

**AUDIT OF USAID/BOLIVIA'S
CHAPARE REGIONAL DEVELOPMENT PROJECT
ACTIVITIES MANAGED BY THE BOLIVIAN INSTITUTE
OF AGRICULTURE AND CATTLE TECHNOLOGY/CHAPARE
FOR THE YEAR ENDED DECEMBER 31, 1990**

**Audit Report No. 1-511-91-52-N
September 20, 1991**

AGENCY FOR INTERNATIONAL DEVELOPMENT

U. S. MAILING ADDRESS:
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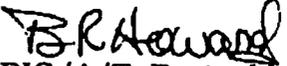
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TEGUCIGALPA - HONDURAS

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September 20, 1991

MEMORANDUM

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

FROM: 
RIG/A/T, Reginald Howard

SUBJECT: Audit of USAID/Bolivia's Chapare Regional Development Project, Activities Managed by the Bolivian Institute of Agriculture and Cattle Technology/Chapare, for the Year Ended December 31, 1990

This report presents the results of a financial audit of the Bolivian Institute of Agriculture and Cattle Technology/Chapare (Institute) for the year ended December 31, 1990. This audit was one of six audits performed to evaluate entities receiving funds under the Chapare Regional Development Project, USAID/Bolivia Project No. 511-0543. The accounting firm of Price Waterhouse prepared the report which is dated August 23, 1991.

The Project was initiated in 1983 as a part of the Government of Bolivia's program to reduce coca plantings. The Project focuses on the agroindustrial and institutional development of the Chapare region--Bolivia's principal illicit coca growing area. The life-of-project budget as of December 31, 1990 was \$73.2 million, of which USAID/Bolivia is providing grant and loan funds of \$38.5 million and the Government of Bolivia the balance of \$34.7 million. The Government of Bolivia has also developed a separate but related program whereby it makes compensation payments of \$2,000 per hectare, from its own resources to peasant farmers who voluntarily reduce their coca plantings.

The Institute participates in the Project through agriculture and cattle research, production of genetic materials, and technology transfer to peasant farmers. The audit coverage included A.I.D. funds of \$1.6 million provided to the Institute as well as \$9,586 provided by the Government of Bolivia and \$113,988 in gross sales of products during the audit period. The audit did not include \$581,487 of direct payments made by USAID/Bolivia primarily for the procurement of technical assistance, training, studies, and communication on behalf of the Institute during the year ended December 31, 1990.

The purpose of the audit was to determine whether: (1) the Institute's fund accountability statement presents fairly, in all material respects, cash receipts and disbursements for the period audited; (2) the Institute's internal control structure was adequate for Project purposes; and (3) the Institute had complied with the terms of the Project Agreement and implementation letters and applicable laws and regulations. The scope of the audit included an examination of the Institute's activities and transactions to the extent considered necessary to issue a report thereon for the period under audit.

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Price Waterhouse found that the fund accountability statement presents fairly, in all material respects, the cash receipts and disbursements of the activities managed by the Institute for the period audited.

With respect to the internal control structure of the Institute, Price Waterhouse identified six material weaknesses concerning the lack of: (1) evidence of technical assistance provided to PL-480 loan beneficiaries; (2) verification of certifications of land suitability for crop production; (3) planning and control over credit sales; (4) consideration given to the market demand for crops; (5) available resources to implement the operating plan; and (6) controls over the use of office supplies.

In its report on compliance with the agreement terms and applicable laws and regulations, Price Waterhouse found that the Directorate complied in all material respects except for not complying with a Bolivian tax law requiring the withholding of transaction taxes.

Price Waterhouse found that certain weaknesses reported in the previous audit of the Institute, for the year ended December 31, 1989, have not been corrected. In this regard we noted that Recommendation No. 2 of the prior audit (Audit Report No. 1-511-91-17-N, dated January 22, 1991) remains as an open item in the Office of the Inspector General's audit recommendation follow-up system. Accordingly, we are not repeating the recommendation in this report; however, due to the age and nature of the recommendation we urge that the Mission ensure that proper action is taken to address these previously reported areas of weakness.

The report was discussed with management of the Institute, who expressed overall agreement with most of the report's findings and stated that corrective action had been taken for some of the reported deficiencies. Management's comments are included in Appendix II to the report.

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

Recommendation No. 1

We recommend that USAID/Bolivia, in conjunction with the Government of Bolivia and the Bolivian Institute of Agriculture and Cattle Technology/Chapare, develop a plan, including a timetable for implementation, for: (1) implementing its established procedures for monitoring the technical assistance provided to PL-480 loan beneficiaries; (2) establishing procedures for verifying land suitability certifications; (3) reviewing the credit program strategy and establishing control procedures over credit sales; (4) establishing procedures to assess the market demand for specific crops; (5) coordinating its available resources to achieve the goals of the operating plan or to document any deviations from the plan which may occur; and (6) establishing procedures to control the office supply inventory.

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

AUDIT OF THE
CHAPARE REGIONAL DEVELOPMENT PROJECT ACTIVITIES
MANAGED BY THE BOLIVIAN INSTITUTE OF AGRICULTURE AND CATTLE
TECHNOLOGY/CHAPARE
USAID/BOLIVIA PROJECT No. 511-0543
FOR THE YEAR ENDED DECEMBER 31, 1990



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AUDIT OF THE
CHAPARE REGIONAL DEVELOPMENT PROJECT ACTIVITIES
MANAGED BY THE BOLIVIAN INSTITUTE OF AGRICULTURE AND CATTLE
TECHNOLOGY/CHAPARE
USAID/BOLIVIA PROJECT No. 511-0543
FOR THE YEAR ENDED DECEMBER 31, 1990

TABLE OF CONTENTS

	<u>Page</u>
Transmittal Letter and Summary	1
Background	1
Audit Objectives and Scope	4
Results of Audit	6
Management Comments	8
Fund Accountability Statement	10
Independent Auditor's Report	10
Fund Accountability Statement	12
Notes to the Fund Accountability Statement	13
Annex 1 - Accumulated Fund Accountability statement	18
Internal Control Structure	20
Independent Auditor's Report	20
Findings	23
Compliance with Agreement Terms, Project Implementation Letters, and Applicable Laws and Regulations	31
Independent Auditor's Report	31
Findings	33
List of Report Recommendations	35
Appendix I - Follow-up of Previous Year's Recommendations	37
Appendix II - Management Comments	43



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Moreno Muñoz



August 23, 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 our audit of the activities of the Chapare Regional Development Project, USAID/Bolivia Project No. 511-0543, managed by the Bolivian Institute of Agriculture and Cattle Technology/Chapare (Instituto Boliviano de Tecnología Agropecuaria - IBTA/Chapare), for the year ended December 31, 1990.

BACKGROUND

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

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

3) productive and transport infrastructure; and 4) a project investment fund. Each area includes activities of immediate impact and applied research components to support medium and long-term activities. The project current assistance completion date is May 31, 1992 and the life-of-project budget as modified in July 1990, expressed in thousands of U.S. dollars, includes the following:

	USAID/BOLIVIA		GOVERNMENT OF BOLIVIA		Total
	Grant	Loan	PL480	GOB	
Technical assistance	\$ 12,558				\$ 12,558
Training	2,092	\$ 1,070	\$ 2,523		5,685
Constructions	3,060	1,019	3,246	\$ 1,600	8,925
Commodities	3,780	2,662	240		6,682
Operating costs	3,280	7,258	2,300	1,147	13,985
Evaluations	530	53			583
Other	700	438	22,831		23,969
Contingencies			860		860
	<u>\$ 26,000</u>	<u>\$ 12,500</u>	<u>\$ 32,000</u>	<u>\$ 2,747</u>	<u>\$ 73,247</u>

Additionally the Government of Bolivia (GOB) has developed a program to reduce the cultivation of coca and make compensation payments of US\$ 2,000 per hectare from its own resources to the peasant farmers who voluntarily reduce their coca plantations. The plan foresaw the eradication of 6,000 hectares of coca plants in 1990, but in accordance with DIRECO's reports 7.382 hectares were in fact eradicated.

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

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



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

The Bolivian Institute of Agriculture and Cattle Technology/Chapare (Instituto Boliviano de Tecnología Agropecuaria - IBTA/Chapare) participates in the Chapare Regional Development Project through agriculture and cattle research, production of genetic materials, and transference of technology to peasant farmers. To conduct these tasks, IBTA/Chapare operates through its technical operative units (Unidades Técnicas Operativas - UTOs).



