricultural Higher Education Project. In conducting this audit survey, we tested whether USAID/Costa Rica (1) followed applicable

control procedures, and (2) complied with certain provisions of regulations, grants, and contracts. We also interviewed officials of USAID/Costa Rica, the College, and California Polytechnic State University Foundation (Cal Poly) and reviewed pertinent records as appropriate.

We performed a limited scope performance audit on those issues which we identified as concerns for further investigation. The audit objectives focused on the following questions:

1. Has USAID/Costa Rica made a current assessment of the financial viability of the College?
2. Did USAID/Costa Rica assure that the College was established to address the agricultural production problems of the Central American and Panama region?
3. Has USAID/Costa Rica monitored commodity procurement under the Project adequately?
4. Has USAID/Costa Rica ensured that all interest earned on Agency funds has been properly refunded?

The audit was performed from October 1, 1990 through October 25, 1990 and covered the period from September 30, 1985 to September 30, 1990. We performed the audit in accordance with generally accepted government auditing standards.

REPORT OF AUDIT FINDINGS

Has USAID/Costa Rica made a current assessment of the financial viability of the College?

A major objective of the Project is to assure the long term financial viability of the College. In this regard, the project paper stated that in establishing a new institution, an important element of the project strategy is to provide sufficient support over an extended period of time to assure that the institution is on solid footing both technically and financially. At the project paper stage, the Project was determined to be self-sustained when comparing revenues to expenditures covering a ten-year period from 1986 to 1995. However, the validity of these figures is now questionable considering delays of over two years in starting College operations and considering greater than anticipated economic fluctuations. The College's Financial Director recently prepared yearly revenue and expense projections for the period 1990 to 1999 and estimated a shortfall in revenues as early as 1993. The endowment fund created for the College to help cover expenses and ensure the viability of the Project needs to be assessed as to the sufficiency of those funds to generate adequate income. Limited operational experience and uncertain economic conditions have complicated the situation. As a result, the financial standing and viability of the College is uncertain.

Recommendation No. 1: We recommend that USAID/Costa Rica during the next Project evaluation:

- 2.1 independently verify the accuracy of revenues and expenditures projected for the Agricultural College of the Humid Tropical Region for the period 1990 to 1999, and**
- 2.2 conduct an assessment of the yearly interest likely to be generated by the endowment fund for the period 1990 to 1999 to help the Board of Trustees determine the level of funds to be provided to the Agricultural College of the Humid Tropical Region. This assessment should consider minimum and maximum levels of revenues and expenditures allowing for economic uncertainties.**

In establishing a new institution like the College, an important element of the project strategy is to provide sufficient support over an extended period of time to assure that the institution is on solid footing both technically and financially. To ensure the viability of the College an endowment fund consisting of local currency and dollars was created to help cover the College's operating expenses. At the project paper stage, the Project was determined to be

viable after comparing revenues to expenditures covering a ten-year period from 1986 to 1995. However, the validity of these figures is now questionable considering unanticipated economic fluctuations and over a two-year delay in starting College operations.

The late start and changes in the actual implementation of the Project has contributed to greater expenditures and fewer revenues. For example, operating expenses in 1990 have increased almost twofold and revenues from tuition have decreased over 80 percent. Thus, the original projections from which the College was considered financially viable are no longer valid.

An endowment fund of \$60 million (\$50 million in local currency equivalent and \$10 million in dollars) was created to sustain the viability of the College. In the project paper, a twenty year projection of the endowment cash flow was prepared for the period 1986 to 2005. It was estimated that by 1990 the local currency portion of the endowment would increase to \$55.6 million and the dollar portion would increase to \$16.0 million or a total of \$71.6 million due to interest earned. The actual balance of the fund as of September 30, 1990 was only \$57.5 million or \$14.1 million (\$6.6 million in local currency and \$7.5 million in dollars) short of the 1990 level projected in the 1985 Project Paper. One factor leading to this shortfall was that the actual transfer of local currency to the endowment fund account did not take place until September 1988 when, because of local currency devaluations, the amount transferred was of less value than that authorized.

The College's Financial Director recently prepared yearly revenue and expense projections for the period 1990 to 1999. These projections include revenues from tuition and miscellaneous sources, from operation of the College farm, and from currently available Project grant funds. The projections developed by the College show that starting in 1993 the College will not be able to cover yearly expenses with its own revenues. The shortfall in 1993 is estimated to be \$2.3 million with an increase to \$5.9 million in 1999. For the entire period the estimated shortfall totals \$32.1 million. Unless additional outside sources can be found, it appears these costs must be covered by eroding the principal of the endowment.

Under these conditions the financial situation of the College is uncertain which could effect the intended level of operation and the overall viability of the College when A.I.D. assistance ends in 1995. We believe an assessment needs to be done on the capability of the endowment fund to generate sufficient funds from interest earnings to cover the College's projected shortfalls. This is especially relevant since there already exists, as of 1990, a \$14.1 million shortfall in the endowment compared to Project Paper projections made five years earlier. We believe that this assessment should be performed during the upcoming 1991 project evaluation by persons independent of the Project.

Did USAID/Costa Rica assure that the College was established to address the agricultural production problems of the Central American and Panama region?

The intent of the Project was to produce a professional human resource base with the knowledge and experience to address the production problems of Central America and Panama region. However, the College's Board of Directors decided to include students from all Latin American countries having lowland humid tropics in order to give the College a more international image. In spite of this change, no written policy has been established governing the selection of students based on their country of origin. Without such a policy there is no guarantee that the Project's original intended goal and purpose will be accomplished.

Recommendation No. 2: We recommend that USAID/Costa Rica require the Agricultural College of the Humid Tropical Region establish a written policy on student selection with emphasis placed on selecting students from countries in the Central America and Panama region.

According to the Project's original agreement the overall goal and purpose of the Project is to increase agricultural productivity in Central America and Panama by producing a professional human resource base with the practical and educational experience needed to address the agricultural production problems of Central America and Panama. This task is to be accomplished with the construction of a new four-year agricultural college with a curriculum emphasizing lowland humid tropical agriculture.

Since the signing of the original agreement in 1985 several additional agreements and amendments have been signed between A.I.D., the Government of Costa Rica, and the College. In reviewing these agreements and amendments we noted that certain project descriptions, while acknowledging that the majority of students should come from Central American countries and Panama, stated that some students are expected to come from other Latin American countries having characteristics of the humid tropics.

In addition, Project covenants state: "the College agrees to use its best efforts to ensure that its student body is characterized by a predominance of individuals from the Central America and Panama region." From these statements it is evident that the acceptance of students from countries outside the Central America and Panama region was anticipated. Accordingly, in June 1989, the College's Board of Directors made a formal decision to recruit students from all Latin America and Caribbean countries containing humid tropical environments.

The composition of the first class of 59 students includes only one student from outside the Central America and Panama region. Although College officials state that it is their intention to accept a majority of students from Central America and Panama there is no written policy that would guarantee this. Discussions with the College Director and other personnel pointed out that establishing a quota system for student selection would not be in the best interest of the College because of the possibility of lowering the College's educational standards, but it

was agreed that a policy could be developed giving priority to students from Central America and Panama with all other factors being equal. The cooperative and positive attitude displayed by College officials would indicate that such a policy could be developed with enough flexibility for the admittance of students from outside the Central America and Panama region while still maintaining the integrity of the Project.

