

PD-ABD-145

ser 73317

**AUDIT OF USAID/DOMINICAN REPUBLIC'S  
EXPORT AND INVESTMENT PROMOTION PROJECT  
MANAGED BY  
THE INVESTMENT PROMOTION COUNCIL  
JANUARY 1, 1989 TO SEPTEMBER 30, 1990**

**Audit Report No. 1-517-91-46-N  
August 22, 1991**

# AGENCY FOR INTERNATIONAL DEVELOPMENT

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

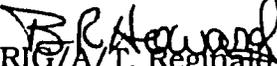
OFFICE OF THE REGIONAL INSPECTOR GENERAL  
AMERICAN EMBASSY  
TEGUCIGALPA - HONDURAS

TELEPHONES:  
32-9987 - 32-3120  
FAX No. (504) 31-4465

August 29, 1991

## MEMORANDUM

TO: D/USAID/Dominican Republic, Raymond Rifenburg

FROM:   
RIG/A/T, Regina Howard

SUBJECT: Audit of USAID/Dominican Republic's Export and Investment Promotion Project, Managed by the Investment Promotion Council, January 1, 1989 to September 30, 1990

This report presents the results of a financial audit of the Export and Investment Promotion Project (USAID/Dominican Republic Project No. 517-0190) managed by the Investment Promotion Council (Council) for the period January 1, 1989 to September 30, 1990. In addition to their audit the auditors performed a review, using agreed upon procedures, of transactions occurring prior to the stated audit period (from Project inception in August 1985 to December 1988). The audit firm, Price Waterhouse, prepared the report dated July 31, 1991.

The purpose of the Project was to provide financial, technical, and training support to the Council to improve the legal and regulatory environment for investment and exports; improve services to investors and exporters; and promote industry, agriculture and other business sectors in the Dominican Republic.

The objectives of the audit were to determine whether: (1) the fund accountability statements for the period audited present fairly the Project's receipts and disbursements, (2) the internal control structure of the Council was adequate to manage the Project's operations, and (3) the Council complied with agreement terms and applicable laws and regulations. The audit covered \$1,156,416 of grant funds provided by A.I.D., \$121,538 in counterpart funds provided by the Government of the Dominican Republic, and \$58,360 of funds generated by the Council under the Project.

The audit disclosed that the fund accountability statements present fairly, in all material respects, the cash receipts and expenditures for the Project. However, the audit disclosed questionable costs related to A.I.D. funds of \$38,375, to the Government of Dominican Republic funds of \$8,872, and to the Council's funds of \$2,024.

The auditors found three material weaknesses in the Council's internal control structure. Specifically, they reported that the Council had: inadequate controls over Project assets, a need for better management review over the accounting process, and inadequate controls to ensure the acquisition of proper supporting documentation.

The audit also reported two material instances of noncompliance, specifically, the Council had: not corrected four previously identified weaknesses which had been incorporated into the grant agreement as conditions precedent, and transferred Project funds to other projects without USAID/Dominican Republic's approval.

The agreed upon procedures review covering the period prior to the stated audit period disclosed additional questionable costs related to A.I.D. funds of \$79,063, to Government of Dominican Republic funds of \$2,824, and the Council's funds of \$818. The review also reported improperly recorded transactions, unsupported project expenses, noncompliance involving travel and procurement, and inadequate implementation of 15 of 19 audit recommendations previously reported to the Council.

The audit report was submitted on June 7, 1991 to Council management for their comments. As of the date of their report, July 31, 1991, the auditors had not received comments from the Council.

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

**Recommendation No. 1**

We recommend that USAID/Dominican Republic negotiate a settlement for USAID funds provided to the Investment Promotion Council consisting of: (a) \$38,375 of questionable costs (\$16,480 questioned and \$21,895 unsupported) identified by Price Waterhouse for the audit period; (b) \$79,063 of questionable costs (\$22,686 questioned and \$56,377 unsupported) identified, for the period prior to the stated audit period, by Price Waterhouse using agreed upon procedures; and (c) the interest earned on funds improperly transferred to other Council project accounts as mentioned in Finding No. 1 to the Compliance Section of the Price Waterhouse report.

**Recommendation No. 2**

We recommend that USAID/Dominican Republic require that the Investment Promotion Council develop an action plan and timetable for establishing internal control procedures and correcting the noncompliance areas disclosed in the Price Waterhouse report to ensure: (a) proper control over Project assets; (b) proper management review of the accounting process; (c) acquisition of adequate supporting documentation; (d) approval by A.I.D. prior to transferring Project funds; and (e) compliance with conditions precedent to the grant agreement.

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



**Audit of the Export and Investment  
Promotion Project Implemented by the  
Dominican Republic's Investment  
Promotion Council (IPC)  
USAID/Dominican Republic Project No.  
517-0190**

**Audit of the Export and Investment Promotion  
Project Implemented By the Dominican Republic's  
Investment Promotion Council (IPC)**

**USAID/Dominican Republic Project No. 517-0190**

**Table of Contents**

	<b>Page</b>
<b>Transmittal Letter and Summary</b>	
- Background	1
- Audit objectives and scope	2
- Results of the audit	4
- Management Comments	7
<b>Fund Accountability Statement</b>	
- Auditor's report	8
- Fund accountability statements	10
- Notes to the fund accountability statements	13
- Agreed-upon procedures report	16
<b>Internal Control Structure</b>	
- Auditor's report	24
- Findings	27
<b>Compliance with Agreement Terms and Applicable Laws and Regulations</b>	
- Auditor's report	33
- Findings	35
<b>List of Recommendations</b>	39
<b>Management Comments</b>	Appendix I

*Price Waterhouse*



July 31, 1991

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 the financial audit of the Export and Investment Promotion Project, USAID/Dominican Republic Project No. 517-0190, implemented by the Dominican Republic's Investment Promotion Council (IPC), for the period of January 1, 1989 through September 30, 1990.

### **BACKGROUND**

On August 28, 1985, the Agency for International Development Mission to the Dominican Republic (USAID/Dominican Republic) and the Investment Promotion Council (IPC) entered into a Grant Agreement, under project No. 517-0190, in order to provide support for the promotion of investment and exports through assistance to the IPC and other private and public institutions. The 1985 project was to provide financial, technical and training support to the IPC to:

- o Improve the legal and regulatory environment for investment and exports
- o Improve services to investors and exporters
- o Promote industry, agriculture and other business sectors in the Dominican Republic

The initial amount authorized was \$6,000,000 with a project completion date of December 31, 1988. Five subsequent amendments have resulted in the authorized amount being increased to \$10,600,000 and the completion date extended to December 31, 1992.

**Mr. Reginald Howard**

**July 31, 1991**

**Page 2**



The project envisions strengthening the Investment Promotion Council as a mechanism to coordinate public and private efforts in the promotion and development of investment and export opportunities in the Dominican Republic. By the completion of this project, it has been expected that the IPC, through collaboration and coordination with other private and public organizations, should be capable of providing effective investor/exporter services and conducting successful promotion activities with minimal outside expertise.

### **AUDIT OBJECTIVES and SCOPE**

We were engaged to perform a financial audit of the Investment Promotion Council (IPC) in regards to the funds supplied by the USAID/Dominican Republic, the Government of the Dominican Republic, and IPC generated funds under the USAID Export and Investment Promotion Project No.517-0190. The audit period was from January 1, 1989 to September 30, 1990. In addition, we have performed agreed-upon procedures for transactions occurring prior to the stated audit period. 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 such other auditing procedures as we considered necessary to determine whether:

- o The fund accountability statements as of September 30, 1990 present fairly, in all material respects, the project's receipts and expenditures for the period January 1, 1989 to September 30, 1990; identifying any cost not allowable, allocable or reasonable in accordance with agreement terms and applicable laws and regulations.
- o IPC's internal control structure is adequate to manage the project's operations.
- o IPC complied with agreement terms and applicable laws and regulations.

In addition, we have been alert to situations or transactions that could be indicative of fraud, abuse, and illegal expenditures and acts.



The scope of our audit work consisted of:

1. An examination of the fund accountability statements for the Investment Promotion Council (IPC) for the period of January 1, 1989 to September 30, 1990. Reviewing for any costs which were not fully supported with adequate records or which were not allowable or reasonable under the terms of the agreement. This work included:
  - a. Reviewing general ledgers and project ledgers to determine whether costs incurred were properly recorded.
  - b. Reconciling direct costs billed to and reimbursed by USAID/Dominican Republic to the project's ledgers and to the general ledger.
  - c. Reviewing the procedures used to control funds, including their channelization to financial institutions and other implementing units, projects and beneficiaries.
  - d. Determining whether advances of funds were justified with documentation, including reconciliations of funds advanced, disbursed, and available.
  - e. Determining whether project income and any reimbursements of direct and indirect costs, are recorded as income or as credits to the project's cost accounts.
  - f. Reviewing direct and indirect costs, identifying and quantifying questionable costs.
  - g. Reviewing procurement procedures to determine whether sound commercial practices were used including competitions, reasonable prices, and adequate controls on quantities and qualities received.
  - h. Reviewing salary charges to determine whether salary rates are reasonable for that position in the Dominican Republic and salaries paid are supported by appropriate payroll records.

**Mr. Reginald Howard**

**July 31, 1991**

**Page 4**



- i. Reviewing direct payments/purchases made by USAID/Dominican Republic on behalf of the project to evaluate procedures used by IPC to properly record and control assets, commodities and technical assistance received under this mechanism.
2. Selected agreed-upon audit procedural tests on transactions occurring from the project's inception to the beginning of the audit period, January 1, 1989. These procedures consisted of analytical and detail testing on material transactions and focused primarily on prior audit issues and concerns of USAID/Dominican Republic management.
3. A review and evaluation of the IPC's internal control structure. This entailed compliance and substantive testing to determine the extent to which established procedures and controls were functioning.

## **RESULTS of AUDIT**

### **Fund Accountability Statements**

The fund accountability statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles. Based on the work performed, as summarized above, in our opinion, the fund accountability statements present fairly, in all material respects, the receipts and expenditures for the period January 1, 1989 to September 30, 1990.