From 1990 IBTA/Chapare, began granting agricultural credits by delivering plants to the farmers which are to be repaid in U.S. dollars or in plants. This operation was implemented in accordance with the Institutional Credit Program, approved by the Interinstitutional Committee and Coordinating Committee for the Credit Program, both of which include representatives of each of the implementing entities.

IBTA/Chapare operates with funding from USAID/Bolivia, the Bolivian Government and other income generated from the sales of some agroindustrial products. The funding is received in the following manner:

- a) USAID/Bolivia and the Government of Bolivia
 - Transfer of funds to a specific bank account managed by IBTA/Chapare for which it is accountable - called special account.
 - Goods and services received from the funding institutions (USAID/Bolivia and the Government of Bolivia), which are paid directly by them on behalf of the project - called direct account.
- b) Sales of products
 - Sales of genetic material (plants and seeds) to peasant farmers for carrying out alternative plantings.
 - Sales of crops, cattle, or hogs, chickens and subproducts.

AUDIT OBJECTIVES AND SCOPE

We were contracted by USAID/Bolivia, to conduct a financial audit of the Chapare Regional Development Project for the year ended December 31, 1990. The audit included the operations carried out by each administrative unit under the loan and grant agreement signed between the Government of Bolivia and USAID/Bolivia, and their corresponding fund accountability statement.



The audit did not include the examination of the documentations and operations of periods prior to January 1, 1989 nor transactions made directly by USAID/Bolivia and the Government of Bolivia through direct payments. However, for information purposes only, we include as annex 1, a fund accountability statement of project's accumulated costs as of December 31, 1990, including direct payments made by USAID/Bolivia and the Government of Bolivia. This statement is expressed in United States dollars.

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

- 1 The fund accountability statement of the activities managed by IBTA/Chapare presents fairly in all material respects, the cash receipts and disbursements for the year ended December 31, 1990, identifying costs which were not fully supported with adequate records or which were not allowable allocable, and reasonable under agreement terms, project implementation letters, and applicable laws and regulations;
- 2 IBTA/Chapare's internal control structure is adequate for project purposes; and
- 3 IBTA/Chapare complied, in all material respects, with agreement terms, project implementation letters, and applicable laws and regulations.

Based on monthly field work, carried out throughout the year, the scope of our work included:

- Reviewing the accounting records and bank accounts used by IBTA/Chapare to record the receipt of funds and obtaining direct confirmation from the banks.
- Confirming the funds received for the project with the records of the funding agency - USAID/Bolivia.



- Reviewing the supporting documentation of the principal disbursements made by IBTA/Chapare during 1990. The scope of our tests by funding source was: USAID/Bolivia 86%, Government of Bolivia 86%, and income from sales 94%. The objective of our tests was to determine whether the expenditures were properly supported with documentation, incurred to achieve the objectives of the project, and in accordance with agreement terms and project implementation letters, and that the recording was adequate.
- Physical inspection of the primary fixed assets used in the two IBTA's experimental farms and an evaluation of controls with respect to the custody, recording, safekeeping, and maintenances of the assets.
- On-site visits to inspect the progress of the sub-projects and to evaluate internal controls regarding work in progress and costs together with the approved budget.
- Understanding the control environment, accounting system and control procedures used to account for project funds. For this purpose we evaluated the following significant categories: cash receipts and disbursements, budgeting controls, bank accounts and funds controls, inventories management, procurement system, and sub-projects monitoring.
- Reviewing and evaluating IBTA/Chapare's compliance with agreement terms, implementation letters, and applicable laws and regulations.

RESULT OF THE AUDIT

Fund Accountability Statement

The Bolivian Institute of Agriculture and Cattle Technology/Chapare has recorded its transactions on the basis of cash receipts and disbursements. Consequently, revenues are recognized when received rather than when earned and expenses are recognized when paid rather than when the obligation is incurred. This is a comprehensive



basis of accounting other than generally accepted accounting principles.

In our opinion, the fund accountability statement audited by us presents fairly, in all material respects the cash receipts and disbursements of the activities of the Chapare Regional Development Project, USAID/Bolivia Project No. 511-0543, managed by the Bolivian Institute of Agriculture and Cattle Technology/Chapare for the year ended on December 31, 1990, on the basis of accounting described in the precedent paragraph.

Internal Control Structure

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

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

Findings during the year

1. Lack of evidence of technical assistance to the beneficiaries of loans from PL-480.
2. Incorrect certification of suitability of land.
3. Lack of planning and control over credit sales.
4. IBTA/Chapare is production driven rather than market driven.



5. Non-compliance with operating plan.
6. Lack of control over use of stationery for project purposes.

We also noted other matters involving the internal control structure and its operation that we have reported to the management of IBTA/Chapare in separate letters.

Reiteration of Previous Year Findings

- 1 Lack of Procedures Manuals.
- 2 Counterpart contributions to the project were reduced.

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

Except for the noncompliances mentioned below, the results of our tests of compliance indicate that, with respect to the items tested, IBTA/Chapare complied in all material respects with the terms and provisions of the agreement, project implementation letters, and applicable laws and regulations. With respect to items not tested, nothing came to our attention that caused us to believe that IBTA/Chapare had not complied in all material respects, with those terms and provisions.

Finding From the Year

1. Transaction tax not retained from payments for services to individuals.

Reiteration of Previous Year Findings

1. IBTA/Chapare has not received permission from to USAID/ Bolivia not to identify and mark vehicles for security reasons.

MANAGEMENT COMMENTS

In its written response to this report, see Appendix II, the management of IBTA/Chapare expressed overall agreement with most of the findings and stated corrective

action has been taken for some of the deficiencies reported. With regard to Findings Nos. 1 and 5 of the internal control section IBTA/Chapare management stated that (a) records were maintained of the visits to give technical assistance to the beneficiaries (Finding 1) and (b) the sub-projects detected which had not advanced in accordance with the operating plan had been completed or were nearly completed (Finding 5). IBTA/Chapare management also mentioned that (a) the success of crops in certain areas depends not only on the soil, but also on the care taken by the peasant farmer which is outside the control of IBTA/Chapare (Finding 2); (b) the sale on credit of plants was an emergency measure, to reduce excess inventories of plants which would otherwise have been lost (Finding 3) and c) IBTA/Chapare is a technical organization and it is not its function to coordinate the program or determine the marketability of the crops.

Auditors' response:

- 1) Finding N° 1. As part of our visit we requested details of the technical assistance given to beneficiaries of the PL-480 loan program. IBTA/Chapare were unable to provide such information, which indicates that there is no a proper system to monitor the technical assistance given.
- 2) Finding N° 5. At the time of our visit to these projects in December 1990, all the were significantly behind the schedule laid down in the operating plan.

Price Waterhouse



Moreno Muñoz



CHAPARE REGIONAL DEVELOPMENT PROJECT ACTIVITIES
MANAGED BY THE BOLIVIAN INSTITUTE OF AGRICULTURE AND CATTLE
TECHNOLOGY/CHAPARE
USAID/BOLIVIA PROJECT No. 511-0543
FOR THE YEAR ENDED DECEMBER 31, 1990

FUND ACCOUNTABILITY STATEMENT

INDEPENDENT AUDITOR'S REPORT

We have audited the fund accountability statement of the activities of the Chapare Regional Development Project, USAID/Bolivia Project No. 511-0543, managed by the Bolivian Institute of Agriculture and Cattle Technology/Chapare (Instituto Boliviano de Tecnología Agropecuaria - IBTA/Chapare) for the year ended December 31, 1990. This fund accountability statement is the responsibility of the IBTA/Chapare's management. Our responsibility is to express an opinion on this fund accountability statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the United States Comptroller General's "Government Auditing Standards" (1988 Revision). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the fund accountability statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2, the fund accountability statement was prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles, and is not intended to be a presentation in conformity with generally accepted accounting principles.

In our opinion, the fund accountability statement audited by us presents fairly, in all material respects, the cash receipts and disbursements of the activities of the Chapare Regional Development Project, USAID/Bolivia Project No. 511-0543, managed by the Bolivian Institute of Agriculture and Cattle Technology/Chapare for the year ended December 31, 1990, on the basis of accounting described in paragraph 3.

This report is intended solely for the information of the Bolivian Institute of Agriculture and Cattle Technology/Chapare and the Agency for International Development. This restriction is not intended to limit the distribution of this report which, upon acceptance by the Office of the Inspector General, is a matter of public record.