Although we believe accepting students from other countries with similar lowland humid tropical areas would not adversely affect the educational emphasis of the school and would be beneficial in distributing knowledge, we also believe that without an established written policy on student selection the composition of the student body could possibly change such that Central American and Panamanian students would not predominate.

Has USAID/Costa Rica monitored commodity procurement under the Project adequately?

A.I.D.'s standard provisions require accurate and up to date reporting of project financial information. Commodities valued at about \$277,000, which were procured under a contract with the California Polytechnic State University Foundation (Cal Poly) during 1990, had not been recorded by USAID/Costa Rica as accrued expenditures. This occurred because Project management had not obtained the necessary documentation detailing commodity purchases. As a result, the Mission's accounting records did not accurately reflect Project procurement progress and Project management had no assurance as to the actual commodities purchased under the Project.

Recommendation No. 3: We recommend that USAID/Costa Rica:

- 3.1 assure that the California Polytechnic State University Foundation and the Agricultural College of the Humid Tropical Region reconcile commodities procured and charged under the California Polytechnic State University Foundation contract with commodities received and inventoried by the Agricultural College of the Humid Tropical Region, and**
- 3.2 adjust the accrued expenditures as recorded in USAID/Costa Rica's accounting records to accurately reflect Project procurement levels.**

A.I.D.'s standard provisions require that projects be implemented using sound financial and management practices, to include accurate and up to date reporting of financial information on project transactions.

Moreover, the scope of work of PIO/T No. 515-0129-3-50324, which is the basis for the Cal Poly contract, states the following:

The support university [Cal Poly], using its own procurement regulations and procedures, which are not in conflict with A.I.D.'s regulations and procedures,

will procure up to \$500,000 of goods for the College.... Copies of all correspondence related to procurement activities undertaken under this contract must be submitted to A.I.D. by the party (the College or Cal Poly) originating such documentation.

According to College records Cal Poly began purchasing commodities in January 1990. The exact amount procured is uncertain. First, the College's commodity procurement statement as of June 1990 shows that Cal Poly had made purchases of \$276,911. This figure was provided to the College by Cal Poly without any supporting documentation. Next, upon receipt of the commodities, the College recorded the costs from the actual invoices for a total of \$265,102 or a difference of \$11,809. This difference had not been reconciled because the College had not received the details from Cal Poly. Finally, the Cal Poly monthly fiscal report for August 30, 1990 indicated that \$286,807 had been expended for commodities.

As of September 30, 1990, the USAID/Costa Rica Controller's Office records showed \$500,000 obligated for procurement of commodities under the Cal Poly contract with no expenditures against this line item. Accruals under this same budget line item showed an amount of \$30,000. With actual purchases of commodities of about \$277,000 as of June 1990, at least the accrued expenditures for these purchases should have been recorded on USAID/Costa Rica records.

Apparently USAID/Costa Rica Controller's Office had not received information on the procurement of commodities from either Cal Poly or the College. Also, although Cal Poly was directly reimbursed through A.I.D./Washington for the purchase of the commodities, USAID/Costa Rica had not received the advice of charges showing that the expenditures had taken place.

It is the responsibility of the Project Officer to obtain all the necessary documentation regarding the purchases of commodities under the Cal Poly contract and submit accurate accrual estimates to the USAID/Costa Rica Controller's Office. This had not been done. As a result USAID/Costa Rica records do not actually reflect what has been purchased nor how much has been spent on commodities.

Has USAID/Costa Rica ensured that all interest earned on Agency funds has been properly refunded?

A.I.D. regulations encourage the grantee to utilize interest bearing accounts where feasible and remit to A.I.D., at least quarterly, all interest earned on funds provided by A.I.D. The College earned approximately \$44,000 in interest on grant funds which had not been refunded to A.I.D. in a timely manner. Although the earning of interest was identified by A.I.D. officials, they did not ensure that the interest was refunded on a quarterly basis as required.

Recommendation No. 4: We recommend that USAID/Costa Rica recover all interest earned on grant funds advanced to the Agricultural College of the Humid Tropical Region.

A.I.D. Handbook 13, Appendix 5C2(a) states the grantee is encouraged to utilize interest bearing accounts where feasible and shall remit to A.I.D., at least quarterly, all interest earned on funds provided by A.I.D. Initially the College used funds received from A.I.D. to open a non-interest dollar bank account at the International Bank of Costa Rica, S.A. in Miami. In March 1989, College officials decided to open an interest bearing account at this same bank with funds transferred from the non-interest account and funds donated by the Kellogg Foundation.

In October 1989 the USAID/Costa Rica Project Officer learned that interest was being earned on A.I.D. funds advanced to the College and asked the College's Financial Director to return to A.I.D. the interest earned on all A.I.D. advanced funds. The Project Officer then advised (contrary to A.I.D. Handbook guidance) the Financial Director not to maintain an interest bearing account. Based on this advice the Financial Director had the bank redeposit \$250,000¹ to the original non-interest bearing account. A small balance of \$5,326¹ plus the interest earned from March to October 1989, \$16,347¹, was left in the interest earning bank account. The Financial Director informed us that \$1,526¹ of the interest earned was on Kellogg Foundation funds and should not be refunded to A.I.D.

On October 22, 1990 in response to the auditors' follow-up on this issue, the Financial Director refunded to A.I.D. \$15,670 in interest calculated from March 1989 to August 1990. We did not verify the accuracy of the interest refunded and suggest that USAID/Costa Rica make this verification. Moreover the interest earned on this account for September and October 1990 should also be calculated and refunded to A.I.D. The Financial Director told us the interest bearing account would be closed in November 1990.

The Financial Director realized that interest was also being earned on letters of credit opened by the College with A.I.D. funds. At his own initiative on September 28, 1990 the Financial Director refunded to A.I.D. \$22,043 in interest earned on these funds. In addition, on October 24, 1990 the Financial Director upon reconciling other letters of credit refunded an additional \$6,353 in interest earned to A.I.D. As of the end of our fieldwork, Interest totaling \$44,066 had been received by USAID\Costa Rica.

We credit both the Project Officer for identifying early on that interest was being earned on A.I.D. funds and the College's Financial Director for his initiative. However, having identified the interest earned as early as October 1989, the Project Officer should have ensured that the interest was refunded to A.I.D. in a timely manner as required by the regulations.

USAID/Costa Rica should ensure that interest earned on A.I.D. funds are refunded at least quarterly as required. We also suggest USAID/Costa Rica encourage grantees to use interest bearing accounts for A.I.D. funds when feasible, as provided in A.I.D. Handbook guidance.

¹ Data provided by the Financial Director and not confirmed with bank

AREAS NEEDING FURTHER STUDY

Four additional areas warranting management's attention were noted during our review and discussed with USAID/Costa Rica and College officials as appropriate. These officials accepted our suggestions and have either already taken action or have plans to take action soon to correct these issues. A discussion of the four areas follows:

Control Over the Use of Project Vehicles -- Although College officials said that 29 vehicles had been provided to the Project, our review showed that no uniform system existed to control personal usage of the vehicles. One vehicle, the campus bus, was using a travel log; however, other vehicles, such as the five assigned to individuals had no system of control. After discussing the problem with the College Director and staff, a formal system was promptly established and implemented for all Project vehicles.