As stated in the fund accountability statements, costs of \$RD 548,334 are considered questionable. These questionable costs represent transactions which are either unsupported, unreasonable, unauthorized or considered unallowable under the agreement terms and applicable laws and regulations. The notes to the fund accountability statements provide detail concerning specific disallowances.



### **Agreed Upon Procedures**

We performed several audit procedures on transactions which occurred prior to the stated audit period. These agreed upon procedures consisted of a combination of analytical review and detail testing on transactions occurring from the project's inception (August 1985) to the beginning of our audit period, January 1, 1989. The specific procedures performed included the following:

- o We performed analytical review procedures on all account activity in all IPC funds for the period August 1985 to December 1988.
- o We researched significant transactions and tested for compliance with agreement terms and applicable laws and regulations, quantifying any questionable costs.
- o We researched specific transactions or areas which were identified by USAID/Dominican Republic management as concerns.
- o We ascertained the current status of prior recommendations to the IPC concerning weaknesses during the agreed-upon period.

As a result of the procedures conducted, we noted certain internal control weaknesses and instances of noncompliance with agreement terms and applicable laws and regulations. These issues are articulated in Attachment A of the Agreed-upon procedures report. We also quantified costs identified during our testing which we considered to be questionable. These costs are summarized in Attachment B of the same report.

Because the above procedures do not constitute an audit conducted in accordance with generally accepted auditing standards, we do not express an opinion on any of the items referred to above. In connection with the procedures referred to above, except as set forth in Attachments A and B to the agreed upon procedures report, no matters came to our attention, that caused us to believe that costs incurred might require adjustment. Had we performed additional procedures or had we conducted an audit in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been raised to you.

**Mr. Reginald Howard**

**July 31, 1991**

**Page 6**



### **Internal Control Structure**

In planning and performing our audit of the fund accountability statements, we considered the internal control structure of the IPC in order to determine our auditing procedures for the purpose of expressing an opinion on the fund accountability statements.

Our evaluation of the internal control structure included the systems of internal control surrounding:

- o Cash
- o Purchases and payables
- o Employee costs
- o Property and equipment
- o Revenue and receivables
- o Subgrants
- o Other assets and liabilities

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed the control risk.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under the standards established by the American Institute of Certified Public Accountants. These conditions are as follows:

- o We identified a number of examples of carelessness and inaccuracies as a result of inadequate controls
- o We identified insufficient accounting control procedures and management review/oversight
- o We identified instances of insufficient expense documentation
- o We identified improper salary adjustments and payments of severance for employees who left voluntarily

**Mr. Reginald Howard**

**July 31, 1991**

**Page 7**



Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions that are also considered to be material weaknesses. We consider the first three conditions identified above to be material weaknesses under the standards established by the American Institute of Certified Public Accountants.

### **Compliance with Agreement Terms and Applicable Laws and Regulations**

As part of obtaining reasonable assurance about whether the fund accountability statements are free of material misstatement and in order to form an opinion on compliance with agreement terms and applicable laws and regulations, we performed tests to ensure that the IPC has complied with the agreement terms and applicable laws and regulations. Our tests of compliance disclosed the following instances of non-compliance:

- o Transfers of USAID/Dominican Republic grant funds were made to other funds managed by the Investment Promotion Council (IPC) without prior approval.
- o Several issues identified in prior audits which were incorporated into the "new agreement" dated January 31, 1990 as conditions precedent, were not corrected as required.

Except as described above, the results of our tests of compliance with agreement terms and applicable laws and regulations indicate that with respect to the items tested, the IPC complied in all material respects with the provisions referred to above. With respect to items not tested, nothing came to our attention that caused us to believe that the IPC had not complied in all material respects to those same provisions.

### **Management Comments**

On June 7, 1991, a draft copy of this audit report was submitted to IPC for their review and analysis. The IPC was given 15 days to formally respond to this report. As of today, we have not yet received written comments in response to this draft report from the IPC.

*Price Waterhouse*

*Price Waterhouse*



**The Export and Investment Promotion  
Project Implemented by the Dominican Republic's  
Investment Promotion Council (IPC)  
USAID/Dominican Republic Project No. 517-0190**

**Fund Accountability Statements**

**Independent Auditor's Report**

We have audited the accompanying fund accountability statements of the Export and Investment Promotion Project, USAID/Dominican Republic Project No. 517-0190, implemented by the Dominican Republic's Investment Promotion Council for the period January 1, 1989 to September 30, 1990. The fund accountability statements are the responsibility of the Investment Promotion Council. Our responsibility is to express an opinion on the fund accountability statements 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 statements are free of material misstatement. Our audit included examining, on a test basis, evidence supporting the amounts and disclosures in the fund accountability statements. Our audit also included assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall fund accountability statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the fund accountability statements present fairly, in all material respects, the receipts and expenditures for the period January 1, 1989 to September 30, 1990, on the basis of accounting described in Note 2.

Fund Accountability Statements  
Independent Auditor's Report (cont'd)



This report is intended solely for the use of the United States Agency for International Development and the Dominican Republic Investment Promotion Council. This restriction is not intended to limit the distribution of this report which, upon acceptance by the Office of Inspector General, is a matter of public record.

*Price Waterhouse*

March 15, 1991

**Audit of the Export and Investment Promotion  
Project Implemented by the Dominican Republic's  
Investment Promotion Council (IPC)**

**Fund Accountability Statement - AID Fund**

**For the Period January 1, 1989 to September 30, 1990  
(Expressed in Dominican Pesos - RD\$)**

	<u>Budget</u>	<u>Incurred</u>	<u>Questioned</u>
<b>Receipts</b>	—	\$12,894,038	\$1,044 <sup>(a)</sup>
<b>Disbursements:</b>			
<sup>(1)</sup>			
<b>Personnel &amp; Administration (P&amp;A)</b>			
P&A Unallocated	\$1,011,080		
Personnel		\$531,940	\$8,917 <sup>(b)</sup>
Operations	956,563	913,457	13,697 <sup>(c)</sup>
Capital		491,203	7,648 <sup>(d)</sup>
Subtotal	<u>1,967,643</u>	<u>1,936,600</u>	<u>30,262</u>
<sup>(1)</sup>			
<b>Technical Assistance (TA)</b>			
TA Unallocated	1,435,621		
SRI	3,612,600		
Short Term		281,640	136,193 <sup>(e)</sup>
Investment Advisor	1,114,588		
Subdonations	1,299,198	1,743,444	166,135 <sup>(f)</sup>
Subtotal	<u>7,462,007</u>	<u>2,025,084</u>	<u>302,328</u>
<b>Program Costs</b>	5,065,117	2,708,264	94,251 <sup>(g)</sup>
<b>Audit/Evaluation</b>	282,275	--	--
<b>Total Disbursements</b>	<u>\$14,777,042</u>	<u>\$6,669,948</u>	<u>\$426,841</u>

Cash Balance at 9/30/90 \$299,872

Related notes are an integral part of the Fund Accountability Statements.

**Audit of the Export and Investment Promotion  
Project Implemented by the Dominican Republic's  
Investment Promotion Council (IPC)**

**Fund Accountability Statement - Counterpart Fund**

**For the Period January 1, 1989 to September 30, 1990  
(Expressed in Dominican Pesos - RD\$)**

	<u>Budget</u>	<u>Incurred</u>	<u>Questioned</u>
<b>Receipts</b>	--	\$1,355,152	--
<b>Disbursements:</b>			
<b>Personnel &amp; Administration (P&amp;A)</b>			
Personnel	\$1,737,151	\$1,459,757	\$26,295 (b)
Operations	1,447,760	1,336,566	16,670 (i)
Capital		51,696	51,696 (i)
Subtotal	<u>3,184,911</u>	<u>2,848,019</u>	<u>94,661</u>
<b>Technical Assistance (TA)</b>			
SRI			
Short Term			
Investment Advisor			
Subdonations			
Subtotal	<u>0</u>	<u>0</u>	<u>0</u>
<b>Program Costs</b>	1,341,600	137,261	4,259 (k)
<b>Audit/Evaluation</b>	<u>20,410</u>	--	--
<b>Total Disbursements</b>	<u>\$4,546,921</u>	<u>\$2,985,280</u>	<u>\$98,920</u>

**Cash Balance at 9/30/90 \$593,664**

Related notes are an integral part of the Fund Accountability Statements.

**Audit of the Export and Investment Promotion  
Project Implemented by the Dominican Republic's  
Investment Promotion Council (IPC)**

**Fund Accountability Statement - IPC Fund**

**For the Period January 1, 1989 to September 30, 1990  
(Expressed in Dominican Pesos - RD\$)**

	<u>Budget</u>	<u>Incurred</u>	<u>Questioned</u>
<b>Receipts</b>	--	\$650,709	--
<b>Disbursements:</b>			
<b>Personnel &amp; Administration (P&amp;A)</b>			
Personnel	\$1,173,464	\$346,664	\$22,573 (1)
Operations			
Capital			
Subtotal	<u>1,173,464</u>	<u>346,664</u>	<u>22,573</u>
<b>Technical Assistance (TA)</b>			
SRI			
Short Term			
Investment Advisor			
Subdonations			
Subtotal	<u>0</u>	<u>0</u>	<u>0</u>
<b>Program Costs</b>	--	--	--
<b>Audit/Evaluation</b>	--	--	--
<b>Total Disbursements</b>	<u>\$1,173,464</u>	<u>\$346,664</u>	<u>\$22,573</u>

Cash Balance at 9/30/90 \$131,456

Related notes are an integral part of the Fund Accountability Statements.

**The Export and Investment Promotion  
Project Implemented by the Dominican Republic's  
Investment Promotion Council (IPC)  
USAID/Dominican Republic Project No. 517-0190**

**Notes to the Fund Accountability Statements**

**1. Explanation of unallocated budget line items**

In some cases, budget amounts were allocated by category only and therefore certain line items do not include specific budget allocations for comparative purposes.

**2. Nature of activities and accounting policies**

On August 28, 1985, the Agency for International Development Mission to the Dominican Republic (USAID/Dominican Republic) and the Investment Promotion Council (IPC) entered into a Grant Agreement, under project No. 517-0190, in order to provide support for the promotion of investment and exports through assistance to the IPC and other private and public institutions. The 1985 project was to provide financial, technical and training support to the IPC to improve the legal and regulatory environment for investment and exports; improve services to investors and exporters; and promote industry, agriculture and other business sectors in the Dominican Republic.