February 15, 1991

Rice Watahara



CHAPARE REGIONAL DEVELOPMENT PROJECT ACTIVITIES
MANAGED BY THE BOLIVIAN INSTITUTE OF AGRICULTURE AND CATTLE TECHNOLOGY/CHAPARE
USAID/BOLIVIA PROJECT No. 511-0543

FUND ACCOUNTABILITY STATEMENT FOR THE YEAR ENDED DECEMBER 31, 1990
(Expressed in bolivianos - Note 3)

	Funds balance at December 31, 1989 <u>Bs</u>	Funds received during 1990 <u>Bs</u>	Reclasi- fications <u>Bs</u>	Funds available <u>Bs</u>	1990 Disbursements <u>Bs</u>	Funds balance at December 31, 1990 <u>Bs</u>
<u>Special account (Note 2)</u>						
USAID/BOLIVIA						
Training, studies and communication	33,153	939,633		1,232,615	1,041,199	191,416
Construction	549,702	310,249	(455,053)	404,898	404,898	-
Goods	403,819	613,089	(624,714)	392,194	392,194	-
Operating costs	<u>251,721</u>	<u>3,248,657</u>	<u>819,938</u>	<u>4,320,316</u>	<u>4,131,441</u>	<u>188,875</u>
	<u>1,238,395</u>	<u>5,111,628</u>	<u>-</u>	<u>6,350,023</u>	<u>5,969,732</u>	<u>380,291</u>
GOVERNMENT OF BOLIVIA						
Training, studies and communications	-	2,220	-	2,220	2,220	-
Construction	-	3,553	-	3,553	3,553	-
Goods	-	10,996	-	10,996	10,978	18
Operating costs	<u>4,572</u>	<u>13,676</u>	<u>-</u>	<u>18,248</u>	<u>18,248</u>	<u>-</u>
	<u>4,572</u>	<u>30,445</u>	<u>-</u>	<u>35,017</u>	<u>34,999</u>	<u>18</u>
SALES OF PRODUCTS						
Training, studies and communications	2,258	-	72,089	74,347	74,347	-
Construction	22,270	-	(22,270)	-	-	-
Goods	306,238	362,016	(49,539)	618,715	64,935	553,780
Operating costs	<u>22,390</u>	<u>-</u>	<u>(280)</u>	<u>22,110</u>	<u>22,110</u>	<u>-</u>
	<u>353,156</u>	<u>362,016</u>	<u>-</u>	<u>715,172</u>	<u>161,392</u>	<u>553,780</u>
	<u>1,596,123</u>	<u>5,504,089</u>	<u>-</u>	<u>7,100,212</u>	<u>6,166,123</u>	<u>934,089</u>

CHAPARE REGIONAL DEVELOPMENT PROJECT, ACTIVITIES
MANAGED BY THE BOLIVIAN INSTITUTE OF AGRICULTURE AND CATTLE
TECHNOLOGY/CHAPARE
USAID/BOLIVIA PROJECT No. 511-0543

NOTES TO THE FUND ACCOUNTABILITY STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 1990

NOTE 1 - DESCRIPTION OF THE PROJECT AND NATURE OF OPERATIONS

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

The project is a complementary part of the Government of Bolivia (GOB)'s program to reduce the coca plantings in Bolivia, and includes different activities and sub-projects designed to focus development resources on Bolivia's principal coca growing area, the Chapare region. Due to different causes, the implementation of project activities had to be delayed and the project itself was significantly modified. The amended project concentrates on four principal development areas: 1) agriculture and forestry production; 2) rural industry and marketing; 3) productive and transport infrastructure; and 4) a project investment fund. Each area includes activities of immediate impact and applied research components to support medium and long-term activities. The project assistance completion date currently, is May 31, 1992 and the life-of-project budget as modified in July 1990, expressed in thousands of U.S. dollars includes the following:

	USAID/BOLIVIA		GOVERNMENT OF BOLIVIA		Total
	Grant	Loan	PL480	GOB	
Technical assistance	\$ 12,558				\$ 12,558
Training	2,092	\$ 1,070	\$ 2,523		5,685
Constructions	3,060	1,019	3,246	\$ 1,600	8,925
Commodities	3,780	2,662	240		6,682
Operating costs	3,280	7,258	2,300	1,147	13,985
Evaluations	530	53			583
Other	700	438	22,831		23,969
Contingencies			860		860
	<u>\$ 26,000</u>	<u>\$ 12,500</u>	<u>\$ 32,000</u>	<u>\$ 2,747</u>	<u>\$ 73,247</u>

The objectives of the Bolivian Institute of Agriculture and Cattle Technology/Chapare (Instituto Boliviano de Tecnología Agropecuaria - IBTA/Chapare) are researching and extending the agricultural production technology in Bolivia, and it was selected to carry out the project activities related to agricultural technical assistance to peasant farmers. For these purposes, IBTA/Chapare has two experimental farms located in the middle of Chapare, called "La Jota" and "Chipiriri" that work primarily in agriculture and cattle respectively.

The activities of IBTA/Chapare include the researching of new crops and cattle for the Chapare region. For these purposes IBTA/Chapare acquires genetic agricultural material, principally from Costa Rica, and develops experimental crops to teach the peasant farmers and to demonstrate the advantages of the agricultural diversification and substitution of the coca plantings.

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES

Bolivian Institute of Agriculture and Cattle Technology/Chapare's policy is to prepare the fund accountability statement of the project on the basis of cash receipts and disbursements. Consequently, revenues are recognized when received rather than when earned and expenses are recognized when paid rather than when the obligation is incurred. Therefore, the fund accountability statement does not pretend

to present the financial information in accordance with generally accepted accounting principles.

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

The fund accountability statement includes only the income and expenditures related to the special account, which includes only the funding provided to The Program of Alternative Regional Development (Programa de Desarrollo Alternativo Regional - PDAR) and does not include the direct payments made by USAID/Bolivia and the Government of Bolivia on behalf of the project. Those payments consist principally of technical assistance and equipment and supplies procured directly by USAID/Bolivia and the Government of Bolivia.

NOTE 3 - EXCHANGE RATES

The fund accountability statement is presented in "Bolivianos" the local currency of Bolivia. During 1990 the Bolivian currency devalued against the United States dollar from Bs2.98 per US\$ 1 at January 1, 1990 to Bs3.40 at December 31, 1990.

NOTE 4 - FUNDS BALANCE

The funds balance at December 31, 1990 consist of:

	Amount	
	<u>Bs</u>	<u>US\$</u>
<u>USAID/Bolivia Funds</u>		
Banco Nacional de Bolivia	<u>380,291</u>	<u>115,240</u>
	<u>380,291</u>	<u>115,240</u>
<u>Government of Bolivia</u>		
Banco del Estado	<u>18</u>	<u>6</u>
	<u>18</u>	<u>6</u>
Carried forward	<u>380,309</u>	<u>115,246</u>

	Amount	
	<u>Bs</u>	<u>US\$</u>
Brought forward	<u>380,309</u>	<u>115,246</u>
<u>Other income funds</u>		
Banco del Estado	244,999	83,082
Banco Nacional de Bolivia	<u>308,781</u>	<u>102,232</u>
	<u>553,780</u>	<u>185,314</u>
	<u>934,089</u>	<u>300,560</u>

NOTE 5 - ACCUMULATED FUND ACCOUNTABILITY STATEMENT AS OF
DECEMBER 31, 1990 (UNAUDITED)

The project activities managed by IBTA/Chapare have been supported by equipment remaining from other similar past projects and funded by USAID/Bolivia, the Government of Bolivia, and the gross proceeds from sales of some products. At December 31, 1990 the total accumulated expenditures were as follows:

	<u>USAID/Bolivia</u>	<u>Source of Funding</u>
	<u>US\$</u>	<u>Government of Bolivia and gross proceeds from sales</u>
		<u>US\$</u>
Special account	4,886,292	295,527
Direct account	<u>5,268,653</u>	<u>439,441</u>
	<u>10,154,945</u>	<u>734,968</u>

The accumulated fund accountability statement for the period from the commencement of the activities of the project managed by IBTA/Chapare through December 31, 1990 (expressed in United States dollars), is included for the information of the reader in the following pages. This statement has been prepared on the basis of cash receipts and disbursements. Operations carried out in bolivianos have been translated into U.S. dollars in the following basis:

- a) The special account transactions were carried out entirely in local currency (bolivianos), and have been translated into United States dollars at the exchange rates in use when the remittance of funds was received, using the first in first out basis.