Requirement for Marking A.I.D.-Financed Commodities -- We found the College was not totally in compliance with A.I.D.'s marking requirements. The college buildings and certain pieces of heavy equipment had been marked appropriately, however, Project vehicles and other durable goods had not been marked. A waiver of the marking requirements dated August 29, 1990 was approved by the Mission Director in late October 1990. The justification for the waiver was to avoid the interpretation of such markings as excessive control by A.I.D. The College agreed that while A.I.D.'s role as a donor needed to be recognized, it could be accomplished in a less obtrusive manner. College and USAID/Costa Rica officials told us that commodities valued at more than \$750 would be marked with the A.I.D. handclasp symbol and plaques would be prominently displayed in classrooms recognizing A.I.D. as the donor of the classroom furniture, supplies, etc. The project implementation letter detailing the marking requirements is to be issued soon with the actual marking of items to begin immediately thereafter.

USAID/Costa Rica's Approval of Project Implementation Plans -- According to the contract between USAID/Costa Rica and Cal Poly, the contractor was to submit to the College and A.I.D., for their approval, a quarterly action plan describing major activities planned and expected results. We determined that only one of ten quarterly plans submitted by the contractor had been formally approved by USAID/Costa Rica. With the recent change in staffing of both the contractor's Chief-of-Party and USAID/ Costa Rica's Project Officer it becomes even more important that quarterly plans be reviewed and approved. Although we found no evidence that the Project implementation had suffered because of this lack of formal approval, reviewing and approving implementation plans is the standard mechanism used to monitor A.I.D. project activities. USAID/Costa Rica Project management agreed that the plans had not been approved as required and stated that this oversight would be corrected in the future.

On-Site Inspection Reports -- According to USAID/Costa Rica's Mission Orders 570 and 571 dated March 30, 1988, on-site inspections of projects are to be conducted in a timely and thorough manner and the inspection results reported. The reports were to be prepared for all in-country project related travel and submitted within five days after each visit. We found

no such reports in the project files. USAID/Costa Rica assured us that future on-site inspection reports would be prepared by the Project Officer.

REPORT ON INTERNAL CONTROLS

We have audited USAID/Costa Rica's Regional Agricultural Higher Education Project for the period September 30, 1985 through September 30, 1990, and have issued our report thereon dated March 15, 1991.

We conducted our audit in accordance with generally accepted government auditing standards, which require that we plan and perform the audit to fairly, objectively, and reliably answer the objectives of the audit. Those standards also require that we:

- assess the applicable internal controls when necessary to satisfy the audit objectives; and
- report on the controls assessed, the scope of our work, and any significant weaknesses found during the audit.

In planning and performing our audit, we considered A.I.D.'s internal control structure to determine our auditing procedures in order to answer each of the six audit objectives and not to provide assurance on the internal control structure.

The management of A.I.D., including USAID/Costa Rica, is responsible for establishing and maintaining adequate internal controls. Recognizing the need to re-emphasize the importance of internal controls in the Federal Government, Congress enacted the Federal Manager's Financial Integrity Act (the Integrity Act) in September 1982. This Act, which amends the Accounting and Auditing Act of 1950, makes the heads of executive agencies and other managers as delegated legally responsible for establishing and maintaining adequate internal controls. Also, the General Accounting Office (GOA) has issued "Standards for Internal Controls in the Federal Government" to be used by agencies in establishing and maintaining such controls.

In response to the Integrity Act, the Office of Management and Budget (OMB) has issued guidelines for the "Evaluation and Improvement of Reporting on Internal Control Systems in the Federal Government." According to these guidelines, management is required to assess the expected benefits versus related costs of internal control policies and procedures. The objectives of internal control policies and procedures for federal foreign assistance programs are to provide management with reasonable--but not absolute--assurance that resource use is consistent with laws, regulations, and policies; resources are safeguarded against waste, loss, and misuse; and reliable data is obtained, maintained, and fairly disclosed in reports. Because

of inherent limitations in any internal control structure, errors or irregularities may occur and not be detected.

Moreover, predicting whether a system will work in the future is risky because (1) changes in conditions may require additional procedures or (2) the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purposes of this report, we have classified significant internal policies and procedures applicable to each of the audit objectives by categories. For each category, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation--and we assessed control risk. In doing this work, we found certain problems that we consider reportable under standards established by the Comptroller General of the United States. Reportable conditions are those relating to significant deficiencies in the design or operation of the internal control structure which we become aware of and which, in our judgment, could adversely affect USAID/Costa Rica's ability to assure that resource use is consistent with laws, regulations, and policies; resources are safeguarded against waste, loss, and misuse; and reliable data is obtained, maintained, and fairly disclosed in reports.

Audit Objective One

The first audit objective was to see if an adequate assessment had been made of the College's financial viability. In planning and performing our audit of this assessment we reviewed sources of income, financial expenditure reports, and bank statements. In addition we conducted interviews with A.I.D., College, and banking personnel. For this objective we have classified the relevant policies and procedures into the following categories: the budgetary accounting system, project implementation, reporting process, and project monitoring process.

We noted one reportable condition relating to the project monitoring process:

- the Mission had not conducted the review necessary to determine the adequacy of funds needed to maintain the financial viability of the College.

This deficiency has resulted in the uncertainty of operating the College at planned levels.

Audit Objective Two

Objective two deals with the assurance that the College was established to address the agricultural problems of the Central American and Panama region. In planning and performing our audit of this objective we considered applicable internal control policies and procedures cited in A.I.D. Handbooks 2 and 3. We have classified the relevant policies and procedures into the following categories: project design process and project implementation monitoring process.

We noted a reportable condition in the design and implementation processes:

- the Mission did not ensure that a written policy was established governing the selection of the College's student body based on country of origin as was intended in the project design.

Audit Objective Three

This objective relates to the monitoring of project commodities procured. In planning and performing our audit of the commodities, we considered the applicable internal control policies and procedures cited in A.I.D. Handbooks 3 and 15 and the Project Officer's Guidebook.

We noted one reportable condition relating to the monitoring process:

- the Mission had not established proper monitoring guidelines to assure that commodities procured under the project were reconciled and recorded properly.

This deficiency has resulted in USAID/Costa Rica's records not accurately reflecting what has been purchased under the project.

Audit Objective Four

This objective relates to the Mission's accounting for A.I.D.-provided funding, specifically the refund of interest earned on project advances. In planning and performing our audit of Mission accounting, we considered the applicable internal control policies and procedures cited in A.I.D. Handbook 3 and 19 and the Controller's Handbook.

We noted one reportable condition to the monitoring of project advance of funds:

- the Mission did not adequately monitor project advances in order to determine if interest had been earned and returned timely to the U.S. Government.