The fund accountability statements are prepared on the cash receipt and disbursement basis. Costs incurred using IPC General Fund monies have been included in the Counterpart Fund Accountability Statement since these are relatively small amounts and there was no formal budget established for this fund.

**3. Foreign Currencies**

The IPC maintains its records in Dominican pesos, the legal currency of the Dominican Republic. USAID/Dominican Republic grant funds are provided in both United States and Dominican currencies. Those costs incurred in

U.S. dollars have been translated into Dominican pesos using an exchange rate of 1 United States dollar for 11.15 Dominican pesos.

#### **4. Questionable Costs**

Questionable costs are of two types. Those costs not considered appropriate for charging to the project under the agreement terms and applicable laws and regulations (questioned costs), and those that are unsupported, unreasonable or not properly authorized (suspended costs). Specifics for each line item on the fund accountability statements are summarized below. See transaction detail for each footnote at Exhibit I. Note that amounts may differ due to rounding.

- a. Amount represents a recording error as a result of using an incorrect exchange rate. (suspended = \$1,044 RD)
- b. Amount represents salaries and fringe benefit expenses incorrectly charged to the USAID/Dominican Republic fund. (suspended = \$8,917)
- c. Amount represents unsupported purchases and charges to USAID/Dominican Republic in error. Specific costs included travel, supplies, subscription, maintenance, delivery and phone expenses. (suspended = \$11,194, questioned = \$2,503)
- d. Amount represents unsupported charges for library materials and missing software. (suspended = \$7,648)
- e. Amount represents an unsupported transaction and unsupported charges related to a contract for technical assistance in the Far East (Tokyo, Korea, Hong Kong). (suspended = \$136,193)
- f. Amount represents the cost of 10 computers which were purchased by a subgrantee and apparently never unpacked or put into use. (questioned = \$166,135)
- g. Amount represents numerous transactions which were either unsupported, charged to USAID/Dominican Republic in error, or were recorded incorrectly in IPC accounting records. (suspended = \$79,140, questioned = \$15,111)

## Notes to the Fund Accountability Statements (cont'd)

- h.** Amount represents a cost of living adjustment (COLA) which had not been approved and was not consistently applied (Counterpart Fund). A second component relates to unauthorized overtime charges. (suspended = \$26,295)
- i.** Amount represents the cost of IPC pins which were apparently sold to employees but the related revenue was not collected. Remaining inventory did not reconcile to beginning balance less purported sales. (questioned = \$16,670)
- j.** Amount represents costs incurred and reported by the IPC on the quarterly reports to AID but not formally approved by AID in the budget (\$50,144) and the cost of two paintings which could not be located during a review of capital items that were also not formally approved by AID in the budget (\$1,552). (suspended = \$51,696)
- k.** Amount represents unreasonable charges related to Christmas cards, a farewell lunch for an USAID/Dominican Republic employee, and an unsupported luncheon expense. (suspended = \$1,562, questioned = \$2,697)
- l.** Amount relates to first class travel charges. A second component represents a cost of living adjustment (COLA) which had not been approved and was not consistently applied (IPC Fund). (suspended = \$18,955, questioned = \$3,618)

## Footnote Transaction Detail

<u>Component</u>	<u>RD\$ Amount</u>	<u>ID Info/Date</u>	<u>Description</u>
<i>footnote (a)</i>			
Revenues	\$1,044	AID #1997 7/18/90	Voucher is for reimbursement of Jan. 1990 expenditures, for US\$10,436. Amount questioned overstates revenues by using an incorrect exchange rate (10,436 * .10 difference in rate equals \$1,044).
<i>footnote (b)</i>			
Employee Costs	\$8,000	Payroll records 1989	Salary of SRI bilingual secretary incorrectly charged to AID funds during October - December 1989.
Expenses	367	Ck#0969 12/4/89	Fringe benefit expense incorrectly charged to AID - replenishment of Petty Cash
Expenses	<u>550</u>	Ck#1010 12/13/89	Fringe benefit expense incorrectly charged to AID - replenishment of Petty Cash
s/t	\$8,917		

15/11

<u>Component</u>	<u>RD\$ Amount</u>	<u>ID Info/Date</u>	<u>Description</u>
<i>footnote (c)</i>			
Expenses	\$503	Ck#0969 12/4/89	Expenses incorrectly charged to AID; replenishment of Petty Cash - office supplies (\$80), communications expense (\$219), subscriptions (\$11), maintenance costs (\$103), other (\$90)
Expenses	364	Ck#1010 12/13/89	Expenses incorrectly charged to AID; replenishment of Petty Cash - per diem (\$170), communications expense (\$6), subscriptions (\$42), transportation exp. (\$28), maintenance costs (\$64), other (\$54)
Expenses	7,493	Ck#1525 5/90	Purchase of 8 toner cartridges for SRI laser printer, at US\$84 each (US\$672), that were unsupported.
Expenses	150	Ck#1099 2/90	Federal Express invoice paid with AID funds, for UN project.
Expenses	380	Ck#1098 2/90	Four DHL charges at \$95 each, paid with AID funds, for the UN project.
Expenses	859	4/19/90 phone bill	Twenty-one phone charges (533-7029 fax) to Austria for the UN project, paid with AID funds.
Expenses	247	Ck#1220 4/19/90 phone bill	Two phone charges (532-3281) to Geico Insurance Co. in Bethesda, Maryland that were not project related.
Cash	<u>3,701</u>	12/31/89 and 9/30/90 B/S balances	Bank charges (Acct.5x83), representing numerous overdraft charges in the AID RD\$ Chase account.
s/t	\$13,697		

## Footnote Transaction Detail

<u>Component</u>	<u>RD\$ Amount</u>	<u>ID Info/Date</u>	<u>Description</u>
<i>footnote (d)</i>			
Expenses	\$5,798	Ck#1470 3/19/90	Unsupported expense (US\$520) for materials needed to complete construction of the IPC library.
Property	<u>1,850</u>	Ck#1397 9/12/89	Charge for Oracle software package that could not be located (US\$166).
s/t	\$7,648		
<i>footnote (e)</i>			
Expenses	\$759	Voucher #91147 JV#52-12 12/89	Unsupported technical assistance payment to Washington-Brown. Only documentation is a journal entry. (US\$68)
Employee Costs	<u>135,434</u>	Yoshiro Yanai contract, various support 10/89	Unsupported personal services contract disbursements for Yoshiro Yanai contract to the Far East (US\$12,147).
s/t	\$136,193		
<i>footnote (f)</i>			
Subgrants	\$166,135	Ck#1302 2/8/89	Cost of 10 IBM computer terminals for Customs that have not yet been unpacked or used. (US\$14,910)

-150-

<u>Component</u>	<u>RD\$ Amount</u>	<u>ID Info/Date</u>	<u>Description</u>
<i>footnote (g)</i>			
Expenses	\$13,380	Ck#1301 2/89	Unsupported (no receipt) cost for an airline ticket to the Lome convention in the Belgian Congo, for the DR ambassador to Belgium (US\$1,200).
Expenses	613	JV#4-1 1/89	No receipts for incidentals during IPC representative's trip to Puerto Rico (US\$55).
Expenses	2,141	various	Excess per diem amounts for various trips: <ul style="list-style-type: none"> <li>o US\$41 for Secretary of State to Washington, DC, 1/89, JV#4-1;</li> <li>o US\$177 for IPC rep to Puerto Rico, 1/89, JV#4-1;</li> <li>o US\$42 for IPC rep to Shoe Fair, 2/89, JV#5-2;</li> <li>o US\$82 for engineering seminar, 2/89, JV#5-2</li> </ul>
Expenses	13,376	Ck#1404 10/89	Payment of IPC President's credit card with AID funds and no support to justify project expense. (US\$1,200)
Expenses	15,166	Ck#1477 4/9/90	Payment of IPC President's credit card with AID funds and no support to justify project expense. (US\$1,360)
Expenses	5,000	Ck#1192 8/30/90	Payment to Peat Marwick for salary surveys that were incorrectly recorded as subscriptions and which should not have been paid using AID funds.
Expenses	75	Ck#1219 9/27/90	Training expenses paid with AID funds for an IPC employee not working on the AID project.
Expenses	416	Ck#0826 2/20/89	Lunch for IPC client incorrectly paid with AID funds.
Expenses	315	Ck#0812 2/8/89	Cocktails for IPC client incorrectly paid with Counterpart funds.
Expenses	2,088	Invoice VI-539 6/12/89	Airfare not formally approved by AID or supported by receipt.
Expenses	775	Ck#3298 7/13/89	Farewell dinner for SRI representative, incorrectly paid through AID funds.
Expenses	13,502	Ck#1468 3/14/90	Voided check for space in the Bobbin Show not noted in the general ledger. (US\$2,150)
Expenses	8,164	Ck#1212 9/26/90	Airfare paid with AID funds but not formally approved by AID.