- b) The direct payments made by USAID/Bolivia have been recorded in U.S. dollars when the disbursements were made in that currency. When made in bolivianos, these payments were translated into U.S. dollars at the exchange rate of the day of payment. This direct payments information was supplied by USAID/Bolivia to IBTA/Chapare for information purposes only. IBTA/Chapare does not manage the funds but controls and uses the assets and commodities thus provided.
- c) The operations carried out by the Government of Bolivia through the direct account paid entirely in local currency, have been translated into U.S. dollars at the average exchange rate during each quarter.
- d) The operations carried out with funds obtained from sales of products have been translated into U.S. dollars at the exchange rate at the end of each month.

AUDIT OF THE
CHAPARE REGIONAL DEVELOPMENT PROJECT ACTIVITIES
MANAGED BY THE BOLIVIAN INSTITUTE OF AGRICULTURE AND CATTLE TECHNOLOGY/CHAPARE
USAID/BOLIVIA PROJECT No. 511-0543

ACCUMULATED FUND ACCOUNTABILITY STATEMENT AS OF DECEMBER 31, 1990 (UNAUDITED)

	<u>Budget 1990</u> US\$	<u>Accumulated as of 12-31-89</u> US\$	<u>Actual 1990</u> US\$	<u>Accumulated as of 12-31-90</u> US\$	<u>Excess (deficit) over 1990 budget</u> US\$
RECEIPTS					
<u>Special account</u>					
<u>USAID/Bolivia</u>		3,397,617	1,603,915	5,001,532	
Government of Bolivia and gross proceeds from sales		<u>357,273</u>	<u>123,574</u>	<u>480,847</u>	
		<u>3,754,890</u>	<u>1,727,489</u>	<u>5,482,379</u>	
<u>Direct payments</u>					
<u>USAID/Bolivia</u>		4,687,166	581,487	5,268,653	
Government of Bolivia		<u>439,441</u>	<u>-</u>	<u>439,441</u>	
		<u>5,126,607</u>	<u>581,487</u>	<u>5,708,094</u>	
Total receipts		<u><u>8,881,497</u></u>	<u><u>2,308,976</u></u>	<u><u>11,190,473</u></u>	
EXPENDITURES:					
<u>Special account</u>					
<u>USAID/Bolivia</u>					
Training, studies and communications	538,700	112,146	338,430	450,576	(200,270)
Construction	138,000	80,390	128,440	208,830	(9,560)
Goods	579,000	418,879	125,421	544,300	(453,579)
Operating cost	<u>1,284,000</u>	<u>2,359,169</u>	<u>1,323,417</u>	<u>3,682,586</u>	<u>39,417</u>
	<u>2,539,700</u>	<u>2,970,584</u>	<u>1,915,708</u>	<u>4,886,292</u>	<u>(623,992)</u>
GOVERNMENT OF BOLIVIA - and gross proceeds from sales					
Training, studies and communications	-	6,313	27,828	34,141	27,828
Construction	-	35,611	1,117	36,728	1,117
Goods	-	24,431	27,377	51,808	27,377
Operating costs	<u>160,418</u>	<u>158,860</u>	<u>13,990</u>	<u>172,850</u>	<u>(146,428)</u>
	<u>160,418</u>	<u>225,215</u>	<u>70,312</u>	<u>295,527</u>	<u>(90,106)</u>
Carried forward	<u><u>2,700,118</u></u>	<u><u>3,195,799</u></u>	<u><u>1,986,020</u></u>	<u><u>5,181,819</u></u>	<u><u>(714,098)</u></u>

AUDIT OF THE
CHAPARE REGIONAL DEVELOPMENT PROJECT ACTIVITIES
MANAGED BY THE BOLIVIAN INSTITUTE OF AGRICULTURE AND CATTLE TECHNOLOGY/CHAPARE
USAID/BOLIVIA PROJECT N° 511-0543

ACCUMULATED FUND ACCOUNTABILITY STATEMENT AS OF DECEMBER 31, 1990 (UNAUDITED)

	<u>Budget 1990</u>	<u>Accumulated as of 12-31-89</u>	<u>Actual 1990</u>	<u>Accumulated as of 12-31-90</u>	<u>Excess (deficit) over 1990 budget</u>
	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>
Brought forward	<u>2,700,118</u>	<u>3,195,799</u>	<u>1,986,020</u>	<u>5,181,819</u>	<u>(714,098)</u>
Direct payments:					
USAID/Bolivia					
Technical assistance	-	2,743,572	353,395	3,096,967	353,395
Training, studies and communication	-	261,252	128,149	389,401	128,149
Constructions	-	392,963	-	392,963	-
Goods	-	1,150,995	59,627	1,210,622	59,627
Operating costs	-	79,119	40,316	119,435	40,316
Evaluation and audits	-	59,265	-	59,265	-
	<u>-</u>	<u>4,687,166</u>	<u>581,487</u>	<u>5,268,653</u>	<u>581,487</u>
Government of Bolivia					
Goods	-	195,284	-	195,284	-
Operating costs	-	244,157	-	244,157	-
	<u>-</u>	<u>439,441</u>	<u>-</u>	<u>439,441</u>	<u>-</u>
	<u>-</u>	<u>5,126,607</u>	<u>581,487</u>	<u>5,708,094</u>	<u>-</u>
Total expenditure	<u>2,700,118</u>	<u>8,322,406</u>	<u>2,567,507</u>	<u>10,889,913</u>	<u>132,611</u>
Total receipts	-	8,881,497	2,308,976	11,190,473	-
Total expenditures	-	<u>8,322,406</u>	<u>2,567,507</u>	<u>10,889,913</u>	<u>-</u>
Cash on hand	-	<u>559,091</u>	<u>(258,531)</u>	<u>300,560</u>	<u>-</u>

Moreno Muñoz



CHAPARE REGIONAL DEVELOPMENT PROJECT ACTIVITIES
MANAGED BY THE BOLIVIAN INSTITUTE OF AGRICULTURE AND CATTLE
TECHNOLOGY/CHAPARE
USAID/BOLIVIA PROJECT No. 511-0543
FOR THE YEAR ENDED DECEMBER 31, 1990

INTERNAL CONTROL STRUCTURE

INDEPENDENT AUDITOR'S REPORT

We have audited the fund accountability statement of the activities of the Chapare Regional Development Project USAID/Bolivia Project No. 511-0543, managed by the Bolivian Institute of Agriculture and Cattle Technology/Chapare (Instituto Boliviano de Tecnología Agropecuaria - IBTA/Chapare) for the year ended December 31, 1990 and have issued our report thereon dated February 15, 1991.

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

In planning and performing our audit of the fund accountability statement of the activities of the Chapare Regional Development Project managed by the Bolivian Institute of Agriculture and Cattle Technology/Chapare for the year ended December 31, 1990, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the fund accountability statement and not to provide assurance on the internal control structure of IBTA/Chapare taken as a whole.

The management of the Bolivian Institute of Agriculture and Cattle Technology/Chapare is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assets the

expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the proper preparation of the fund accountability statement. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

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

- cash receipts and disbursements,
- budgeting controls,
- bank accounts and funds controls,
- inventories management,
- procurement system, and
- sub-projects monitoring

For all of 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. The reportable conditions noted are included in the following pages as findings Nos. 1 through 6.



A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the fund accountability statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

This report is intended solely for the information of the management of the Bolivian Institute of Agriculture and Cattle Technology/Chapare and the United States Agency for International Development. This restriction is not intended to limit the distribution of this report which, upon acceptance by the Office of the Inspector General, is a matter of public record.

February 15, 1991

Eric Waterhouse



Moreno Muñoz



CHAPARE REGIONAL DEVELOPMENT PROJECT ACTIVITIES
MANAGED BY THE BOLIVIAN INSTITUTE OF AGRICULTURE AND CATTLE
TECHNOLOGY/CHAPARE
USAID/BOLIVIA PROJECT No. 511-0543
FOR THE YEAR ENDED DECEMBER 31, 1990

REPORT ON INTERNAL CONTROL STRUCTURE

FINDINGS

1. Lack of evidence of Technical Assistance to the
Beneficiaries of Loans From PL-480

Condition:

IBTA does not have information on the technical assistance given to the beneficiaries of loans from PL-480. As a result of our interviews of the farmers who received loans, 23% stated they had received no technical assistance and 33% stated they had only received complementary assistance through courses and brochures but had not received direct assistance in the field.

Criteria:

In accordance with the strategies and policies established in the credit program, IBTA should permanently provide and coordinate the technical assistance and training to the beneficiaries of the PL-430 loan program.

Cause:

The lack of procedures and information systems to control the execution of the technical assistance and monitor its effectiveness.