• • •

A material weakness is reportable condition in which the design or operation of the specified internal control 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 financial reports on projects funds 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 internal controls 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. However,

we believe the reportable conditions described under audit objectives numbered three and four are material weaknesses.

REPORT ON COMPLIANCE

We have audited USAID/Costa Rica's Regional Agricultural Higher Education Project for the period September 30, 1985 through September 30, 1990, and have issued our report thereon dated March 15, 1991.

We conducted our audit in accordance with generally accepted government auditing standards, which require that we plan and perform the audit to fairly, objectively, and reliably answer the audit objectives. Those standards also require that we:

- assess compliance with applicable requirements of laws and regulations when necessary to satisfy the audit objectives (which includes designing the audit to provide reasonable assurance of detecting abuse or illegal acts that could significantly affect the audit objectives) and
- report all significant instances of noncompliance and abuse and all indications or instances of illegal acts that could result in criminal prosecution that were found during or in connection with the audit.

Noncompliance is a failure to follow requirements, or a violation of prohibitions, contained in statutes, regulations, contracts, grants and binding policies and procedures governing entity conduct. Noncompliance constitutes an illegal act when the source of the requirement not followed or prohibition violated is a statute or implementing regulation. Noncompliance with internal control policies and procedures in the A.I.D. Handbooks generally does not fit into this definition and is included in our report on internal controls. Abuse is furnishing excessive services to beneficiaries or performing what may be considered improper practices, which do not involve compliance with laws and regulations.

Compliance with laws, regulations, contracts, and grants applicable to the Project is the overall responsibility of USAID/Costa Rica's management. As part of fairly, objectively, and reliably answering the audit objectives, we performed tests of USAID/Costa Rica, contractor, and host-government compliance with certain provisions of Federal laws and regulations, contracts and grants. However, our objective was not to provide an opinion on overall compliance with such provisions.

The results of our tests of compliance disclosed the following significant instances of noncompliance:

- Audit Objective No. 1 - the Mission had not assured that an updated assessment of the College long term viability was done as required by the Project Grant Agreement standard provisions (see page 3).
- Audit Objective No. 2 - project officials had not verified that a clarification of the acceptance policy for students outside the Central America and Panama region was made as required by the Project Grant Agreement (see page 5).
- Audit Objective No. 3 - project officials had no assurance as to the exact amount of commodities purchased under the Project by the contractor as required by the Project Grant Agreement standard provisions (see page 6).

Except as described, the results of our tests of compliance indicate that, with respect to the items tested, USAID/Costa Rica contractors, and the Government of Costa Rica complied, in all significant respects, with the provisions referred to in the fourth paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that USAID/Costa Rica, contractors, and the Government of Costa Rica had not complied, in all significant respects, with those provisions.

MANAGEMENT COMMENTS AND OUR EVALUATION

USAID/Costa Rica agreed with the report's findings and recommendations and has taken steps to resolve or close each of them. See Appendix II for the actual comments from USAID/Costa Rica.

We appreciate USAID/Costa Rica's responsiveness and cooperation in addressing the audit issues.

APPENDICES

SCOPE AND METHODOLOGY

Scope

We audited USAID/Costa Rica's Regional Agricultural Higher Education Project in accordance with generally accepted government standards. We conducted the audit from October 1, 1990 through October 25, 1990, and covered the systems and procedures relating to project inputs financed by A.I.D. from September 30, 1985 through September 30, 1990. As noted below, we conducted our field work in the offices of USAID/Costa Rica, at the Agricultural College of the Humid Tropical Region, and at several participating Costa Rican banks. The audit objectives did not cover the following areas:

- The audit did not determine if the \$500,000 in commodities procured under the California Polytechnic State University Foundation contract were in compliance with A.I.D. regulations because all documentation for these commodities was maintained at the contractor's home office in California.
- The audit did not cover the type, stability or safety of investments being made in the College's endowment fund. We only reviewed the generation of funds as it pertained to future availability of funds for the College's operation.
- The audit did not evaluate the quality of the College's construction nor the quality of education.

Methodology

The methodology for each audit objective follows.

Audit Objective One

To accomplish the first audit objective, we reviewed the College's planned budget for a ten-year period, including several years after the end of A.I.D. funding. We also reviewed the current status of all funds invested in the College's endowment fund to determine the potential of the endowment fund to finance the College's future operations. Discussions with College staff took place to determine future sources of income generation based on full

student enrollment and complete operation of the College's banana plantation. Through discussions with USAID/Costa Rica officials and College personnel we determined no financial review of the College's operation had been done since the preparation of the project paper. Comparisons with project paper estimates and current figures showed potential shortfalls in funding.

Audit Objective Two

To accomplish the second objective, we determined the justification of the College in the first place by reviewing project planning documentation. Interviews with USAID/Costa Rica officials and college personnel disclosed that no written policies existed assuring the College's emphasis on the agricultural production problems of Central America and Panama as envisioned in the Project Grant Agreement. Review of the minutes of the College's Board of Directors meetings revealed that the Board had expanded the College's areas of coverage without obtaining USAID/Costa Rica's concurrence. Discussions with USAID/Costa Rica officials resulted in agreement for the need of written policies on this issue.

Audit Objective Three

To accomplish the third objective, we determined whether USAID/Costa Rica had adequate controls to ensure (1) that the accounting records accurately reflected the commodities procured under the project and (2) that commodities ordered by the California Polytechnic State University Foundation were properly received and inventoried. We reviewed USAID/Costa Rica accounting records, project progress reports, inventory receiving reports, contractor implementation reports, College inventory records and conducted actual inventory counts. We also held discussions with USAID/Costa Rica officials, contractor and College personnel.

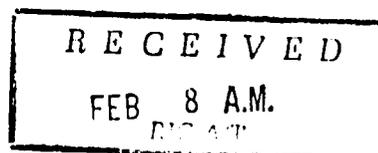
Audit Objective Four

To accomplish the fourth audit objective, we reviewed USAID/Costa Rica advance accounting records and compared these with the College's accounting records. Interviews with College personnel further clarified, identified interest earned but never returned to the U.S. Government. Discussions with USAID/Costa Rica revealed that the Mission was not aware of the interest due and a formal follow-up on this issue was needed.



AGENCIA PARA EL DESARROLLO INTERNACIONAL

MISION ECONOMICA DE LOS ESTADOS UNIDOS EN COSTA RICA



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February 5, 1991

MEMORANDUM

TO: Reginald Howard, RIG/A/T, USAID/Tegucigalpa
FROM: Douglas L. Tinsler, Director a.i., USAID/Costa Rica

SUBJ: Draft Audit Report; Regional Agricultural Higher Education Project No. 596-0129

The Mission has reviewed the subject draft audit report. We do not disagree with any of the information, comments, or recommendations presented in the draft report. Indeed we believe the report reflects the excellent implementation progress thus far of this large and complex project. We are confident this record of excellence will continue.

The Mission agrees with the four recommendations presented in the subject draft report and has taken steps to resolve or close each of them. Specific comments are presented below:

RECOMMENDATION NO. 1

"We recommend that USAID/Costa Rica during the next Project evaluation:

- a. independently verify the accuracy of revenues and expenditures projected for the Agricultural College of the Humid Tropical Region for the period 1990 to 1999, and;
- b. conduct an assessment of the yearly interest likely to be generated by the endowment fund for the period 1990 to 1999 to help the Board of Trustees determine the level of funds to be provided to the Agricultural College of the Humid Tropical Region. This assessment should consider minimum and maximum levels of revenues allowing for economic uncertainties."