1521

<u>Component</u>	<u>RD\$ Amount</u>	<u>ID Info/Date</u>	<u>Description</u>
<i>footnote (g)</i> <i>(cont'd)</i>			
Expenses	\$640	various	Travel Petty Cash advances for per diems incorrectly charged to AID funds.  Ck#0855, 3/89 - vouchers 2754 and 2768, for \$35 and \$55 Ck#2801, 3/89 - vouchers 2814 and 2815, for \$70 and \$60 Ck#2852, 4/89 - vouchers 2830 and 2841, for \$90 and \$100 Ck#2864, 4/89 - voucher 2875, \$75 Ck#2989, 5/89 - voucher 2923, \$85 Ck#1010, 12/89 - voucher 228, \$70
Expenses	7,478	various	Differences from recording expenses at the incorrect exchange rate (recorded at 10.25, should have been 11.20), all in 9/90. Ck#1525, JV#2-9, US\$1,779; Ck#1526, JV#2-9, US\$941; Petty Cash, JV#1-9, US\$635 (refund); Petty Cash, JV#3-9, US\$500; US\$1,575; US\$1,575; US\$1,069; US\$1,069
Expenses	5,373	Ck#1292 2/89	Airfare to Atlanta not formally approved by AID although paid with AID funds. (US\$856)
Expenses	<u>5,749</u>	various	Excess per diems (over AID allowances).  o Trip to "Economics Indicators Seminar" in Washington, DC from 3/13 - 4/7/89, \$399 excess o Trip by IPC Librarian to Washington, DC including mtgs. with SRI, from 3/17 - 3/22/89, \$73 excess o Trip to electronics seminar (memo no. 0410), 3/28 - 3/30/89, \$9 excess o Trip to California for Apple courses and trip to New York for "Macintosh in Business" conference, from 4/1 - 4/20/89, \$435 excess
s/t	\$94,251		

-150-

<u>Component</u>	<u>RD\$ Amount</u>	<u>ID Info/Date</u>	<u>Description</u>
<i>footnote (h)</i>			
Employee Costs	\$24,330	Retroactive Salary Adj. Schedule 8/90	Cost of living adjustment which had not been approved or consistently applied (Counterpart Funds). This amount represents the sum of the following (retroactive difference for each salary - August). I. Herrera = 1,050; M. Vinas = 1,500; G. Rodriguez = 700; R. Tejada = 1,050; A. Castillo = 750; E. Ramirez = 450; J. Rojas = 400; D. Melendez = 600; F. Manzano = 2,850; R. Turull = 2,250; M. Guerrero = 800; R. Vargas = 1,500; N. Gyax = 1,400; G. Valerio = 1,120; Y. Yanai = 1,120; A. Diaz = 1,500; T. Goldberg = 2,000; R. Brodzinsky = 2,120  Temporary Personnel R. Moreta = 100 and E. Garcia = 150
Expenses	1,965	various	Differences in Meal/Transp. Allowances M. Guerrero = 160, R. Brodzinsky = 120, G. Valerio = 320, Y. Yanai = 320 Unauthorized overtime paid through Petty Cash for drivers/messengers.  2/89, Ck#2554, voucher 2637, \$69; 4/89, Ck#2864, vouchers 2859 and 2862, \$65 and \$91; 5/89, Ck#2989, voucher 2935, \$77; 6/89, Ck#3123, vouchers 3018 and 3019, \$89 and \$24; 6/89, Ck#3232, voucher 3077, \$97; 10/89, Ck#3730, vouchers 3411 and 3426, \$100 and \$63; 10/89, Ck#3789, voucher 3453, \$71; 7/89, Ck#3361, voucher 3156, \$122; 7/89, Ck#3299, voucher 3123, \$85; 8/89, Ck#3425, vouchers 3177 and 3184, \$98 and \$96; 8/89, Ck#3446, voucher 3229, \$92;

<u>Component</u>	<u>RD\$ Amount</u>	<u>ID Info/Date</u>	<u>Description</u>
<i>footnote (h)</i> (cont'd)			Unauthorized overtime paid through Petty Cash for drivers/messengers. (cont'd)
			8/89, Ck#3459, voucher 3239, \$59;
			11/89, Ck#3820, voucher 3530, \$67;
			11/89, Ck#3871, voucher 3569 and 3558, \$76 and \$67;
			12/89, Ck#0969, voucher 3631, \$98;
			12/89, Ck#1010, vouchers 261 and 301, \$103 and \$93;
			1/90, Ck#4171, voucher 499, \$83;
			2/90, Ck#4227, voucher 523, \$81
s/t	\$26,295		
<i>footnote (i)</i>			
Revenues	\$16,670	various	Gold and silver IPC logo pins purchased by the IPC, to be bought by employees. The expense was never recognized by the IPC or related revenue collected for all pins. The relation of these to the project is questioned.
			3/9/89 Ck#2714 \$4,500
			3/16/89 Ck#2727 4,725
			4/19/89 Ck#2931 3,330
			4/89 n/a 3,330
			5/31/89 JV#8-5 785

1598

## Footnote Transaction Detail

<u>Component</u>	<u>RD\$ Amount</u>	<u>ID Info/Date</u>	<u>Description</u>
<i>footnote (j)</i>			
Fixed Assets	\$602	Ck#0025 10/21/87	Print "Figure" of Guadalupe and frame not found during physical inventory of fixed assets.
Fixed Assets	950	Ck#0079 11/10/88	Print "Lestrade" by Castillo and frame not found during physical inventory of fixed assets. These capital costs were not formally approved by AID in the budget.
Fixed Assets/ Improvements	<u>50,144</u>	Jan-Sept IPC quarterly reports	Total incurred capital costs per the IPC Jan-Sept 1989 quarterly reports to AID (Counterpart Funds) that were not formally approved by AID in the budget. Costs relate to construction of the IPC library and equipment purchased for the office.
s/t	\$51,696		
<i>footnote (k)</i>			
Expenses	\$2,159	Ck#2552 2/8/89	Representation expense - purchase of IPC Christmas cards.
Expenses	538	Ck#3378 7/27/89	Farewell luncheon for AID representative.
Expenses	150	Ck#70 JV#9-9 9/90	Long-term reconciling item in the Counterpart fund account.
Expenses	<u>1,412</u>	Ck#4447 3/90	Payment for unsupported credit card expenses. Total check amount was for \$2099. (Allowed = \$688, Suspended = \$1,412)
s/t	\$4,259		

5/2

<u>Component</u>	<u>RD\$ Amount</u>	<u>ID Info/Date</u>	<u>Description</u>
<i>footnote (l)</i>			
Expenses	\$3618	Ck#3290 JV#2-7 6/89	First class portion of the IPC President's airfare to Detroit, which was charged to the IPC Fund.
Employee Costs	<u>18,955</u>	Retroactive Salary Adj. Schedule 8/90	Cost of living adjustment which had not been approved or consistently applied (IPC Fund). This amount represents the sum of the following (retroactive difference for each salary - August).  F. Emam-Zade = 3,880; P. Arias = 300; V. Soto = 5,250; L. Olivero = 1,000; C. Cortez = 1,100; J. Ortiz = 625; M. Reyes = 900; E. Castillo = 200; M. Castillo = 3,000 E. Martinez = 2,000; C. Miranda = 700
s/t	\$22,573		

154

## *Price Waterhouse*



**The Export and Investment Promotion  
Project Implemented by the Dominican Republic's  
Investment Promotion Council (IPC)  
USAID/Dominican Republic Project No. 517-0190**

### **Agreed Upon Procedures**

### **Independent Auditor's Report**

We have applied certain agreed-upon procedures, as discussed below, to the accounting records of the Dominican Republic's Investment Promotion Council for the period from August 28, 1985 to December 31, 1988. Our review was made solely to assist you in your assessment of the Export and Investment Promotion Project, and our report is not to be used for any other purpose. The procedures we performed are summarized as follows:

- a) We performed analytical review procedures on all account activity in all IPC funds for the period August 1985 to December 1988.
- b) We researched significant transactions and tested for compliance with agreement terms and applicable laws and regulations, quantifying any questionable costs.
- c) We researched specific transactions or areas which were identified by USAID/Dominican Republic management as concerns.
- d) We ascertained the current status of IPC's implementation of prior recommendations concerning weaknesses during the agreed-upon period.

Our findings related to these procedures are presented in Attachments A and B to the document.

Because the above procedures do not constitute an audit conducted in accordance with generally accepted auditing standards, we do not express an opinion on any of the items referred to above. In connection with the procedures referred to above, except as set forth in Attachments A and B to this document, no matters came to our attention, that caused us to believe that the costs incurred might require

Agreed-Upon Procedures (cont'd)



adjustment. Had we performed additional procedures or had we conducted an audit in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported to you. This report relates only to the procedures and time period specified above and does not extend to any of the fund accountability statements of the Investment Promotion Council taken as a whole.

This report is intended solely for the use of the United States Agency for International Development and the Dominican Republic Investment Promotion Council. This restriction is not intended to limit the distribution of this report which, upon acceptance by the Office of Inspector General, is a matter of public record.

*Chris Watkinson*

March 15, 1991

**The Export and Investment Promotion  
Project Implemented by the Dominican Republic's  
Investment Promotion Council (IPC)  
USAID/Dominican Republic Project No. 517-0190**

**Agreed Upon Procedures**

**Attachment A**

During our testing of those material transactions which were identified through either analytical review procedures or USAID/Dominican Republic concerns, we noted the following issues:

- o Disbursements greater than RD\$30,000 were not approved in accordance with A.I.D. guidelines.
- o Expense documentation for certain entertainment, travel and other expenses was insufficient to determine the purpose, persons involved, or their connection with the IPC or the project.
- o Transactions were recorded improperly. Aid funds had been charged in error and capital equipment had been expensed and not maintained in a fixed asset ledger.
- o Several instances of noncompliance with agreement terms and applicable laws and regulations were identified. These instances included first class travel and excess per diem charged to USAID/Dominican Republic, no bidding process on large procurements, and limousine charges paid by USAID/Dominican Republic funds.
- o There were no apparent management review controls over phone usage.

Questionable costs relating to transactions reviewed during our analysis are identified in Attachment B.

The findings from prior audits and the implementation status of each were researched during our review and are listed below. Although IPC has made some effort to implement certain recommendations, we found numerous inconsistencies which lead us to question the diligence of the IPC attempts to resolve problems which have been brought to management's attention in earlier examinations.