Effect:

There is no evidence of the technical assistance given to the beneficiaries of the loan program, nor control over

its effectiveness, and there is confusion as to what technical assistance in the field consists of. Apparently IBTA/Chapare consider courses and brochures to be direct assistance in the field whereas the project strategy paper indicates that field technical assistance should be given directly on the land of the loan beneficiary.

Recommendation:

IBTA should implement controls and information systems to ensure that the technical assistance is provided in accordance with the procedures established in the strategy paper.

2. Incorrect Certification of Suitability of Land

Condition:

IBTA/Chapare has certified to the financing organization that a certain area is suitable for a specific crop. In certain cases when the crop was planted it was found that the area was unsuitable. Examples are:

No. of loan

Borrower

02-040
02-197

Aguilar Siles Mario
Rodriguez Mendoza Luis

Criteria:

A report describing the findings, should be prepared of the evaluation to support the recommendation made.

Cause:

IBTA/Chapare has given certificates without taking the proper measures to ensure that the recommendation made is based on proper evaluations. Furthermore there is no evidence that these evaluations have been adequately documented.



Effect:

The financing organization has to take measures with the farmers to modify the investment plans, and loan agreement terms. This increases the possibility of losses of project resources through bad debts and disillusionment of the farmers with the alternative development project.

Recommendation:

IBTA/Chapare should establish procedures to ensure that recommendations that certify whether certain areas are suitable for certain crops are properly supported. IBTA/Chapare should also determine whether it is technically feasible to accept the responsibility of certifying crops when the success of the projects depend on many factors such as following the instructions for caring for the plants, use of pesticides and fertilizers, etc.

3. Lack of Planning and Control Over Credit Sales

Condition:

IBTA/Chapare did not properly plan or control the institutional credit program carried out through the delivery of plants to farmers. These plants must be paid for either in-kind (return of plants) or in cash (payable in periods of up to 18 months after the delivery of the plants). During our review we detected the following weaknesses.

- i) Agricultural credits were granted to farmers who had not reduced coca plantations.

Examples:

<u>Name</u>	<u>Amount</u>	
	<u>US\$</u>	<u>Equivalent in local currency Bs</u>
Leandro Villa Enriquez	1,813	6,163
Adrián Baltazar Choque	<u>900</u>	<u>3,060</u>
Carried forward	2,713	9,223



<u>Name</u>	<u>Amount</u>	
	<u>US\$</u>	<u>Equivalent in local currency Bs</u>
Brought forward	2,713	9,223
Juan Gastón Coca Solíz	924	3,142
Felipe Agreda González	900	3,060
Isaac Aro Pérez	939	3,193
Germán Portanda Chávez	<u>950</u>	<u>3,230</u>
	<u>6,426</u>	<u>21,848</u>

IBTA/Chapare is not formally restricted to assisting only those farmers who have reduced coca plantations. Consequently the payments are not considered to questionable costs.

- ii) No studies were carried out to determine whether or not the plants sold are suitable for the area in which the farmer plans to plant the plants. Therefore there was no analysis of the profitability of the projects nor its capacity to repay the credit.
- iii) There is no accounting control over the credits given and therefore the recovery of the credits depends on the good faith of the farmers and informal notes kept by the employees of IBTA/Chapare.
- iv) There is no formal control over the number of plants delivered and those committed but not delivered. The employees in the field have informal notes of this information but IBTA/Chapare in Cochabamba only has details of the total number of plants committed.
- v) There is no quality control over the plants delivered to ensure that the plants are in good condition when delivered. This leads to arguments with the farmers and the possibility that the farmers may refuse to pay.



- vi) There is no permanent supervision of the farmers by technicians, which could result in the farmers incurring losses.

Criteria:

The institutional credit program should be planned and controlled so that deliveries of plants are made to farmers who will benefit from the program, and the quality of the plants is controlled, so that the farmer has the capacity to repay the credit from the profits earned. Proper accounting records of the operations invest be maintained.

Cause:

The project was approved and implemented before the structures were in place to ensure the success of the program and to control the granting of credit.

Effect:

Because of plant failures, due to poor quality plants being delivered, lack of supervision and plants being planted in unsuitable areas, the farmers may become disillusioned with the alternative development program. Also the lack of control may lead to losses.

Recommendation:

IBTA should review the institutional credit program taking into account the lessons learned, and procedures put in place to properly implement the strategies established. IBTA/Chapare must also have records and information to enable proper control to be exercised over the program. Furthermore if the overall objective of the program is to reduce coca plants the farmers who reduce their coca plants should be favored.

4. IBTA/Chapare is Production Driven Rather the Market Driven

Condition:

IBTA/Chapare's mandate is to determine the crops which are best suited for a specific area, based on technical



considerations. This has resulted in crops being planted for which there is little or no market.

Criteria:

The program should be market driven rather than product driven. Studies should be carried out to determine what crops are most likely to have a good market. IBTA should be asked to determine if there are areas where these crops can be profitably grown.

Cause:

IBTA/Chapare is a technical organization and has been asked to determine what crops can be produced. There has been a lack of coordination to determine whether these crops can be sold.

Effect:

The lack of profitable markets will inevitably lead to the farmers becoming disillusioned with the program and abandoning alternative development.

Recommendations:

Procedures should be developed so that proper coordination occurs between the entities carrying out the project in order to ensure that it is probable that the crops recommended and promoted can be profitably sold.

5. Non Compliance With Operating Plan

Condition:

As result of visits to a number of investigation and production sub-projects, 5 cases were noted in which the sub-projects had not advanced in accordance with the operating plan. These were.

<u>Code</u>	<u>Sub-project</u>	<u>Projected advance per operating plan</u>	<u>Actual advance December, 1990</u>
15-109-19	Garden for the production of pepper plants	Plant 1.5 hectares of pepper	Only the supports had been planted. No pepper had been planted



<u>Code</u>	<u>Sub-project</u>	<u>Projected advance per operating plan</u>	<u>Actual advance December, 1990</u>
03-009-01	Multiplication of sweet potatoe genetic material	Plant 0.5 hectare	0.25 Hectare planted
01-400-01	Investigation to adapt different plants to local areas	Plant 1.0 hectare	Not carried out
02-115-06	Experiments with rubber plant clones	Plant 0.5 hectare in each of three areas	Planted 0.5 hectare in one area
04-101-12	Fight parasites in citric plantations	Select 260 plants	Selected 6 plants

Criteria:

Detailed explanations in writing should be prepared for all failures to comply with the operating plan.

Cause:

Based on conversations with IBTA/Chapare employees the operating plan would appear not to have been realistically prepared, because the resources were not available to do all the projected work. Furthermore there were delays in approving the Plan which because of the agricultural cycle, made it impossible to carry out the work as originally planned.

Effect:

Delays in the compliance with the alternative development project.



Recommendation:

IBTA/Chapare should implement procedures to properly follow-up the operating plan to avoid delays and to determine the reasons for those delays that do occur. Also plans should be prepared on a realistic basis and approval procedures should be timely to enable the plan to be carried out.

6. Lack of Control over Use of Stationery for Project Purposes

Condition:

At the beginning of the year each employee received a stock of stationery (pencils, paper, erasers, etc.) which was sufficient to last the whole year. There is no evidence or control that this material was used for project purposes.

Criteria:

The delivery of stationery to employees should be made in accordance with their immediate necessities and not in large quantities based on estimated requirements over a long period.

Cause:

There was no adequate deposit in which to store and control the material received.

Effect:

The use of the material was left to the criteria of each employee and there was no evidence of the use of the material in the project.

Recommendation:

IBTA/Chapare should implement procedures whereby the material is delivered on the basis of real need. This should be done through the installation of a store in which the stock is stored and controlled.



Moreno Muñoz



CHAPARE REGIONAL DEVELOPMENT PROJECT ACTIVITIES
MANAGED BY THE BOLIVIAN INSTITUTE OF AGRICULTURE AND CATTLE
TECHNOLOGY/CHAPARE

USAID/BOLIVIA PROJECT No. 511-0543
FOR THE YEAR ENDED DECEMBER 31, 1990

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

INDEPENDENT AUDITOR'S REPORT

We have audited the fund accountability statement of the activities of the Chapare Regional Development Project USAID/Bolivia Project No. 511-0543, managed by the Bolivian Institute of Agriculture and Cattle Technology/ Chapare (Instituto Boliviano de Tecnología Agropecuaria-IBTA/Chapare) for the year ended December 31, 1990 and have issued our report thereon dated February 15, 1991.