USAID/Costa Rica agrees with the recommendation and will require a financial assessment of the long-term financial viability of the College as part of the mid-term project evaluation scheduled to be completed by external evaluators not later than the third quarter of CY 1991. The Scope of Work of the evaluation will include a task to examine the financial projections of the College for accuracy and reasonableness as well as an assessment of the adequacy of the endowment fund to generate revenues sufficient

to sustain the College. The Scope of Work containing this task of financial assessment is expected to be approved in the form of a PIO/T issue by USAID/Costa Rica no later than April 30, 1991. The Mission will provide a copy of the final PIO/T to the Regional Inspector General as soon as it is ready and a copy of the evaluation when it is completed. USAID expects this recommendation to be resolved upon the issuance of the PIO/T and closed on the basis of the final report of the planned evaluation.

RECOMMENDATION NO. 2

"We recommend that USAID/Costa Rica require the Agricultural College of the Humid Tropical Region to establish a written policy on student selection with emphasis placed on selecting students from countries in the Central America and Panama region."

USAID/Costa Rica agrees with the recommendation and has proceeded to request the President of the Board of Directors of the College by letter (see Attachment A) to obtain from the Board a written policy of student recruitment and selection with emphasis on the countries of Central America and Panama. USAID/Costa Rica expects this recommendation to be resolved on the basis of the attached letter. The Mission expects the Board to establish a written policy giving this emphasis at its next meeting scheduled for late March 1991. The Mission will provide a copy of this written policy to the Office of the Regional Inspector General as soon as practicable after the Board of Directors acts. USAID expects this recommendation to be closed on the basis of this action.

RECOMMENDATION NO. 3 a.

"We recommended that USAID/Costa Rica:

a. assure that the California Polytechnic State University Foundation and the Agricultural College of the Humid Tropical Region reconcile commodities procured and charged under the California Polytechnic State University Foundation contract with commodities received and inventoried by the Agricultural College of the Humid Tropical Region".

USAID agrees with the recommendation and has issued written instructions to the California Polytechnic State University Foundation (the Foundation) to assure that the Foundation and the Agricultural College of the Humid Tropical Region (the College) reconcile commodities procured and charged under the Foundation contract with commodities received and inventoried by the College on a prompt and continuing basis (see Attachment B). USAID expects this recommendation to be resolved on the basis of the attached letter. USAID understands that a reconciliation of commodities procured and charged under the Foundation contract with commodities received and inventoried by the College is in progress. The Mission will provide a copy of this reconciliation to the Office of the Regional Inspector General as soon as possible. USAID expects this recommendation to be closed on the basis of this reconciliation.

RECOMMENDATION NO. 3 b.

"We recommended that USAID/Costa Rica:

b. adjust the accrued expenditures as recorded in USAID/Costa Rica's accounting records to accurately reflect Project procurement levels."

USAID agrees with the recommendation and has adjusted its accounting records as of December 31, 1990 to accurately reflect procurement levels associated with the Foundation contract. The Foundation provides the project officer copies of its vouchers submitted to AID/W for payment. The December 31, 1990, accrual of \$290,500 is based on Foundation's cumulative expenditures to date as reported on the last voucher received by the project officer (see Attachment C). A copy of the December 31, 1990, PROJECT FINANCIAL STATUS REPORT is also attached to confirm proper recognition of the accrual in the Mission's records. USAID expects this recommendation to be resolved and closed on the basis of the above documentation.

RECOMMENDATION NO. 4

"We recommend that USAID/Costa Rica recover all interest earned on grant funds advanced to the Agricultural College of the Humid Tropical Region."

USAID/Costa Rica agrees with the recommendation and has determined that the College has returned to USAID all interest earned on funds advanced to the College by USAID through the period ending December 31, 1990. This evidence is presented in Controllers Office Report No. FAS-91/R/004 dated February 5, 1991 (see Attachment D).

In addition, the Mission issued a Project Implementation Letter advising the College it is AID policy that any funds received as advances should be deposited in interest earning accounts when feasible and that all interest so earned should be remitted to USAID not less frequently than each calendar quarter (see Attachment E). USAID expects this recommendation to be resolved and closed on the basis of the above documentation.



AGENCY FOR INTERNATIONAL DEVELOPMENT

UNITED STATES A. I. D. MISSION TO COSTA RICA

February , 1991

Attachment A
Page 1 of 1

Mr. Rodolfo Cortés
Chairman of the Board
E.A.R.T.H.
San Jose

Subj: USAID Grant No. 596-0129
Inspector General's Audit

Dear Mr. Cortés:

The AID Regional Office of the Inspector General (RIG) recently accomplished a performance audit of the EARTH Project. Preliminary audit results revealed few performance weaknesses.

One of the audit's four major findings/recommendations is related to the college policy regarding accepting students from countries other than those in the Central America and Panama region. The RIG Auditors noted that the purpose of the AID Grant explicitly targeted the development of the human resource base for Central America and Panama. They also noted that the College's Board of Directors decided to admit students from other Latin American countries having lowland humid tropics, and noted that there is no written policy governing selection of students based on country of origin. The RIG Auditors observed that without an established written policy on student selection, the composition of the student body could possibly change such that Central American and Panamanian students would not predominate, and therefore one of the explicit purposes of the AID Grant would not be accomplished. Following this analysis the RIG recommends "the Agricultural College for the Humid Tropical Region establish a written policy on student selection with emphasis placed on selecting students from countries in the Central America and Panama region."

USAID/Costa Rica agrees with this recommendation and we request the EARTH Board of Directors act to comply with this recommendation at the next meeting of the Board, scheduled for late March 1991.

If we can be of any assistance in this matter, please call me directly.

Sincerely,

Douglas L. Tinsler
Acting Mission Director

cc: Dr. José A. Zaglul, Director/EARTH



AGENCIA PARA EL DESARROLLO INTERNACIONAL

MISSION ECONOMICA DE LOS ESTADOS UNIDOS EN COSTA RICA

Apartado Postal 10053
1000 San José Costa Rica

January 10, 1991

Attachment B
2 pages

Mr. Donald Prout
Sponsored Programs Administrator
California Polytechnic State
University (Cal Poly)
San Luis Obispo, CA 93407

Subj: USAID Contract
No. 569-0129-2-8072-00
Inspector General's Audit

Dear Mr. Davis:

The AID Regional Office of the Inspector General (RIG) recently accomplished a performance audit of the EARTH Project. Preliminary audit results revealed few performance weaknesses.

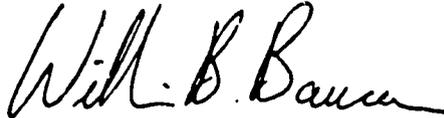
We anticipate one of the audits four major findings/recommendations will be related to the "Commodity Procurement" activity under the Cal Poly Contract. The RIG Auditors found that for the contract period ending June 1990 Cal Poly reported commodity purchases totalling \$276,911; while for the same period ending June 1990 EARTH reported receiving commodities from Cal Poly with a total value of \$265,102 as recorded from actual invoices. The RIG Auditors observed that the difference of \$11,809 had not been reconciled because EARTH "had not received the details" from Cal Poly.