Agreed-Upon Procedures (cont'd)

---

**Prior Findings/(Implementation Status)**

---

1. No evidence of bids requested for significant capital expenditures (partially implemented)
2. No withholding of income taxes from salaries of some personnel and from payments covering vacation and other compensation (fully implemented)
3. Auto rental expenditure documentation does not provide support indicative of the IPC activities in which autos were used (fully implemented)
4. Telephone expenses are significant with no control over long distance calls (total cost does not appear to be excessive; however, there continue to be no active controls over phone usage - not implemented)
5. First class travel is not in accordance with A.I.D. regulations (partially implemented)
6. Per diem paid to IPC personnel is in excess of guidelines established by A.I.D. (partially implemented)
7. Lack of supporting documentation for international travel (partially implemented)
8. Lack of review of expenditures reported by subgrantees (not implemented)
9. IPC vehicles are used for personal purposes (not implemented)
10. Representation expenses are being used as a tax free salary adjustment (partially implemented)
11. There is a bottleneck in the payment process (partially implemented)
12. Checks from the U.S. dollar account are "exchanged for cash" in possible violation of law (fully implemented)
13. Financial statements are not prepared on a timely basis (not implemented)

Agreed-Upon Procedures (cont'd)

---

**Prior Findings/(Implementation Status) Cont.**

---

14. Bank reconciliations are not prepared on a timely basis (not implemented)
15. Travel expense reports are incomplete (not implemented)
16. Accounts payable accruals are inconsistent with the IPC cash-based accounting methodology (not implemented)
17. U.S. petty cash account balance is excessive (fully implemented)
18. Detailed records not maintained for fixed assets (not implemented)
19. There is no purchase order system in place (not implemented)

**Audit of the Export and Investment Promotion  
Project Implemented by the Dominican Republic's  
Investment Promotion Council (IPC)**

**Attachment B**

**Prior Period Questionable Costs**

Type of Cost	Amount		Fund Used
	RD\$	US\$	
Office improvements and equipment	Questioned	117,449 <sup>(a)</sup>	AID
First class travel	Questioned	1,001 <sup>(b)</sup>	AID
	Questioned	9,852 <sup>(c)</sup>	Counterpart
Excess per diem	Questioned	3,923 <sup>(d)</sup>	7,343 <sup>(e)</sup> AID
	Questioned	3,218 <sup>(f)</sup>	455 <sup>(g)</sup> Counterpart
	Questioned	262 <sup>(h)</sup>	General
Unsupported travel	Suspended	146,746 <sup>(i)</sup>	963 <sup>(j)</sup> AID
	Suspended	13,339 <sup>(k)</sup>	Counterpart
	Suspended	8,863 <sup>(l)</sup>	General
Other travel	Questioned	19,660 <sup>(m)</sup>	20,200 <sup>(n)</sup> AID
Telephone charges	Questioned	3,754 <sup>(o)</sup>	AID
Misc expenses (subscriptions, entertainment, car rentals)	Questioned	44,947 <sup>(p)</sup>	18,364 <sup>(q)</sup> AID
	Suspended		1,926 <sup>(r)</sup> AID

*Related notes are an integral part of this statement*

## Notes to Prior Period Questionable Costs

Specifics for each prior period questionable cost are summarized below. See transaction detail for each footnote at Exhibit II. Note that amounts may differ due to rounding.

- a. Amount represents payments to a contractor for construction of the IPC library and SRI office, along with furniture. The IPC did not follow AID procurement policies when awarding the contract, and these expenses were incorrectly paid with AID funds. (questioned = \$117,449)
- b. Amount represents a first class airfare incorrectly charged to the USAID/Dominican Republic Fund. (questioned = \$1,001)
- c. Amount represents first class airfares charged to the Counterpart fund. (questioned = \$9,852)
- d. Amount represents per diem amounts charged to the USAID/Dominican Republic Fund that were greater than the A.I.D. per diem allowances (the excess is questioned). (questioned = \$3,923)
- e. Amount represents per diem amounts charged to the USAID/Dominican Republic US\$ Fund that were greater than the A.I.D. per diem allowances (the excess is questioned). (questioned = US\$7,343)
- f. Amount represents per diem amounts charged to the Counterpart fund that were greater than the A.I.D. per diem allowances (the excess is questioned). (questioned = \$3,218)
- g. Amount represents per diem amounts charged to the Counterpart fund, via an accounts payable, that were greater than the A.I.D. per diem allowances (the excess is questioned). (questioned = US\$455)
- h. Amount represents per diem amounts charged to the General fund that were greater than the A.I.D. per diem allowances (the excess is questioned). (questioned = \$262)

## Notes to the Prior Period Questionable Costs (cont'd)

- i. Amount represents unsupported travel expenses charged to the USAID/Dominican Republic Fund. (suspended = \$146,746)
- j. Amount represents unsupported travel expenses charged to the USAID/Dominican Republic US\$ Fund. (suspended = US\$963)
- k. Amount represents unsupported travel expenses charged to the Counterpart fund. (suspended = \$13,339)
- l. Amount represents unsupported travel expenses charged to the General fund. (suspended = \$8,863)
- m. Amount represents travel expenses charged to the USAID/Dominican Republic Fund that were not clearly documented to ensure that the purpose of the expenses was project-related. (questioned = \$19,660)
- n. Amount represents travel expenses charged to the USAID/Dominican Republic US\$ Fund that were not clearly documented to ensure that the purpose of the expenses was project-related. (questioned = US\$20,200)
- o. Amount represents phone charges that were charged to the USAID/Dominican Republic Fund but were not project-related. (questioned = \$3,754)
- p. Amount represents entertainment, travel, and Volvo expenses that were incorrectly charged to the USAID/Dominican Republic Fund. (questioned = \$44,947)
- q. Amount represents an expense that was greater than RD\$30,000 but not approved by A.I.D. (questioned = US\$18,364)
- r. Amount represents payments of the IPC President's credit card without support and an unsupported subscription, which were charged to the USAID/Dominican Republic US\$ Fund. (suspended = US\$1,926)

## Footnote Transaction Detail

<u>Component</u>	<u>RD\$ Amount</u>	<u>ID Info/Date</u>	<u>Description</u>
<i>footnote (a)</i>			
Fixed Assets/ Improvements	\$5,000	Ck#393 3/22/88	Payment to Ingenieros Constructores Modernos construction company in building the IPC library. This was incorrectly paid using AID funds.
Fixed Assets/ Improvements	1,455	Ck#369 3/8/88	Payment to Inmetal company for purchase of file cabinets for the IPC library. This was incorrectly paid using AID funds.
Fixed Assets/ Improvements	55,497	Ck#35 4/6/87	Payment to Ingenieros Constructores Modernos construction company in building the SRI office. AID procurement policies were not followed for this contract - there were no bids on overall contract.
Fixed Assets/ Improvements	<u>55,497</u>	Ck#0086 6/11/87	Payment to Ingenieros Constructores Modernos construction company in building the SRI office. AID procurement policies were not followed for this contract - there were no bids on overall contract.
s/t	\$117,449		

*footnote (b)*

Expenses	\$1,001	Ck#245 12/4/87	First class airfare for IPC President, paid with AID funds. Total check amount was for \$10,885.
----------	---------	-------------------	--

*footnote (c)*

Expenses	\$1,001	Ck#245 12/4/87	First class airfare for IPC Executive Director, paid with Counterpart Funds. Total check amount was for \$10,885.
Expenses	4,655	Ck#0094 7/1/87	First class airfares for IPC President and Executive Director to NYC and Washington, DC, paid with Counterpart funds.
Expenses	2,842	Ck#0107 7/14/87	First class airfares for IPC President and representative to NYC and Washington, DC, paid with Counterpart funds.
Expenses	<u>1,354</u>	Ck#0085 6/9/87	First class airfare for IPC President to Miami, NYC, and Orlando, paid with Counterpart funds.
s/t	\$9,852		

132

## Footnote Transaction Detail

<u>Component</u>	<u>RD\$ Amount</u>	<u>ID Info/Date</u>	<u>Description</u>
<i>footnote (d)</i>			
Expenses	\$2,129	Ck#0017 3/6/87	Excess per diems - amount paid to employee was greater than the AID allowance. These were paid by AID funds. Total check amount = \$6,080
Expenses	1,395	Ck#0013 2/25/87	Excess per diems for two personnel that were paid with AID funds. Total check amount = \$9,796.
Expenses	<u>399</u>	Ck#0246 4/30/86	Excess per diem for one person that was paid with AID funds. Total check amount = \$3,384.
s/t	<b>\$3,923</b>		
<i>footnote (e)</i>			
Expenses	US\$1,641	JV#4-5 5/31/88	Excess per diem amount paid from the US\$ Petty Cash Fund (AID funds).
Expenses	1,483	Ck#1021 9/10/87	Excess per diem amount for IPC President, paid with AID funds in US\$. Total check amount = US\$3,300.
Expenses	618	Ck#1004 7/6/87	Excess per diem amount for IPC President, paid with AID funds in US\$. Total check amount = US\$1,515.
Expenses	371	Ck#1006 7/6/87	Excess per diem amount, paid with AID funds in US\$. Total check amount = US\$915.
Expenses	<u>3,230</u>	JV#8-11 11/30/87	Excess per diems for various personnel, paid from the US\$ Petty Cash Fund (AID funds). Total amount of entry = US\$18,080.
s/t	<b>US\$7,343</b>		

- 23B

Footnote Transaction Detail

<u>Component</u>	<u>RD\$ Amount</u>	<u>ID Info/Date</u>	<u>Description</u>
<i>footnote (f)</i>			
Expenses	\$3,218	Ck#0076 5/29/87	Excess per diem paid with Counterpart Funds. Total check amount = \$4,594.
<i>footnote (g)</i>			
Expenses	US\$455	JV#4-5 5/31/88	Excess per diems for four personnel (\$124,\$86,\$89,\$157), paid with US\$ Petty Cash funds (Accounts payable to Counterpart fund).
<i>footnote (h)</i>			
Expenses	\$262	Ck#0192 3/10/86	Excess per diem for trip to Jamaica, paid through the General Fund. Total check amount = \$2,224.