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

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

Material instances of noncompliance are failures to follow requirements, or violations of prohibitions, contained in statutes, regulations, contracts, or grants that cause us

to conclude that the aggregation of the misstatements resulting from those failures or violations is material to the financial statements. The results of our tests of compliance disclosed the following material instances of noncompliance, the effects of which have been corrected in Bolivian Institute of Agriculture and Cattle Technology/Chapare 1990 fund accountability statement.

As described in the following pages the Bolivian Institute of Agriculture and Cattle Technology/Chapare did not comply with the legal requirement to withhold the transaction tax on payments for services to individuals, and obtain written permission not to identify and mark the vehicles acquired with A.I.D. funding, because of security considerations.

We considered these material instances of noncompliance in forming our opinion on whether the Bolivian Institute of Agriculture and Cattle Technology/Chapare's 1990 fund accountability financial statement is presented fairly, in all material respects, in conformity with generally accepted accounting principles, and this report does not affect our report dated February 15, 1991 on this fund accountability statement.

Except for the noncompliances mentioned in the fifth paragraph, the results of our tests of compliance indicate that, with respect to items tested, the Bolivian Institute of Agriculture and Cattle Technology/Chapare complied in all material respects with the terms and provisions referred to in the third paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the IBTA/Chapare had not complied, in all material respects, with those terms and provisions.

This report is intended solely for the information of the management of the Bolivian Institute of Agriculture and Cattle Technology/Chapare and the U.S. Agency for International Development. This restriction is not intended to limit the distribution of this report which, upon acceptance by the Office of the Inspector General, is a matter of public record.

February 15, 1991

P. Waterhouse



Moreno Muñoz



AUDIT OF THE
CHAPARE REGIONAL DEVELOPMENT PROJECT ACTIVITIES
MANAGED BY THE BOLIVIAN INSTITUTE OF AGRICULTURE AND CATTLE
TECHNOLOGY/CHAPARE
USAID/BOLIVIA PROJECT No. 511-0543
FOR THE YEAR ENDED DECEMBER 31, 1990

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

FINDINGS

1 Transaction Tax not Retained From Payments for Services
to Individuals

Condition:

Cases were noted where IBTA/Chapare did not retain transaction tax from payment to casual employees.

Examples:

<u>Date</u>	<u>Voucher</u>	<u>Description</u>	<u>Amount</u> <u>Bs</u>
04-30-90	13/90	Payment for labor - Various farmers	26,175
05-31-90	17/90	Payment for labor - Various farmers	14,418
06-22-90	29/90	Payment for labor - Various farmers	46,960

Criteria:

IBTA/Chapare should comply with the tax laws which require that payments to casual workers are subject to both complementary value added tax, (10%) and transaction tax (2%). The organization only withheld complementary value added tax.

Cause:

We were informed by IBTA/Chapare employees that the withholding was not made because such a withholding would be an additional reduction to the laborers' already low incomes.

Effect:

IBTA/Chapare did not comply with the tax laws, which could result in tax liabilities for the organization.

Recommendation:

IBTA/Chapare should withhold the tax in accordance the tax law.



Moreno Muñoz



CHAPARE REGIONAL DEVELOPMENT PROJECT ACTIVITIES
MANAGED BY THE BOLIVIAN INSTITUTE OF AGRICULTURE AND CATTLE
TECHNOLOGY/CHAPARE
USAID/BOLIVIA PROJECT No. 511-0543
FOR THE YEAR ENDED DECEMBER 31, 1990

LIST OF REPORT RECOMMENDATIONS

INTERNAL CONTROL STRUCTURE:

Recommendation 1:

IBTA should implement controls and information systems to ensure that the technical assistance is provided in accordance with the procedures established in the strategy paper.

Recommendation 2:

IBTA/Chapare should establish procedures to ensure that recommendations that certify whether certain areas are suitable for certain crops are properly supported. IBTA/Chapare should also determine whether it is technically feasible to accept the responsibility of certifying crops when the success of the projects depend on many factors such as following the instructions for caring for the plants, use of pesticides and fertilizers, etc.

Recommendation 3:

IBTA should review the institutional credit program taking into account the lessons learned, and procedures put in place to properly implement the strategies established. IBTA/Chapare must also have records and information to enable proper control to be exercised over

the program. Furthermore if the overall objective of the program is to reduce coca plants the farmers who reduce their coca plants should be favored.

Recommendation 4:

Procedures should be developed so that proper coordination occurs between the entities carrying out the project in order to ensure that it is probable that the crops recommended and promoted can be profitably sold.

Recommendation 5:

IBTA/Chapare should implement procedures to properly follow-up the operating plan to avoid delays and to determine the reasons for those delays that do occur. Also plans should be prepared on a realistic basis and approval procedures should be timely to enable the plan to be carried out.

Recommendation 6:

IBTA/Chapare should implement procedures whereby the material is delivered on the basis of real need. This should be done through the installation of a store in which the stock is stored and controlled.

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

Recommendation 1:

IBTA/Chapare should withhold the tax in accordance the tax law.



Moreno Muñoz



APPENDIX I

CHAPARE REGIONAL DEVELOPMENT PROJECT ACTIVITIES
MANAGED BY THE BOLIVIAN INSTITUTE OF AGRICULTURE AND CATTLE
TECHNOLOGY/CHAPARE
USAID/BOLIVIA PROJECT No. 511-0543
FOR THE YEAR ENDED DECEMBER 31, 1990

FOLLOW-UP OF PREVIOUS YEAR RECOMMENDATIONS

We were engaged to perform a financial audit of the fund accountability statement of the Chapare Regional Development Project, activities managed by the Bolivian Institute of Agricultural and Cattle Technology/Chapare (IBTA/Chapare), for the year ended December 31, 1990. The scope of our work included a follow-up our the recommendations to improve the Internal Control Structure and Compliance with Agreement Terms, Project Implementation Letters and Applicable Laws and Regulations presented by us in our report dated November 30, 1990 on the project, covering the period January 1, 1989, through December 31, 1989 and to review what actions were subsequently taken by IBTA/Chapare and/or USAID/Bolivia to provide adequate documentation and settle the questionable costs of Bs67.012 identified in such audit report.

The following is a summary of our follow-up work:

A. Recommendations to Improve Internal Control Structure

Our previous year recommendations highlighted the following:

1 Defective Controls over Sub-Projects

Previous recommendation

In order to provide management with useful and timely information for analysis and decision making purposes, IBTA/Chapare should:

- a) always conduct quarterly evaluations of the sub-projects under its responsibility and prepare quarterly progress reports on time;
- b) prepare yearly budgets for each sub-project under its responsibility. These budgets must be based on adequate standards and the related expenditures have to be inherent to each sub-project; and
- c) reorganize and update the subsidiary records for all the sub-projects under its responsibility and maintain those records always updated. The subsidiary records should include the following information:
 - * General information:
 - Program
 - Code
 - Component
 - Responsible(s) person(s)
 - Location(s) of execution
 - Initiation date
 - Conclusion date
 - Description
 - Objectives
 - Goals
 - Observations
 - * Summary of results and conclusions
 - Summary of results
 - Conclusions
 - Observations
 - * Cost sheet
 - No. of document
 - Date
 - Descriptions
 - Cost incurred in labour in US\$
 - Cost incurred in materials in US\$
 - Cost incurred in equipment and tools in US\$
 - Total accumulated cost in US\$



2 Losses in Vegetable Supplies

Previous Recommendation

IBTA/Chapare should restate the basis for the preparation of operating plans for the acquisition of vegetable supplies; taking in consideration the actual situation of the project and the results of the experiments.

Additionally, IBTA/Chapare should study a convenient way to dispose of the vegetable supplies on hand, in order to avoid contributing to losses and to ensure successful projects in the future.

3 Inadequate Control, Records and Safeguard of Fixed Assets

Previous Recommendation

IBTA/Chapare should implement standards and procedures in order to keep adequate records to control and property classify the IBTA/Chapare and project's fixed assets.

4 Inadequate Recording of Supporting Documents of the Livestock on Hand and the Operation of Cattle Raising Sub-projects

Previous Recommendation

IBTA/Chapare should implement an adequate system of control and recording of the livestock on hand and including controls of the movement breed and growth of the hogs.

5 Inadequate Procedures and Control of Inventories on Hand

Previous Recommendation

IBTA/Chapare should implement the procedures established by the APP Handbook for the operation and administration of its inventories.



6 Lack of Procedures Manuals

Previous Recommendation

IBTA/Chapare should design and implement Administrative Procedures, Internal Regulations, and Functions Manuals.

7 Deficiencies in the Accounting Documentation of Purchases:

Previous Recommendation

IBTA/Chapare should constantly supervise and review supporting documentation to ensure that the required authorizing and verifying requirements are met to ensure the validity and propriety of the documents.