To respond quickly to the anticipated RIG Audit Recommendations, we request your assistance to verify and reconcile any differences in the value of commodities procured by Cal Poly vis-à-vis the value of such commodities as recorded by EARTH. In addition, we request Cal Poly institute appropriate measures to keep EARTH well informed regarding the detail valuation of commodities which Cal Poly purchases and ships to EARTH in future with the objective of avoiding differences which may arise from insufficient documentation.

As a starting point, we suggest your Procurement Officer, Mr. Ray Macias, directly contact Mr. Roger Ruiz, EARTH Procurement Administrator for the purpose of comparing records/procedures regarding procurement and valuation of commodities delivered to EARTH by Cal Poly. These individuals appear to be best placed to determine the amounts and causes of any differences which may exist, and are well placed to recommend steps to avoid any differences in future.

In any case, we request Cal Poly to provide USAID/Costa Rica with evidence, as soon as practicable, that EARTH has received and correctly valued the commodities purchased and shipped by Cal Poly under the subject contract through the period ending September 1990; and evidence that differences, if any, between Cal Poly and EARTH regarding the value of such commodities have been satisfactorily reconciled.

Sincerely,



William B. Baucom
Chief
Rural Development Office

cc: Mr. Robert Flores, Chief of Party, Cal Poly
Mr. Joe Sabol, Campus Coordinator, Cal Poly
Dr. José A. Zaglul, Director, EARTH
Mr. Alex Mata, Financial Administrator, EARTH
Mr. Roger Ruiz, Procurement Administrator, EARTH
Mr. Thomas Clarkson, CONT/AID

CALIFORNIA POLYTECHNIC STATE UNIVERSITY FOUNDATION
MONTHLY FISCAL REPORT
COSTA RICA/AID CONTRACT
#596-0129-C-00-8072-00
FOR THE MONTH OF OCTOBER, 1990

	BUDGET AMOUNT	EXPENDED TO DATE	EXPENDED THIS PERIOD	BALANCE AVAILABLE
SALARIES	727,000.00	534,802.72	19,941.90	192,197.28
FRINGE BENEFITS	145,400.00	97,019.52	2,819.67	48,380.48
OVERHEAD	239,910.00	161,886.62	6,407.92	78,023.38
TRAVEL/TRANS	185,000.00	120,136.27	1,996.63	64,863.73
ALLOWANCES	34,300.00	21,881.02	10,961.45	12,418.98
OTHER DIRECT COSTS	69,290.00	41,187.08	541.59	28,102.92
SUBCONTRACTS	326,385.00	161,190.02	9,941.65	165,194.98
PROCUREMENT	500,000.00	290,436.30	170.16	209,563.70
TOTAL	2,227,285.00	1,428,539.55	52,780.97	798,745.45

The undersigned hereby certifies that (i) the fiscal report and any attachments have been prepared from the books and records of the Contractor in accordance with the terms of this contract, and to the best of my knowledge and belief, that they are correct, that the sum claimed under this Contract is proper and due, that all the costs of contract performance (except as herewith reported in writing) have been paid or will be paid currently by the Contractor when due in the ordinary course of business, that the work reflected by the costs above has been performed, that the quantities and amounts involved are consistent with the requirements of this Contract, that all required Contracting Officer approvals have been obtained, and (ii) appropriate refund to AID will be made promptly upon request in the event of disallowance of costs not reimbursable under the terms of this Contract.

By: Thomas E. Davis
Sponsored Programs Administrator
Date: 11/15/90

End of COSTRIC2

REPORT ID: MYFMD10 USAID / COSTA RICA REPORT PAGE NO: 102
 OPTION NG: 4 PROJECT FINANCIAL STATUS REPORT MISSION PAGE NO: 102
 REPORT DATE: 12/29/90 AS OF: 12/31/90

PROJECT NO : 5960129.01 PROJECT TITLE : REGIONAL HIGER EDUCATION PROJECT OFFICER : BAUCOM, WILLIAM (CS:A.VILLA.)

PROJECT ELEMENT NO.	PROJECT ELEMENT DESCRIPTION	OBLIGATION (O)	DISBURSEMENTS	ACCRUALS	PIPELINE / UNLIQUIDATED	ADVANCES
GRANT OR LOAN		EAR. RESV. (ER)				
EARMARK DOCUMENT NO.	EARMARK DESCRIPTION	EARMARK (E)				
COMMIT. DOCUMENT NO.	COMMIT. DESCRIPTION	COMMITMENT (C)				
COMMIT. END DATE	AGENT/CONTRACTOR	COM. RESV. (CR)				

ELEMENT NO : 1	OPERATING EXPENSES	499,254 (O)	436,033	61,200	2,021	63,220
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GRANT:

PIL #21	CY-90 BUDGET	Y	356,675 (E)			
PIL #21	CY-90 BUDGET		356,675 (C)	293,455	61,200	63,220
123190	E.A.R.T.H.					

LIQUIDATED EARMARKS		142,578 (E)	142,578			
GRANT BALANCE AVAILABLE FOR EARMARK RESERVATION		1			1	

ELEMENT TOTAL: GRANT		499,254 (O)	436,033	61,200	2,021	63,220
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ELEMENT NO : 2	CAPITAL EXPENSES	3,059,950 (O)	2,357,929	465,500	236,521	183,880
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GRANT:

PIL #21	CY-90 BUDGET	Y	538,895 (E)			
PIL #21	CY-90 BUDGET		538,895 (C)	355,015	175,000	183,880
123190	E.A.R.T.H.					

PIO/C-515-0129-4-50244	PURCHASE OF CAFETERIA EQUIP.	N	83,500 (E)			
LIQUIDATED COMMITS.			74,457 (C)	74,457		
AVAILABLE FOR COMMITMENT/RESERVATION			9,043		9,043	

PIO/C-515-0129-4-50253	EQUIPMENT PURCHASES	N	120,000 (E)			
LIQUIDATED COMMITS.			110,902 (C)	110,902		
AVAILABLE FOR COMMITMENT/RESERVATION			9,098		9,098	

PIO/T-515-0129-3-50234	CALPOLY TECH ASSISTANCE	N	500,000 (E)			
C0596-0129-C-00-8072	CALPOLY TECHN. ASSIST. AMEND. 2		500,000 (C)	0	290,500	0
103091	CAL. POLYTEC. STATE UNIVERSITY				209,500	

LIQUIDATED EARMARKS		1,817,555 (E)	1,817,555			
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ELEMENT TOTAL: GRANT		3,059,950 (O)	2,357,929	465,500	236,521	183,880
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ELEMENT NO : 3	SUPPORT UNIVERSITIES	1,875,888 (O)	546,377	822,550	506,941	0
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GRANT:

PIO/T-515-0129-3-50216	CALPOLY TECHNICAL ASSISTANCE	N	105,434 (E)			
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AGENCIA PARA EL DESARROLLO INTERNACIONAL