26

<u>Component</u>	<u>RD\$ Amount</u>	<u>ID Info/Date</u>	<u>Description</u>
<i>footnote (i)</i>			
Expenses	\$1,035	Ck#351 3/2/88	Unsupported travel expenses, paid with AID funds
Expenses	60	Ck#368 3/8/88	Unsupported travel expenses, paid with AID funds.
Expenses	2,715	Ck#386 3/22/88	Unsupported travel expenses, paid with AID funds.
Expenses	1,805	Ck#125 8/18/87	Unsupported travel expenses (airfare), paid with AID funds.
Expenses	2,346	Ck#0094 7/2/87	Unsupported travel expenses (airfares), paid with AID funds.
Expenses	2,345	Ck#0107 7/14/87	Unsupported travel expenses (airfares), paid with AID funds.
Expenses	3,189	Ck#0085 6/9/87	Unsupported travel expenses (airfares), paid with AID funds.
Expenses	2,395	Ck#0020 3/12/87	Unsupported travel expenses (airfares), paid with AID funds.
Expenses	3,625	Ck#0026 3/26/87	Unsupported travel expenses (airfares), paid with AID funds.
Expenses	116,506	Ck#126 11/12/86	Unsupported travel expenses, (check to cover unknown per diems), paid with Counterpart funds (accounts payable - AID funds).
Expenses	841	Ck#0247 4/30/86	Unsupported travel expenses (airfare), paid with AID funds.
Expenses	<u>9,884</u>	Ck#245 12/4/87	Unsupported travel expenses (airfares), paid with AID funds.
s/t	\$146,746		

138

## Footnote Transaction Detail

<u>Component</u>	<u>RD\$ Amount</u>	<u>ID Info/Date</u>	<u>Description</u>
<i>footnote (j)</i>			
Expenses	US\$53	Ck#1055 1/12/88	Unsupported travel expenses paid with AID funds - US\$. Total check amount = \$510.
Expenses	<u>910</u>	JV#4-5 5/31/88	Unsupported travel expenses for two people (US\$635,\$275), paid with AID funds - US\$.
s/t	US\$963		

<i>footnote (k)</i>			
Expenses	\$4,655	Ck#0094 7/2/87	Unsupported travel expenses paid with Counterpart funds.
Expenses	2,842	Ck#0107 7/14/87	Unsupported travel expenses paid with Counterpart funds.
Expenses	1,354	Ck#0085 6/9/87	Unsupported travel expenses paid with Counterpart funds.
Expenses	3,487	Ck#21 9/22/86	Unsupported travel expenses (airfares) paid with Counterpart funds.
Expenses	<u>1,001</u>	Ck#245 12/4/87	Unsupported travel expenses (airfares) paid with Counterpart funds.
s/t	\$13,339		

10/2/87

<u>Component</u>	<u>RD\$ Amount</u>	<u>ID Info/Date</u>	<u>Description</u>
<i>footnote (l)</i>			
Expenses	\$3,055	Ck#0081 11/6/85	Unsupported car (\$1,490) and airfare (\$1,565) expenses for New York conference, paid with General funds. Total check amount = \$107,739.
Expenses	2,446	Ck#0098 11/14/85	Unsupported airfare to NYC and Miami, paid with General funds. Total check amount = \$2,446.
Expenses	1,872	Ck#0298 7/1/86	Unsupported airfare to NYC and Washington, DC, paid with General funds. Total check amount = \$1,872.
Expenses	<u>1,490</u>	Ck#0193 3/10/86	Unsupported airfare to Jamaica, paid with General funds. Total check amount = \$1,490.
s/t	\$8,863		
<i>footnote (m)</i>			
Expenses	\$1,774	Ck#0016 3/6/87	Reimbursement of travel expenses to IPC President, paid with AID funds, not clearly documented to ensure expense is AID project-related.
Expenses	5,675	Ck#0005 2/2/87	Reimbursement of travel expenses, paid with AID funds, not clearly documented to ensure expense is AID project-related.
Expenses	860	Ck#363 3/7/88	Travel expenses (per diem, incidentals), paid with AID funds, not clearly documented to ensure purpose of expense is AID project-related.
Expenses	2,715	Ck#386 3/22/88	Travel expenses (airfares), paid with AID funds, not clearly documented to ensure purpose of expense is AID project-related.
Expenses	1,805	Ck#125 8/18/87	Travel expenses (airfares), paid with AID funds, not clearly documented to ensure purpose of expense is AID project-related.
Expenses	2,396	Ck#0020 3/12/87	Travel expenses (airfares), paid with AID funds, not clearly documented to ensure purpose of expense is AID project-related.
Expenses	<u>4,435</u>	Ck#0027 3/27/87	Travel expenses for IPC President, paid with AID funds, not clearly documented to ensure purpose of expense is AID project-related.
s/t	\$19,660		

## Footnote Transaction Detail

<u>Component</u>	<u>RD\$ Amount</u>	<u>ID Info/Date</u>	<u>Description</u>
<i>footnote (n)</i>			
Expenses	US\$20,000	Ck#1024 9/11/87	Travel expenses paid with AID funds (US\$) not clearly documented to ensure purpose of expense is AID project-related.
Expenses	<u>200</u>	Ck#1052 12/14/87	Travel expenses paid with AID funds (US\$) unreasonable (limosine service) and not clearly documented to ensure purpose of expense is AID project-related.
s/t	US\$20,200		
<i>footnote (o)</i>			
Expenses	\$234	Ck#329 2/8/88	Phone charges paid with AID funds not project-related. (Switzerland 227-9202, from 533-7718) Total check amount = \$7,045.
Expenses	924	Ck#413 4/11/88	Phone charges paid with AID funds not project-related. (Spain 241-8200; Spain 241-8400; Chicago 708-580-6937; Englewood, CA 213-569-1700; Los Angeles 213-474-2640; Washington, DC 202-822-4000; from 532-3281 and 533-7029) Total check amount = \$9,948.
Expenses	825	Ck#596 8/8/88	Phone charges paid with AID funds not project-related. (Miami 305-551-4767; Santiago 809-582-8456; Chester 459-6788; Palo Alto, CA 714-859-4006; Westchester, CA 213-692-2075; from 532-3281) Total check amount = \$13,148.
Expenses	1,411	Ck#761 12/9/88	Phone charges paid with AID funds not project-related. (San Juan 809-721-0303, Miami 305-358-8174, from 532-3281, 532-9171) Total check amount = \$19,647.
Expenses	<u>360</u>	Ck#151 9/8/87	Phone charges paid with AID funds not project-related. (Columbus, OH 614-544-2218; Falls Church, VA 703-237-2500; Miami 305-557-6666; from 532-3281, 523-7718) Total check amount = \$13,231.
s/t	\$3,754		

0.27

<u>Component</u>	<u>RD\$ Amount</u>	<u>ID Info/Date</u>	<u>Description</u>
<i>footnote (p)</i>			
Expenses	\$900	Ck#476 5/27/88	Expense relating to the Volvo, incorrectly paid with AID funds.
Expenses	9,570	Ck#466 5/16/88	Rental car expense paid with AID funds that was not clearly documented to ensure that the purpose of the rental was project-related.
Expenses	2,310	Ck#481 5/30/88	Expense for translation services, paid with AID funds, that was not clearly documented to ensure that the purpose of the expense was project-related.
Expenses	1,819	Ck#494 6/6/88	Expense relating to the Volvo, incorrectly paid with AID funds.
Expenses	5,534	Ck#583 7/29/88	Entertainment expense incorrectly paid with AID funds.
Expenses	4,174	Ck#590 8/3/88	Expense relating to the Volvo, incorrectly paid with AID funds.
Expenses	1,491	Ck#747 12/6/88	Expense relating to the Volvo, incorrectly paid with AID funds.
Expenses	562	Ck#781 12/31/88	Rental car expense paid with AID funds that was not clearly documented to ensure that the purpose of the rental was project-related.
Expenses	1,575	Ck#0079 6/8/87	Entertainment expense for cocktail reception (amount not reimbursed by the IPC clients), paid with AID funds.
Expenses	<u>17,012</u>	Ck#0088 6/26/87	Entertainment expense for North Carolina Export Council, paid with AID funds.
s/t	<b>\$44,947</b>		

*footnote (q)*

Expenses	US\$18,364	Ck#1146 7/6/88	Expense for greater than RD\$30,000 that was not approved by AID, in addition to the budget, and paid with AID funds.
----------	------------	-------------------	---

Handwritten initials or mark.

Footnote Transaction Detail

<u>Component</u>	<u>RD\$ Amount</u>	<u>ID Info/Date</u>	<u>Description</u>
<i>footnote (r)</i>			
Expenses	US\$144	Ck#1049 12/3/87	Unsupported payment for IPC President's credit card, paid with AID funds - US\$. Total check amount = US\$198.
Expenses	1,257	Ck#1140 6/15/88	Unsupported payment for: IPC President's credit card, paid with AID funds - US\$.
Expenses	<u>525</u>	Ck#1200 9/15/88	Unsupported subscription to Dun & Bradstreet, paid with AID funds - US\$.
s/t	<b>US\$1,926</b>		

932

*Price Waterhouse*



**The Export and Investment Promotion  
Project Implemented by the Dominican Republic's  
Investment Promotion Council (IPC)  
USAID/Dominican Republic Project No. 517-0190**

**Internal Control Structure**

**Independent Auditor's Report**

We have audited the accompanying fund accountability statements of the Export and Investment Promotion Project, USAID/Dominican Republic Project No. 517-0190, implemented by the Dominican Republic's Investment Promotion Council for the period January 1, 1989 to September 30, 1990 and have issued our report thereon dated March 15, 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 statements are free of material misstatement.

In planning and performing our audit of the fund accountability statements for the Export and Investment Promotion Project for the period ended September 30, 1990, we considered the internal control structure of the Dominican Republic's Investment Promotion Council in order to determine our auditing procedures for the purpose of expressing our opinion on the fund accountability statements and not to provide assurance on the internal control structure.

The Dominican Republic's Investment Promotion Council is responsible for establishing and maintaining an internal control structure to manage the project's operations. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of internal control 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

Internal Control Structure  
Independent Auditor's Report (cont'd)



that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the fund accountability statements. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with procedures may deteriorate.

For the purpose of this report, we have classified significant internal control structure policies and procedures into the following categories: 1)cash; 2)purchases and payables; 3)employee costs; 4)property and equipment; 5)revenue and receivables; 6)subgrants; 7)other assets and liabilities.

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

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. Conditions considered by us as reportable are described in findings No.1 to 4 on the pages following this report.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the fund accountability statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We consider findings No. 1 through 3 to be material weaknesses as a result of the potential for errors or irregularities of a material nature going undetected in the normal course of business.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions that are also considered to be material weaknesses as defined above.

Internal Control Structure  
Independent Auditor's Report (cont'd)



This report is intended solely for the use of the United States Agency for International Development and the Dominican Republic Investment Promotion Council. This restriction is not intended to limit the distribution of this report which, upon acceptance by the Office of Inspector General, is a matter of public record.