8 Counterpart Contributions to the Project Were Reduced

Previous Recommendation

IBTA/Chapare should clearly define this situation with USAID/Bolivia and should obtain compensation from the counterpart if required.

Implementation Status of Previous Recommendations:

- 1 The recommendation has been accepted and implementation begun. However it is not possible to obtain the information from previous years, so the implementation will be only with respect of new projects.
- 2 Solved by implementing the institution credit program, however this has given rise to other problems (see finding N° 3 from the Internal Control Structure of this report).
- 3 Solved except for b) because the information received from USAID/Bolivia was incomplete and f) because the information required could not be obtained from the Regional IBTA, however IBTA/Chapare has assigned values to these assets.
- 4 Control exists over pigs but at the date of our visit little control exists over cattle.



- 5 Solved, the procedures included in the Administration of the Projects' Property Handbook were implemented.
- 6 At the date of our report no progress had been made in the implementation of administrative procedures, Internal Regulation and Function Manuals.
- 7 During the early months of 1990 cases were detected, but after the recommendations were made measures were taken which solved this problem.
- 8 No progress has been made. It is considered unlikely that this situation can be resolved.

B. Recommendations to Comply with Agreement Terms, Project, Implementation Letters, and Applicable Laws and Regulations

Our previous year recommendations highlighted the following:

- 1 Failure to Comply with Legal Requirements to Register Personnel in the State Social Security System

Previous Recommendation

IBTA/Chapare should study the requirements of the Bolivian Social Security System and design and implement procedures to ensure that its operations are in compliance with the Bolivian Laws in this area.

- 2 Lack of Marking of Goods

Previous Recommendation

IBTA/Chapare should:

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



Implementation Status of Previous Recommendations:

- 1 From January 1991 the institution is complying with the Bolivian Social Security System.
- 2 The recommendation has not been completely implemented because the vehicles are unmarked for security reasons IBTA/Chapare has not obtained specific exemption to support this noncompliance.

C. Disposition of Questionable Costs for Bs67,012 Identified in our Previous Year Report

Questionable costs were classified in the following categories, by funding source:

	<u>Bs</u>
USAID/Bolivia - special account	49,454
Government of Bolivia - special account	10,707
Sales of productos - own income	<u>6,851</u>
	<u>67,012</u>

The above costs were questioned because IBTA/Chapare has carried out purchases without quotations (Bs53,213) has paid unbudgetted costs (Bs12,995) and has carried out purchases not allocable to the project (Bs804).

The Bs804 corresponding to purchases not allocable to the project, has been recovered. IBTA/Chapare has forwarded to USAID/Bolivia the documentation and explications for the other expenses USAID/Bolivia is awaiting direction from RIG/AT to determine whether these explications are acceptable and if not what action to take.





MINISTERIO DE AA. CC. Y AGROPECUARIOS
INSTITUTO BOLIVIANO DE TECNOLOGIA AGROPECUARIA
PROYECTO IBTA/CHAPARE

Oficina Cochabamba: Edificio Los Tiempos 5º Piso
Teléfono 21543 - Apartado Postal 4067

APPENDIX II

Cochabamba, 9 de julio de 1991
IBTA/CH154/91

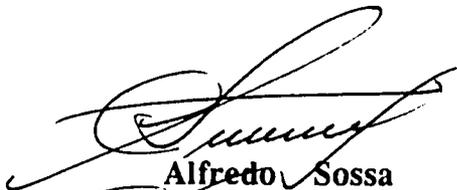
Señor
JOHN DAVIDSON
Contralor
USAID/Bolivia
La Paz

Señor Davidson:

Adjunto a la presente tengo a bien remitirle nota aclaratoria referente a las observaciones efectuadas por la Consultora Morena Muñoz al Proyecto IBTA/Chapare.

Sin otro particular, me es grato saludarle con las consideraciones mas distinguidas.

Atentamente,.


Alfredo Sossa
Jefe Administrativo Proyecto IBTA/Chapare

ASF/rz
cc. H. Rios
O. Perez
E. Ballivian



MINISTERIO DE AA. CC. Y AGROPECUARIOS
INSTITUTO BOLIVIANO DE TECNOLOGIA AGROPECUARIA
PROYECTO IBTA/CHAPARE

Oficina Cochabamba: Edificio Los Tiempos 5º Piso
Teléfono 21543 - Apartado Postal 4067

FUNDAMENTACIONES SOBRE LA ESTRUCTURA INTERNA DE CONTROL

RESULTADOS

1. Falta de Asistencia Técnica de los Beneficiarios del Proyecto.

R 1. El IBTA/Chapare cuenta con información sobre la asistencia técnica proporcionada. Esta situación puede ser fácilmente verificada en la oficina de contabilidad, donde se encuentran los formularios de visitas llenados por los agentes de extensión, los mismos que dan detalles respecto al nombre del productor, su localización, las actividades cumplidas, tiempo de permanencia del técnico, la nómina de asistencia etc.

A la fecha, la oficina de planificación viene estudiando un sistema para el seguimiento respectivo y el control de efectividad.

2. Certificación incorrecta de que la tierra fuera apropiada

R.2. Resalta el hecho de que el Proyecto IBTA/Chapare ha facilitado a la institución financiadora (PL-480) un cuadro de alternativas más viables por subregión, lo cual no implicaba una recomendación específica por Chaco. Sin embargo en cualquier caso es prudente reconocer que el éxito de un cultivo no se define únicamente por la calidad de los suelos, sino también por factores esencialmente de manejo, aspecto que escapó por completo a las funciones encomendadas al Proyecto, puesto que los agentes de extensión se encontraban obligados solo a emitir certificaciones técnicas y no a prestar asistencia técnica permanente.



MINISTERIO DE AA. CC. Y AGROPECUARIOS
INSTITUTO BOLIVIANO DE TECNOLOGIA AGROPECUARIA
PROYECTO IBTA/CHAPARE

Oficina Cochabamba: Edificio Los Tiempos 5º Piso
Teléfono 21543 - Apartado Postal 4067

3. Falta de Planificación y Control sobre Ventas a Crédito
- R.3. La magnitud de la demanda de servicios y material genético se da en una relación inversamente proporcional al precio de la coca, lo cual ha provocado un estocamiento del material genético ofertado por el Proyecto y por el peligro de perder el material se tramitó el crédito institucional ante autoridades superiores, el mismo que fué debidamente autorizado

Entonces como se podrá observar, el crédito institucional nació básicamente como una emergencia, dado que no se podía pronosticar la fuerte y sostenida alza del precio de la coca; además la situación anteriormente señalada, no dio opción de elegir productores que hubiesen reducido coca, por que un condicionamiento de esta naturaleza contradecía con la filosofía del Proyecto para llegar con sus servicios a un mayor número de productores, a parte de mantener el peligro de pérdida del material.

4. Falta de Estudios de Mercado para Cultivos Recomendados
- R.4. Al Proyecto IBTA/Chapare, se le reconocen solo funciones ligadas a la investigación, producción y transferencia de tecnología, en base a lo que ha desarrollado una estructura institucional, la cual en consecuencia obvia una repartición encargada de los estudios de mercado, que bien se sabe podría ser estratégica para definir y promocionar los rubros con mayores ventajas comparativas para el mejoramiento de los ingresos del productor.
- Por otra parte es necesario dejar debidamente establecido que esta institución por su naturaleza no es la llamada a coordinar todos los aspectos del Desarrollo Alternativo.



MINISTERIO DE AA. CC. Y AGROPECUARIOS
INSTITUTO BOLIVIANO DE TECNOLOGIA AGROPECUARIA
PROYECTO IBTA/CHAPARE

Oficina Cochabamba: Edificio Los Tiempos 5º Piso
Teléfono 21543 - Apartado Postal 4067

5. Incumplimiento con el Plan Operativo

De acuerdo con el Informe Anual de 1990 de la Estación Experimental La Jota de acuerdo a la observación de Moreno Muñoz se notaron 3 casos generales que son:

15-109-19 Introducción de cultivares de la pimienta y formación de huertos modelo

Informe : Subproyecto iniciado en 1988 con una superficie de 4.000 m² donde se encuentran establecidos el ensayo, habiéndose realizado la plantación de pimientos con la variedad Balancotta y a la vez haber utilizado dos tipos diferentes de tutor vivo , se utilizaron estacas en 2 mts. de altura de Erythrina s.p. y en el tutor muerto , cuatrones de madera dura como el urupi de 2.5 mts. de altura y de 4" x 4 pulg. de grosor. A consecuencia tardía entre del material de parte de los aserraderos el subproyecto será objeto de ligeras modificaciones y reformulaciones durante la gestión de 1991.