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CONTROLLER'S OFFICE REPORT

No. FAS-91/R-004

ISSUED BY THE FINANCIAL ANALYSIS SECTION

FEBRUARY 05, 1991

INTERNAL REPORT

**ESCUELA DE AGRICULTURA DE LA REGION TROPICAL HUMEDA
(EARTH)**

Project No. 596-0129B and 515-0192/15

Prepared by:

Alexander Arias, FA

**ESCUELA DE AGRICULTURA DE LA REGION DEL TROPICO HUMEDO
(EARTH)**

INDICE DE CONTENIDO

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VI. ANEXOS	
 A-Detalle de cheques recibidos por la AID por pago de intereses ganados en cuenta corriente y pagos de cartas de crédito	 Anexo No.1
 B-Detalle de Intereses Ganados al 31/12/90, por concepto de Adelantos a EARTH mantenidos en cuenta corriente y pagos de cartas de crédito	 Anexo No.2

**ESCUELA DE AGRICULTURA DE LA REGION DEL TROPICO HUMEDO
(EARTH)**

I. ANTECEDENTES

La Agencia para el Desarrollo Internacional de los Estados Unidos de América (AID) y el Gobierno de Costa Rica (GOOCR) firmaron un memorandum de entendimiento No.15 del proyecto 515-0192, el 07 de noviembre de 1984, conviniendo en usar colones para el establecimiento y apoyo de una Escuela Agrícola para la Región Tropical Húmeda. También AID ha obligado dólares proyecto 596-0129B, firmado con el GOOCR, todo con el fin de proveer los recursos financieros necesarios para establecer y apoyar la Escuela en Costa Rica, donde la misma se crea con la Ley No.7044.

II. OBJETIVO

El resultado de la revisión permitió alcanzar los siguientes objetivos:

1-Determinamos los intereses ganados por la Escuela en todos los fondos de Adelantos que se le han hecho y que ganaron intereses en cuenta corriente y en pagos de cartas de crédito al 31 de diciembre de 1990.

2-Obtuvimos evidencia de que los intereses ganados fueron devueltos íntegros a la AID.

III. ALCANCE

La revisión se limitó a los siguientes aspectos:

1-Estados de Cuenta Bancarios en dólares del Banco Internacional de Costa Rica (BICSA) de marzo de 1989 a diciembre de 1990.

2-Cartas enviadas y recibidas por la Escuela, BICSA y el Banco de Exportación (BANEX) con detalles de transacciones realizados por ambas partes (Cartas de Crédito y otros).

3-Copias de cheques emitidos por BICSA por concepto de cancelaciones de intereses a la AID, así como los recibos de dinero emitidos por la AID.

4-Estados de Cuenta Bancarios de otros bancos con que se tienen cuenta corriente en dólares al 31 de diciembre de 1990.

5-Conversaciones o entrevistas con el Contador General y la Tesorera de la Escuela.

IV. ANALISIS

El 27 de febrero de 1989 AID cancela una liquidación de gastos a la Escuela por un monto de \$ 448,648. Este dinero es depositado por la Escuela en su cuenta bancaria de dólares No. 5002 en el Banco Internacional de Costa Rica (BICSA), esta cuenta bancaria no ganaba ni gana intereses sobre saldos bancarios. Este depósito aparece reflejado en el Estado de Cuenta del mes de marzo del mismo año. En el mismo mes de marzo la Escuela traslada del monto depositado en la mencionada cuenta \$ 400,000 a la cuenta 23135 del mismo banco con la diferencia que esta cuenta si ganaba intereses sobre saldos bancarios.

La cuenta siguió ganado intereses sobre saldos hasta octubre de 1989, donde el Oficial del Proyecto de la AID les comunica que tal situación de ganar intereses es prohibido para la AID, por tanto, debían de devolver la cantidad ganada en intereses. En ese momento la Escuela transfiere \$ 250,000 (era el saldo que ellos suponían quedaba de los \$ 400,000 depositados en marzo de 1989) en la cuenta número 23135 que ganaba intereses a la cuenta número 5022 que no ganaba intereses, de esta manera se estarían evitando problemas con la AID y así poder realizar el análisis de los intereses ganados en cuenta corriente y realizar la devolución respectiva. Esta transferencia de dinero de la cuenta 23135 a la 5022 se reflejan en los respectivos Estados de Cuenta del Banco como débito y crédito respectivamente en el mes de octubre de 1989.

A pesar de haber transferido los \$ 250,000 en el mes de octubre de 1989, a noviembre de 1989, existía un saldo por \$ 21,673.62 según el respectivo Estado de Cuenta Bancario a la mencionada fecha. Este saldo estaba constituido básicamente por \$ 16,417.14 ganados en intereses, correspondiendo a la AID solamente \$ 14,821.34 ya que, la diferencia de \$ 1,525.80 (\$ 16,417.14-14,821.34), eran intereses ganados por un depósito que se realizó en la misma cuenta 23135 de una donación adicional por parte de la Fundación Kellogg (donación independiente de la AID), por tanto, el saldo de la cuenta bancaria a noviembre de 1989 sin gastar era de \$ 5,326.48 (\$ 21,673.62-14,821.34-1,525.80).

Por tanto el saldo neto a noviembre de 1989 de la AID era por \$ 20,147.82 (\$ 21,673.62-1,525.80) que generó un interés de \$ 848,80 de diciembre de 1989 al mes de agosto de 1990, ya que por error la cuenta no se canceló hasta ese mes. En resumen se devolvieron a la AID por concepto de intereses sobre saldos en cuenta corriente la suma de \$ 15,670.14 (El cheque se recibió en la AID el 23 de octubre de 1990), correspondiente a intereses ganados de marzo a noviembre de 1989 por \$ 14,821.34 y de diciembre 89 a agosto de 1990 la suma de \$ 848,80.

Además de la cifra antes mencionada la AID recibió el 28 de setiembre de 1990 la suma de \$ 22,043.39 por concepto de intereses devengados por cartas de crédito.

Esta cifra de intereses está respaldada en un estudio realizado por la contabilidad de la Escuela donde contemplan un detalle de todas las cartas de crédito que ganaron los respectivos intereses, además de los Estados de Cuenta de los Bancos involucrados, específicamente de BICSA y de BANEX, el período que abarcan las cartas de crédito que ganaron intereses va de mayo de 1989 a setiembre de 1989.

Nuestra revisión en esta área consistió en verificar los intereses ganados directamente de los Estados de Cuenta enviados por los bancos. La verificación de los intereses ganados fue difícil llevarla a cabo debido a que los mismos se calculaban sobre saldos aplicando un interés compuesto, por tanto confiamos en la información externa suministrada por los respectivos Bancos a la Escuela a través de certificación y de los Estados de Cuenta.

Además, verificamos que los desembolsos por concepto del pago de los intereses estuviesen registrados en los Estados de Cuenta y los libros de la Escuela.