*Price Waterhouse*

March 15, 1991

**The Export and Investment Promotion  
Project Implemented by the Dominican Republic's  
Investment Promotion Council (IPC)  
USAID/Dominican Republic Project No. 517-0190**

**Internal Control Structure**

**Findings:**

1. Our audit identified a number of examples of carelessness and inaccuracies as a result of inadequate internal controls

**Condition:**

During our audit, we identified several issues such as those listed below which indicate deficiencies in the operation of IPC's internal control structure.

- a) Several checks were written with insufficient funds resulting in over RD\$3,700 in bank charges
- b) Two checks aggregating US\$6,000 were identified as received but not deposited
- c) Certain IPC vehicles are assigned to individuals and therefore are not available for general use
- d) There was no subsidiary listing of capital assets purchased by the IPC
- e) There are few controls over phone usage at the IPC, and as a result numerous unrelated calls and resulting charges are borne by USAID/Dominican Republic
- f) Several of the personnel files which were examined lacked critical historical information

**Criteria:**

The mandatory standard provisions for Non-U.S., nongovernmental grantees provides guidance which requires control procedures to protect against deficiencies such as those identified above. The issue of vehicle usage has been raised in prior audits and has long been a point of contention between USAID/Dominican

**Internal Control Structure  
Findings (cont'd)**

Republic and the IPC. Project Implementation Letter (PIL) No.40 dated June 19, 1990, the most specific guidance on the matter, states:

"Project vehicles are not to be formally assigned to any particular individual, but, rather should be available to anyone who requires them for official project related purposes."

**Cause:**

We identified the underlying cause of the conditions reported to be a pervasive carelessness which led to several inaccuracies and recurring recommendations from prior audits. Adequate controls over cash do not allow insufficient checks to be written or payments received to remain undeposited for long periods of time. Moreover, little effort has been made to correct issues raised in prior audits such as vehicle usage and a lack of capital asset records.

**Effect:**

The effect of these deficiencies is not necessarily material to the fund accountability statements, however, it reflects a lack of diligence on the part of IPC management and staff. The lack of cash controls have resulted in unnecessary charges, transactions recorded incorrectly, unsupported advances, and transactions in noncompliance with the agreement terms and applicable laws and regulations (see compliance finding No.1).

**Recommendation:**

The Investment Promotion Council should make a diligent effort to adhere consistently to fundamental internal control procedures. These procedures include proper controls over cash disbursements, vehicle usage, capital assets, telephone usage, and personnel files. Timely cash reconciliations should be performed and disbursements not made without sufficient funds, unless otherwise approved by USAID/Dominican Republic officials. Vehicle usage should adhere to the guidance articulated in PIL 40, or risk suspension or loss of vehicles for noncompliance with regulations. Phone bills should be reviewed by management periodically and employees made aware that nonbusiness calls will be charged directly to them. A checklist for personnel files should be established and utilized to ensure all necessary materials are obtained and properly filed. Strict compliance

**Internal Control Structure  
Findings (cont'd)**

with prior guidance should also be a prerequisite for future funding and approval of transactions.

**2. We identified insufficient accounting control procedures and management review/oversight**

**Condition:**

During the course of our audit, we identified several deficiencies in areas requiring management review and/or oversight. Similar to those issues identified in finding No.1 above, many of these instances resulted in inaccurate recording of transactions, out-of-balance account conditions, and unsupported transactions. Examples of specific deficiencies include:

- a) Lack of proper account reconciliations - several accounts were out-of-balance with subsidiary information and there was no evidence of management review
- b) Several transactions identified during our review were entered into the accounting records incorrectly as a result of either incorrect account classification, incorrect fund charged, or incorrect exchange rate used
- c) 14 (RD\$ 1,300) of 135 advances tested had little or no support
- d) We saw little evidence of effective monitoring of recipients of subgrants - in one instance, several computers which were purchased had remained in boxes for approximately one year, indicating there may not have been a true need or an effective plan for the equipment

**Criteria:**

The standard provisions of the grant agreement and the subsequent PILs provide specific requirements concerning the accuracy of accounting records, the appropriate application of funds for USAID/Dominican Republic-sponsored activities, and the sufficiency of advance/expense documentation.

**Cause:**

There seems to be little evidence of any consistent managerial review in the daily accounting process. Reconciliations for cash and other accounts were either not

**Internal Control Structure  
Findings (cont'd)**

prepared or not prepared on a timely basis. Further, there was no documented review of a periodic comparison of actual results to budget amounts.

**Effect:**

Several accounts required additional audit work to determine whether there was sufficient subsidiary documentation to warrant account balances. As discussed above, equipment may have been purchased by subgrantees without need and there may have been activities at subgrant locations which were in noncompliance with A.I.D. and U.S. government standards. These issues do not appear to affect the fund accountability statements in a material respect, however, they again question the diligence of IPC management in complying with agreement terms and laws and regulations.

**Recommendation:**

IPC should institute procedures which require all accounts to be reconciled on a timely basis and be reviewed by management. This review should also be done timely and should be documented. There should be a secondary review of all journal entries to ensure proper account, fund, and exchange rate were used in the recordation.

3. During the audit, we identified instances of insufficient expense documentation

**Condition:**

We identified several instances of insufficient supporting documentation, including one where approximately US\$12,000 was not supported. In this case, a contractor was paid approximately US\$25,000 for expenses incurred on a technical assistance project conducted in the Far East (Tokyo, Korea, and Hong Kong). The fees excluded salary charges and were to be reimbursed based on supporting documentation. In addition, there were also other instances, with lesser amounts, where little or no documentation was available. For example, credit card receipts submitted without any additional information concerning the parties involved or the purpose of the expense.

Internal Control Structure  
Findings (cont'd)

**Criteria:**

The mandatory standard provisions of the grant agreement and PIL No.6 dated October 10, 1986, require that the grantee obtain adequate supporting documentation before incurred costs are reimbursed. Moreover, "prior to incurring any questionable or unique cost, the grantee should obtain the grant officer's written determination as to whether the cost will be allowable."

**Cause:**

In the case of the Far East expenditures, the IPC has been given several opportunities to provide supporting documentation but can only support approximately US\$13,000 of the total. The credit card receipts were acknowledged by IPC management and they stated that they were in the process of instituting new procedures which would require details of the expense before reimbursement would be made.

**Effect:**

USAID/Dominican Republic funds may be paid in error as a result of either improper costs or unsupported transactions.

**Recommendation:**

IPC should adhere to fundamental controls which require adequate supporting documentation before payment is made. This support should include source documents where possible and details as to who incurred the expense, the purpose of the expense, and whether it was previously authorized.

4. We identified unapproved salary adjustments and payments of severance for employees who left voluntarily

**Condition:**

The IPC paid a cost of living adjustment (COLA) during 1990 which was not approved by USAID/Dominican Republic or applied evenly to all employees. Certain employees received significant increases, including one who received an increase of 84%. This COLA was paid with counterpart funds and was

**Internal Control Structure  
Findings (cont'd)**

summarized by IPC management as a COLA/salary reevaluation. There were also two cases where employees who had submitted their resignations were given severance payments aggregating approximately RD\$15,000.

**Criteria:**

Amendment No.6 to the Grant Agreement, Attachment 1, Section III.A., Page 14, requires that USAID/Dominican Republic be given 15 day notice of any change in an individual budget category that will change by more than 15 percent. This would include salaries. USAID/Dominican Republic policy is structured for standard annual COLA increases.

**Cause:**

IPC management had reevaluated positions and determined that certain individuals were not properly compensated. IPC's board of directors believes it has the authority to pay severance to employees leaving on a voluntary basis.

**Effect:**

Salary increases were not approved by USAID/Dominican Republic and resulted in an inequitable cost of living adjustment. Payments of severance for voluntary attrition by a subsidized program may not be a proper utilization of the resources.

**Recommendation:**

IPC management should obtain USAID/Dominican Republic approval prior to adjusting any personnel salaries and should discontinue severance to voluntary personnel vacancies until such time as the project is self-sustaining.

*Price Waterhouse*



**The Export and Investment Promotion  
Project Implemented by the Dominican Republic's  
Investment Promotion Council (IPC)  
USAID/Dominican Republic Project No. 517-0190**

**Compliance With Agreement Terms  
And Applicable Laws and Regulations**

**Independent Auditor's Report**

We have audited the accompanying fund accountability statements of the Export and Investment Promotion Project, USAID/Dominican Republic Project No. 517-0190 (the agreement), implemented by the Dominican Republic's Investment Promotion Council for the period January 1, 1989 to September 30, 1990 and have issued our report thereon dated March 15, 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 statements are free of material misstatement.

The Dominican Republic's Investment Promotion Council is responsible for compliance with the terms of the agreement and applicable laws and regulations. As part of obtaining reasonable assurance as to whether the fund accountability statements are free of material misstatement, we performed tests of compliance by the IPC with agreement terms and applicable laws and regulations. However, our objective was not to provide an opinion on overall compliance with such provisions.

During our audit, we noted the following instances of noncompliance:

- o Transfers of USAID/Dominican Republic grant funds were made to other funds managed by the Investment Promotion Council (IPC) without prior approval

Compliance With Agreement Terms  
and Applicable Laws and Regulations  
Independent Auditor's Report (cont'd)



- o Several issues identified in prior audits which were incorporated into the "new agreement" dated 1/31/90 as conditions precedent, were not corrected as required

We considered these material instances of noncompliance in forming our opinion on whether the IPC's fund accountability statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles, and this report does not affect our report on those fund accountability statements.

Except as described in the fourth paragraph above, the results of our tests of compliance with agreement terms and applicable laws and regulations indicate that with respect to the items tested, the IPC complied, in all material respects with the provisions referred to above. With respect to items not tested, nothing came to our attention that caused us to believe that the IPC had not complied, in all material respects, with the agreement terms and applicable laws and regulations.

This report is intended solely for the use of the United States Agency for International Development and the Dominican Republic Investment Promotion Council. This restriction is not intended to limit the distribution of this report which, upon acceptance by the Office of Inspector General, is a matter of public record.