03-009-01 Multiplicación básica de material genético de camote (Ipomea batata) introducido de Costa Rica.

Informe Meta cumplida

01-400-01 Experimentos de Investigación adaptativa a niveles microregionales de diferentes especies y/o variedades (miscelaneos)



MINISTERIO DE AA. CC. Y AGROPECUARIOS
INSTITUTO BOLIVIANO DE TECNOLOGIA AGROPECUARIA
PROYECTO IBTA/CHAPARE

Oficina Cochabamba: Edificio Los Tiempos 5º Piso
Teléfono 21543 - Apartado Postal 4067

Respuesta, estos ensayos se refieren al ramio, yute y kenaf que fueron implantados en las localidades de Gualberto Villarroel, La Jota, Bulo-Bulo en suelos de buena, media y baja fertilidad respectivamente (inceptisoles y alfisoles).

Con los rizomas de Bulo-Bulo se sembró un ensayo en la Estación Experimental La Jota (Subregión III) en fecha 10-08-90, en una superficie de 430 m² a dos densidades (16.666 y 19.231 pl./ha); yute se implantó el 4-08-90, 12 variedades en una superficie de 201.6 m² y por último 3 variedades de kenaf y una rosella el 14-08-90 en una superficie de 136.5 m.

En la localidad de Gualberto Villarroel (Subregión I), también se implantó un ensayo de ramio con rizomas provenientes de Bulo-Bulo en fecha 3-08-90 en una superficie de 300 m² también a dos densidades (16.666 y 19.231 pl./ha).

En el ensayo de kenaf, se efectuó la primera cosecha de algunas cápsulas para semilla el 26-II-90 de la variedad EG-5238, se obtuvo aproximadamente 50 gr. En el ensayo de yute se efectuó dos primeras cosechas de semilla el 26-II-90 y 6-12-90 de 7 variedades, se obtuvo 29 gr. aproximadamente de cada variedad, las demás evaluaciones de las variedades restantes en las dos especies se estima efectuar en los meses de enero-marzo de 1991.



MINISTERIO DE AA. CC. Y AGROPECUARIOS
INSTITUTO BOLIVIANO DE TECNOLOGIA AGROPECUARIA
PROYECTO IBTA/CHAPARE

Oficina Cochabamba: Edificio Los Tiempos 5º Piso
Teléfono 21543 - Apartado Postal 4067

Para obtener los datos preliminares en rendimiento de fibra tanto de ramio como en yute y kenaf, es necesario disponer de una descortezadora (Periquito); pese a que se efectuó las solicitudes correspondientes a las autoridades ejecutivas, aún si ha sido posible su compra.

02-1115-06 Comportamiento de clones de goma seleccionados en 3 localidades.

Informe : Meta cumplida

04-10¹-12 Combate de plantas parasitarias (Loranthaceas en plantaciones de cítricos en cuatro localidades.

Informe : Combate de plantas parásitas (loranthacea) en plantaciones de cítricos en 4 localidades.

Se inició un ensayo preliminar sobre control de plantas parásitas en plantas de huertos de los agricultores. En base a la observación visual, se ha determinado una escala de evaluación relativa para poder contar con un elemento de juicio sobre el daño que se observa en las plantas parásitas como efecto de los productos químicos utilizados. Los herbicidas probados y las dosis son Gesapax 3.5 lt/ha, Gesatop 5 lt/ha, Gesaprin 4.5 lt/ha, fusilade 2.5 lt/ha, karmex 3 kg/ha, Round-up 4 lt/ha, Hybar 4 kg/ha, Propanim 10 lt/ha, Tordon 3 Lt/ha y Goal 4.5 lt/ha.



MINISTERIO DE AA. CC. Y AGROPECUARIOS
INSTITUTO BOLIVIANO DE TECNOLOGIA AGROPECUARIA
PROYECTO IBTA/CHAPARE

Oficina Cochabamba: Edificio Los Tiempos 5º Piso
Teléfono 21543 - Apartado Postal 4067

Por las primeras observaciones realizadas, podemos indicar que los productos químicos karmex, Hybar y Tordon, lograron controlar las plantas parásitas, causando la muerte de estas y no así con los demás herbicidas usados. Este trabajo continua en evaluación.

6. Falta de control sobre el uso de papelería para los propósitos del Proyecto.
- R.6. A principio de cada año cada empleado recibió un stock de suministro de papelería (lápiz, papel, borradores, etc.) por la falta de almacenar en las nuevas oficinas del Edificio Los Tiempos esta observación fué efectuada a principio de 1990 la cual fué corregida inmediatamente para tal efecto se implantó procedimientos de control de materiales a través del almacén de papelería, según requerimiento efectuado por los empleados.

CUMPLIMIENTO CON LAS TECNICAS DEL CONVENIO DE IMPLEMENTACION, LEY APLICABLE Y REGULACIONES-HALLAZGO

1. Impuesto a las transacciones no retenido a individuos por pagos sobre servicios.
- R.1. Se realizó esta observación por parte de la de la auditoría en el mes de abril se efectuaron la deducción del 10% de IVA no efectuando el 1% sobre transacciones a partir de abril 1990, esta irregularidad fué corregida a la fecha no existe observación alguna.



MINISTERIO DE AA. CC. Y AGROPECUARIOS
INSTITUTO BOLIVIANO DE TECNOLOGIA AGROPECUARIA
PROYECTO IBTA/CHAPARE

Oficina Cochabamba: Edificio Los Tiempos 5º Piso
Teléfono 21543 - Apartado Postal 4067

De acuerdo al incremento efectuado por el gobierno al 2% sobre las transacciones a partir de esta nueva disposición el Proyecto corrigió su irregularidad.



MINISTERIO DE AA. CC. Y AGROPECUARIOS
INSTITUTO BOLIVIANO DE TECNOLOGIA AGROPECUARIA
PROYECTO IBTA/CHAPARE

Oficina Cochabamba: Edificio Los Tiempos 5º Piso
Teléfono 21543 - Apartado Postal 4067

RESPUESTA A LA IMPLEMENTACION DE LAS RECOMENDACIONES

ANTERIORES

1. Por recomendaciones ha sido aceptado y empezó su implementación, sin embargo la falta de información financiera debido a las diferentes inflaciones que se han efectuado en el país no se posibilita esta información.
2. La implementación del programa de crédito agrícola institucional resolvió el estocamiento del material genético, asimismo se implementó un control de crédito contable financiero.
3. Sin embargo en IBTA/Chapare para facilitar su trabajo financiero y control administrativo contable inventarió sus activos fijos y revalorizó internamente los mismos.
4. A la fecha se tiene un 95% de avance en la implementación de controles de formularios de registro en la parte pecuaria.
6. A la fecha se tiene un avance de procedimientos administrativos regulaciones internas y manuales, con la asistencia de un asesor administrativo, asistido por Experience Inc.
- B. Recomendaciones para el cumplimiento de los términos del convenio, cartas de implementación.

La omisión en el cumplimiento con los requerimientos legales para registrar al personal en el sistema estatal de la seguridad social.



MINISTERIO DE AA. CC. Y AGROPECUARIOS
INSTITUTO BOLIVIANO DE TECNOLOGIA AGROPECUARIA
PROYECTO IBTA/CHAPARE

Oficina Cochabamba: Edificio Los Tiempos 5º Piso
Teléfono 21543 - Apartado Postal 4067

El IBTA en coordinación con el PDAR y la Subsecretaria de Desarrollo Alternativo en la gestión de 1991 ha implantado la seguridad social a los empleados del IBTA en un seguro delegado del sistema de seguridad social que es el Seguro Social Universitario.

2. Falta de marcado de bienes

El IBTA a partir del inventario de sus activos fijos ha demarcado con códigos de propiedad y asimismo ha demarcado con emblemas de USAID/B. a los activos adquiridos con fondos de AID, mas no los activos adquiridos por el Estado, este material para la demarcación del emblema de AID fué facilitado por el señor John Davison.

C. Disposición de costos cuestionables por Bs. 67.012 identificados por nuestro informe del año anterior.

Estos costos cuestionables de Bs. 67.012 el Proyecto IBTA/Chapare presentó descargo ante USAID/B. para levantar los cargos, los mismos que fueron puestos a consideración de Tegucigalpa AID por parte de USAID.B a la fecha de IBTA/CH no conoce respuesta alguna.

APPENDIX

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