Finalmente la AID recibió otra devolución por concepto de intereses devengados por cartas de crédito del período comprendido entre setiembre de 1989 a setiembre 1990, que mantenían en una cuenta de prepagos. Estos intereses fueron ganados por la Escuela pero no se sabía nada al respecto debido a que BICSA abrió una cuenta corriente que la llamaban cuenta de prepagos sin la autorización de la Escuela. La razón de esta anomalía la explica el Banco a través de una carta que le envía el Sub-Gerente de BICSA al Gerente de la Escuela; en términos generales esta carta explica la razón de la cuenta de la siguiente manera:

"Es una cuenta para propósitos de inversión y mantenimiento de colaterales a la vista, abierta por este banco (BICSA) con nuestra Agencia en Miami, para manejar los pagos anticipados por cartas de crédito que recibimos de ustedes. Fue necesario recurrir a este instrumento para mantener invertidos los fondos recibidos en pago de las cartas de crédito y en sustitución de Certificados de Depósito como se concibió originalmente, por cuanto los CD's para ser liquidados anticipadamente están sujetos a penalties que neutralizan totalmente los intereses ganados".

Por tanto en ese período de tiempo mencionado la Escuela se ganó en intereses por pagos en cartas de crédito \$ 6,352.98, esta cifra la verificamos a través del estado de cuenta preparado por el banco conteniendo un detalle de las transacciones realizadas. Véase anexo 2 de este reporte donde detallamos los intereses ganados y devueltos a la AID al 31/12/90 por concepto de saldos en cuenta corriente y por pagos de cartas de crédito.

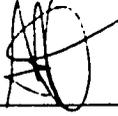
V. CONCLUSION

USAID/Costa Rica verificó que EARTH retornara todos los intereses ganados por concepto de fondos de adelantos (saldos en cuenta corriente y pagos de cartas de crédito) al 31 de diciembre de 1990. La totalidad de los intereses ganados por EARTH y devueltos a la AID a la fecha mencionada es por \$ 44,066.51.

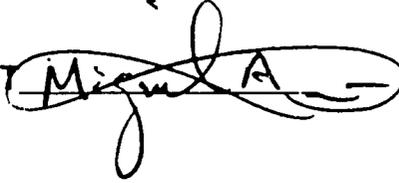
Esta verificación incluyó la revisión de todas las cuentas corrientes en dólares y colones que mantiene la Escuela para determinar si habían ganado intereses al 31/12/90.

Con este análisis consideramos debe eliminarse la recomendación número 4 del reporte de RIG 596-0129.

Hecho por: A.Arias, FA



Revisado y Aprobado por: M.Luiña, DCONT



VI. ANEXOS

**ESCUELA DE AGRICULTURA DE LA REGION DEL TROPICO HUMEDO
(EARTH)**

ANEXO 1

**DETALLE DE CHEQUES RECIBIDOS POR LA AID POR CONCEPTO DE
INTERESES GANADOS EN CUENTA CORRIENTE Y PAGOS CARTAS DE CREDITO**

<u>Número de cheque</u>	<u>Fecha cheque</u>	<u>Monto dólares</u>	<u>Fecha Recibido por AID</u>
149	09/28/90	15,871.36	10/01/90
613	09/28/90	6,172.03	10/01/90
150	10/22/90	15,670.14	10/23/90
655	10/24/90	6,352.98	10/26/90
TOTAL		44,066.51	

Nota:

Los cheques fueron emitidos a través de cuenta en dólares que tienen con el Banco Internacional de Costa Rica (BICSA).

(aav/06521/06)

ESCUELA DE AGRICULTURA DE LA REGION DEL TROPICO HUMEDO
(EARTH)

ANEXO 2

DETALLE DE INTERESES GANADOS AL 31/12/90
POR CONCEPTO DE ADELANTOS A EARTH
MANTENIDOS EN CUENTA CORRIENTE Y PAGOS DE CARTAS DE CREDITO

<u>Período Int. Ganados</u>	<u>Banco</u>	<u>Número Cta Bancaria</u>	<u>Monto Intereses Ganados Dólares</u>
Marzo-Nov. 89	BICSA	23135(1)	14,821.34
Dic 89-Agosto 90	BICSA	23135(1)	848.80
Junio-Set. 89	BICSA	(2)	15,871.36
Mayo-Junio 89	BANEX	(2)	6,172.03
Set. 89-Set. 90	BICSA	059007009(3)	6,352.98
TOTAL			44,066.51 *****

Notas

(1) Esta cuenta se mantiene activa al 31/12/90, sin embargo únicamente se mantenía un saldo por \$ 321.76 correspondiente a un "Fondo de Pensiones" (Independiente de fondos de la AID), y el número de cuenta a la fecha fue modificado para evitar problemas, actualmente es el número de cuenta 7298.

Esta cuenta dejó de funcionar con fondos de la AID a partir de agosto de 1990.

(2) Estos intereses no fueron ganados en cuenta corriente sino que fue por pagos a cartas de crédito realizados por EARTH a BICSA y BANEX donde estos invertían los dineros cuando los proveedores no cobraban a tiempo el pago por el producto o servicio que estaban vendiendo.

Los ingresos por intereses ganados por pagos de cartas de crédito transadas con BICSA y BANEX fueron depositados en la cuenta 5002 de BICSA que no ganaba intereses.

(3) Esta cuenta la número 059007009 fue abierta sin autorización de EARTH por BICSA. Véase extracto de explicación del motivo por el cual BICSA abrió la cuenta, en la página No. 4 de este reporte. Esta cuenta fue cerrada a partir de setiembre de 1990, por disposición expresa de EARTH.

(aav/0652t/09)



AGENCY FOR INTERNATIONAL DEVELOPMENT

UNITED STATES A. I. D. MISSION TO COSTA RICA

Attachment E
Page 1 of 1

de enero de 1991

February , 1991

Dr. José Antonio Zaglul
Director General
Escuela de Agricultura de la Región
Tropical Húmeda (EARTH)
San José

Dr. José Antonio Zaglul
Director General
Agricultural College of the Humid
Tropical Region (EARTH)
San José

Ref: Convenio Cooperativo No.
515-0129-A-00-9722-00
Intereses Ganados

Ref: Cooperative Agreement No.
515-0129-A-00-9722-00
Interest Earnings

Carta de Cumplimiento No.

Implementation Letter No.

Estimado Dr. Zaglul:

Dear Dr. Zaglul:

Nos referimos a los fondos adelantados a la Escuela en forma periódica bajo los términos del mencionado Convenio. Quisiera informarle que es política de la AID que los fondos adelantados a la Escuela deben mantenerse en cuentas que ganen intereses cuando esto sea factible y que todos los intereses ganados sobre los adelantos de fondos deberán ser remitidos a la AID de una manera oportuna. Hemos determinado que el envío de los intereses asociados al Convenio antes mencionado deberá llevarse a cabo cada trimestre calendario.

We refer to funds advanced to EARTH from time to time under the terms of the subject Agreement. Please be advised it is USAID policy that such funds advanced to EARTH should be maintained in interest earning accounts when feasible and all interest earned on advanced funds is to be remitted to USAID in a timely manner. We have determined that remittance of interest earnings associated with the subject Agreement should be accomplished not less frequently than each calendar quarter.

Atentamente,

Sincerely

Douglas L. Tinsler
Director, a.i.