*Pricewaterhouse*

March 15, 1991

**The Export and Investment Promotion  
Project Implemented by the Dominican Republic's  
Investment Promotion Council (IPC)  
USAID/Dominican Republic Project No. 517-0190**

**Compliance With Agreement Terms  
And Applicable Laws and Regulations**

**Findings**

1. Transfers of USAID/Dominican Republic grant funds were made to other funds managed by the IPC without prior approval

**Condition:**

During our review of IPC account activity, we identified several inter-fund transfers which moved monies from USAID/Dominican Republic designated funds to other funds managed by the IPC. As a result of the transfers, IPC obtained direct and indirect interest benefits. The direct benefits resulted from interest earned on invested USAID/Dominican Republic funds, and indirect benefits resulted from what effectively were "interest-free" loans from USAID/Dominican Republic to fund IPC operating costs.

**Criteria:**

The grant agreement, subsequent amendments, and A.I.D. Handbook 13 provide guidance concerning allowable costs and prior approval when incurring a questionable or unique cost. Moreover, Project Implementation Letter (PIL) No. 3 as well as the grant agreement, specifically require interest earnings from A.I.D. funds to be refunded.

**Cause:**

Funds received from the government of the Dominican Republic for this project, referred to as Counterpart or "STP" funds (from the El Secretariado Tecnico De La Presidencia) have often been delayed, and as a result, the IPC has fallen short

Compliance With Agreement Terms  
And Applicable Laws and Regulations  
Findings (cont'd)

in its resources to fund certain operating costs. In such cases, funds were borrowed and subsequently returned when STP monies were received.

**Effect:**

USAID/Dominican Republic funds are expended without prior approval on items for which they were not designated. Interest earnings, both direct and indirect, have accrued to the benefit of IPC rather than USAID/Dominican Republic.

**Recommendation:**

The Investment Promotion Council (IPC) should determine the amount of direct and indirect interest benefits derived from the borrowings and remit the total to USAID/Dominican Republic. Moreover, IPC should obtain prior approval of all transfers into or out of the USAID/Dominican Republic designated fund. The approval request should be in writing, and should specify how the funds are to be used and that any direct interest earned from the transfer will be remitted back to USAID/Dominican Republic. Upon receiving STP or other awaited funding, IPC should be required to return the U.S. dollar equivalent to USAID/Dominican Republic immediately.

2. Several issues identified in prior audits which were incorporated into the "new agreement" dated 1/31/90 as conditions precedent, were not corrected as required

**Condition:**

IPC did not correct several previously identified weaknesses and therefore is in noncompliance with the new grant agreement dated January 31, 1990. These recurring issues which were conditions precedent include:

- a) Failure to withhold income taxes from USAID/Dominican Republic-paid salaries
- b) Lack of supporting documentation for travel paid with USAID/Dominican Republic funding
- c) Failure to properly monitor subgrantee expenses
- d) Failure to secure bids for large purchases

**Compliance With Agreement Terms  
And Applicable Laws and Regulations  
Findings (cont'd)**

In determining the noncompliance status in procurement procedures, we identified an instance where the IPC has awarded an insurance contract to a party related to a member of the board of directors. Although we identified certain instances where competitive bidding was not performed by the IPC, we saw no indication of unusual pricing of items or services provided.

**Criteria:**

The criteria for each of the issues identified above differs and includes:

- a) Resolution No.1 of the "Direccion General del Impuesto sobre la Renta" (Tax Authorities) dated July 21, 1963, and Articles 1 and 62 of Income Tax Law 5911, state that all compensation received by an employee in cash or in-kind are subject to income tax withholdings under the 5th category.
- b) A.I.D. Handbook No.13, Section C of the grant agreement, and subsequent Project Implementation Letters (PILs) require specific documentation for travel and transportation when A.I.D. funds are used.
- c) The grant agreement and PIL No.3 specifically deal with oversight requirements of subgrantee expenditures.
- d) There are numerous sources of guidance concerning proper procurement with U.S. government funds. The Federal Acquisition Regulations (FAR), A.I.D. Handbook No.1 and Section E of the grant standard provisions all articulate the requirement of adequate competition of bidders.

**Cause:**

- a) IPC personnel stated that although income taxes were not withheld during 1989, withholdings started once the new agreement was signed on January 31, 1990 - no retroactive adjustment for 1989 was made.
- b&d) Procedures for obtaining bids and thorough documentation for travel have been designed but have not yet been implemented on a consistent basis.
- c) Oversight over subgrantees has apparently been reduced as a result of little activity and attrition in the position which held that responsibility.

**Compliance With Agreement Terms  
And Applicable Laws and Regulations  
Findings (cont'd)**

**Effect:**

- a) IPC did not comply with local laws concerning the withholding and payment of taxes by employers.
- b) Without adequate documentation for travel costs incurred, there remains uncertainty as to the propriety of the costs and whether A.I.D. travel regulations were adhered to.
- c) Without proper monitoring of subgrantee funding, the IPC has little certainty that funds were utilized as planned and costs and operations are in accordance with U.S. regulations.
- d) Without proper bidding and related procurement procedures in place, the risk of receiving inadequate service or paying above market prices is substantially increased.

**Recommendation:**

IPC should correct all previously identified weaknesses. Procedures for requiring bids for large purchases need to be strengthened and closely adhered to in the future. We recommend the IPC be required to demonstrate competitive bidding to USAID/Dominican Republic officials prior to IPC disbursement of funds to ensure this deficiency is corrected. Procedures for requiring adequate documentation for domestic and international travel must also be implemented. Although subgrants may be currently inactive, IPC should ensure that funds were spent in accordance with the plan, and if equipment or other assets is idle or not being properly utilized, IPC should take measures to retrieve assets and recover whatever funds may be available.

IPC should also be required to disclose related party contracts. This disclosure should be incorporated into the USAID/Dominican Republic approval process for large purchases. Further the IPC and USAID/Dominican Republic should consider requiring annual statements by IPC officers and board members which disclose their relationships and the specific transactions between the IPC and businesses which have had dealings with the IPC during the past twelve months, i.e., related party transactions.

**The Export and Investment Promotion  
Project Implemented by the Dominican Republic's  
Investment Promotion Council (IPC)  
USAID/Dominican Republic Project No. 517-0190**

**List of Report Recommendations**

**Report on Internal Control Structure**

1. The Investment Promotion Council should make a diligent effort to adhere consistently to fundamental internal control procedures. These procedures include proper controls over cash disbursements, vehicle usage, capital assets, telephone usage, and personnel files. Timely cash reconciliations should be performed and disbursements not made without sufficient funds, unless otherwise approved by USAID/Dominican Republic officials. Vehicle usage should adhere to the guidance articulated in PIL 40, or risk suspension or loss of vehicles for noncompliance with regulations. Phone bills should be reviewed by management periodically and employees made aware that nonbusiness calls will be charged directly to them. A checklist for personnel files should be established and utilized to ensure all necessary materials are obtained and properly filed. Strict compliance with prior guidance should also be a prerequisite for future funding and approval of transactions.
2. IPC should institute procedures which require all accounts to be reconciled on a timely basis and be reviewed by management. This review should also be done timely and should be documented. There should be a secondary review of all journal entries to ensure proper account, fund, and exchange rate were used in the recordation.
3. IPC should adhere to fundamental controls which require adequate supporting documentation before payment is made. This support should include source documents where possible and details as to who incurred the expense, the purpose of the expense, and whether it was previously authorized.
4. IPC management should obtain USAID/Dominican Republic approval prior to adjusting any personnel salaries and should discontinue severance to

List of Report Recommendations  
(cont'd)

voluntary personnel vacancies until such time as the project is self-sustaining.

Report on Compliance with Agreement Terms and Applicable Laws and Regulations

1. The Investment Promotion Council (IPC) should determine the amount of direct and indirect interest benefits derived from the borrowings and remit the total to USAID/Dominican Republic. Moreover, IPC should obtain prior approval of all transfers into or out of the USAID/Dominican Republic designated fund. The approval request should be in writing, and should specify how the funds are to be used and that any direct interest earned from the transfer will be remitted back to USAID/Dominican Republic. Upon receiving STP or other awaited funding, IPC should be required to return the U.S. dollar equivalent to USAID/Dominican Republic immediately.
2. IPC should correct all previously identified weaknesses. Procedures for requiring bids for large purchases need to be strengthened and closely adhered to in the future. We recommend the IPC be required to demonstrate competitive bidding to USAID/Dominican Republic officials prior to IPC disbursement of funds to ensure this deficiency is corrected. Procedures for requiring adequate documentation for domestic and international travel must also be implemented. Although subgrants may be currently inactive, IPC should ensure that funds were spent in accordance with the plan, and if equipment or other assets is idle or not being properly utilized, IPC should take measures to retrieve assets and recover whatever funds may be available.

IPC should also be required to disclose related party contracts. This disclosure should be incorporated into the USAID/Dominican Republic approval process for large purchases. Further the IPC and USAID/Dominican Republic should consider requiring annual statements by IPC officers and board members which disclose their relationships and the specific transactions between the IPC and businesses which have had dealings with the IPC during the past twelve months, i.e., related party transactions.

**The Export and Investment Promotion  
Project Implemented by the Dominican Republic's  
Investment Promotion Council (IPC)  
USAID/Dominican Republic Project No. 517-0190**

**Management Comments**

On June 7, 1991, a draft copy of this audit report was submitted to IPC for their review and analysis. The IPC was given 15 days to formally respond to this report. As of today, we have not yet received written comments in response to this draft report from the IPC.

**APPENDIX**

**REPORT DISTRIBUTION**

U.S. Ambassador to the Dominican Republic	1
D/USAID/Dominican Republic	5
AA/LAC	1
LAC/CONT	1
LAC/CAP/G	1
AA/XA	2
XA/PP	1
LEG	1
GC	1
AA/MS	2
FM/FPS	2
PPC/CDIE	3

**Office of the Inspector General**

IG	1
AIG/A	1
IG/A/PPO	2
IG/LC	1
IG/RM/C&R	5
AIG/I	1
IG/A/PSA	1
IG/A/FA	1

**Regional Inspectors General**

RIG/A/Cairo	1
RIG/A/Dakar	1
RIG/A/Europe	
RIG/Manila	1
RIG/A/Nairobi	1
RIG/A/Singapore	1
RIG/I/Tegucigalpa	1