

PD-ABD-277

Ln 73807

**AUDIT OF USAID/BOLIVIA'S  
CHAPARE REGIONAL DEVELOPMENT PROJECT  
ACTIVITIES MANAGED BY THE SUBSECRETARIAT  
FOR ALTERNATIVE DEVELOPMENT AND COCA  
CROP SUBSTITUTION  
FOR THE YEAR ENDED DECEMBER 31, 1990**

**Audit Report No. 1-511-91-51-N  
September 18, 1991**

# AGENCY FOR INTERNATIONAL DEVELOPMENT

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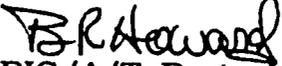
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September 18, 1991

## 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 Subsecretariat for Alternative Development and Coca Crop Substitution, for the Year Ended December 31, 1990

This report presents the results of a financial audit of the Subsecretariat for Alternative Development and Coca Crop Substitution (Subsecretariat), 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 over \$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 program whereby it makes compensation payments of \$2,000 per hectare to peasant farmers who voluntarily reduce their coca plantings.

The Subsecretariat is responsible for the supervision and overall coordination of the operations of the Bolivian Government's implementing entities involved in the Project. Additionally, it is the Government of Bolivia's principle representative to USAID/Bolivia. The audit coverage included \$382,332 in local currency provided through the PL-480 Program and \$32,391 provided by the Government of Bolivia during the year ended December 31, 1990. The audit did not include direct payments of \$8,437 made by the Government of Bolivia on behalf of the Project during the year ended December 31, 1990.

The purpose of the audit was to determine whether: (1) the Subsecretariat's fund accountability statement presents fairly, in all material respects, cash receipts and

disbursements for the period audited; (2) the Subsecretariat's internal control structure was adequate for Project purposes; and (3) the Subsecretariat had complied with the terms of the Project's Agreement and implementation letters and applicable laws and regulations. The scope of the audit included an examination of the Subsecretariat's activities and transactions to the extent considered necessary to issue a report thereon for the period under audit.

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 Subsecretariat for the period audited. The auditors identified \$600 in questionable costs (\$479 unsupported) related to ineligible travel expenses and inadequate documentation for equipment purchases.

With respect to the internal control structure of the Subsecretariat, Price Waterhouse identified four material weaknesses concerning: (1) documentation deficiencies relating to the voluntary reduction in coca plantings<sup>1</sup>, (2) inadequate controls over petty cash, (3) incorrect travel expense payments, and (4) inadequate documentation of operating expenses.

In its report on compliance with the terms of the Project's Agreement and implementation letters and applicable laws and regulations, Price Waterhouse found that the Subsecretariat complied in all material respects except for allocating Project funds to an Employee Social Fund without authorization by USAID/Bolivia and not enforcing provisions of the loan agreements concerning the recovery of overdue loans.

The report was discussed with management of the Subsecretariat, who expressed general agreement with the content of the report and indicated that corrective actions had been or were in the process of being implemented. Management's comments are included in Appendix II to the report.

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

**Recommendation No. 1**

**We recommend that USAID/Bolivia instruct the Subsecretariat for Alternative Development and Coca Crop Substitution to recover questionable costs of \$600**

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<sup>1</sup> This weakness was also identified in a related audit report on Project activities managed by the National Directorate for Agricultural Reconversion (Directorate) for the year ended December 31, 1990 (Audit Report No. 1-511-91-50-N, dated September 18, 1991). The Office of Inspector General's recommendation to correct this weakness was included in the transmittal to the audit report on the Directorate. Accordingly, no recommendation concerning this weakness is being included in this report.

**(\$479 unsupported) in local currency equivalent identified in the Price Waterhouse report dated August 23, 1991.**

**Recommendation No. 2**

**We recommend that USAID/Bolivia, in conjunction with the Subsecretariat for Alternative Development and Coca Crop Substitution, develop a plan, including a timetable for implementation, for: (1) improving the Subsecretariat's controls over petty cash; (2) designing and implementing procedures for reviewing and documenting travel and other operating expenses; (3) obtaining USAID/Bolivia authorization for the utilization of funds allocated to the Employee Social Fund; and (4) taking action to enforce loan agreement provisions concerning the recovery of overdue loans.**

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 SUBSECRETARIAT FOR ALTERNATIVE  
DEVELOPMENT AND COCA CROP SUBSTITUTION (SUBDESAL)  
USAID/BOLIVIA PROJECT No. 511-0543  
FOR THE YEAR ENDED DECEMBER 31, 1990



AUDIT OF THE  
CHAPARE REGIONAL DEVELOPMENT PROJECT, ACTIVITIES  
MANAGED BY THE SUBSECRETARIAT FOR ALTERNATIVE  
DEVELOPMENT AND COCA CROP SUBSTITUTION (SUBDESAL)  
USAID/BOLIVIA PROJECT No. 511-0543  
FOR THE YEAR ENDED DECEMBER 31, 1990

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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 managed by the Subsecretariat for Alternative Development and Coca Crop Substitution (Subsecretaría de Desarrollo Alternativo y Sustitución de Cultivos de Coca - SUBDESAL), under the Chapare Regional Development Project, USAID/Bolivia Project No. 511-0543, 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 current project 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	PL-480	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 has developed a program to reduce the cultivation of coca and makes 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, as indicated in the following summary:



<u>Phase</u>	<u>Administrative Unit</u>
1 Administration of the project and overall supervision and coordination of the Government of Bolivia's programs related to coca eradication	Sub-Secretariat for Alternative Development and Coca Planting Substitution (Subsecretaría de 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 to reduce coca cultivation	National Directorate for Agricultural Reconversion (Dirección Nacional de Reversión Agrícola - DIRECO)
6 Development of productive and transport infrastructure through the maintenance of roads	National Service of Roads (Servicio Nacional de Caminos - SNC)

The Subsecretariat for Alternative Development and Coca Crop Substitution (SUBDESAL) was created under Supreme Decree No. 19969 of December 31, 1983 as an entity of the Ministry of Rural and Agricultural Affairs with the following main functions:



- i) Interinstitutional coordination of executing units involved in the Integral Development and Coca Crop Substitution Plan.
- ii) Management of international cooperation designed to carry out the Integral Development and Coca Crop Substitution Plan.
- iii) Technical management of programs and projects in the areas of crop substitution, economic revitalization, regional development, and agricultural preservation and rehabilitation.
- iv) Acting as counterpart to multilateral and bilateral cooperating organizations for carrying out the Integral Development and Coca Crop Substitution Plan.

This unit operates with funding provided by USAID/Bolivia and the PL-480 Executive Secretariat, and funding and in-kind contributions provided by the Government of Bolivia.

SUBDESAL participates in the Chapare Regional development Project in charge of the supervision and overall coordination of the operations of the Bolivian Government through the different administrative components mentioned above. Additionally, it is the main Bolivian Government representative to the Bolivian Mission of the Agency for International Development.

#### 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 documentation 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 I, 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 SUBDESAL 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 the agreement terms, project implementation letters, and applicable laws and regulations:
- 2 SUBDESAL's internal control structure is adequate for project purposes; and
- 3 SUBDESAL complied in all material respects, with agreement terms, project implementation letters, and applicable laws and regulations.

Based on monthly field work, during the year, the scope of our work included:

- Reviewing the accounting records and bank accounts used by SUBDESAL 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 agencies, PL-480 Executive Secretariat and USAID/Bolivia.



- Reviewing the supporting documentation of the principal disbursements made by SUBDESAL. This test covered 90% of the amount spent during the year. The objective of this test was to determine whether the expenditures were properly supported with documentation, the expenditures were made 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 principal fixed assets and an evaluation of the controls employed by SUBDESAL to ensure their safekeeping and maintenance.
- Understanding the control environment, accounting system, and control procedures used by SUBDESAL to account for funds. For this purpose we evaluated the following significant categories: cash receipts and disbursements, budgeting controls, bank accounts and fund controls, and procurement system.
- Reviewing and evaluating SUBDESAL's compliance with agreement terms, implementation letters, and applicable laws and regulations.

#### RESULT OF AUDIT

##### Fund Accountability Statement

The Subsecretariat for Alternative Development and Coca Crop Substitution (SUBDESAL) 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 for cash transactions other than generally accepted accounting principles. Our audit disclosed questionable costs in the amount of Bs2,100 (approximately US\$ 600) which we consider non-material to the fund accountability statement.

In our opinion, the fund accountability statement audited by us presents fairly, in all material respects, the cash receipts and disbursements of the activities managed by the Subsecretariat for Alternative Development and Coca



Crop Substitution (SUBDESAL) under the Chapare Regional Development Project, USAID/Bolivia Project No. 511-0543, for the year ended on December 31, 1990, on the basis of accounting described in the preceding paragraph.

### Internal Control Structure

We have considered the internal control structure of SUBDESAL 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 SUBDESAL 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 From the Year

- 1 Deficiencies in the documents supporting reductions of coca plantations that were carried out by Agroyungas on behalf of SUBDESAL.
- 2 Deficiencies in control over petty cash.
- 3 Incorrect payment of travel expenses.
- 4 Payments not properly documented.

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

### Reiteration of Previous Year Findings

- 1 SUBDESAL did not maintain adequate control over the project's fixed assets.



- 2 Lack of Procedures Manuals.
- 3 Lack of formal evidence of compliance with the procedures to hire personnel as established by USAID/Bolivia.

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, SUBDESAL 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 SUBDESAL had not complied, in all material respects, with those terms and provisions.

Findings From the Year

- 1 Allocation of resources to SUBDESAL's employee social fund without proper authorization by USAID/Bolivia.
- 2 SUBDESAL requested PL-480 not to take legal action against peasant farmers who are in arrears with their loan repayment.

Reiteration of Previous Year Findings

- 1 Failure to comply with legal requirements to register personnel in the state social security system.

MANAGEMENT COMMENTS

In its written response to this report, see Appendix II, the management of Subsecretariat for Alternative Development and Coca Crop Substitution (SUBDESAL) expressed overall agreement with and give explications for the findings. They also indicated that corrective actions have been or are in the process of being implemented.



*Moreno Muñoz*



CHAPARE REGIONAL DEVELOPMENT PROJECT, ACTIVITIES  
MANAGED BY THE SUBSECRETARIAT FOR ALTERNATIVE  
DEVELOPMENT AND COCA CROP SUBSTITUTION (SUBDESAL)  
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 managed by the Subsecretariat for Alternative Development and Coca Crop Substitution (Subsecretaría de Desarrollo Alternativo y Sustitución de Cultivos de Coca - SUBDESAL), under the Chapare Regional Development Project, USAID/Bolivia Project No. 511-0543, for the year ended December 31, 1990. The fund accountability statement is the responsibility of the SUBDESAL's management. Our responsibility is to express an opinion on the fund accountability statement based on our audit.

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

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

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

As mentioned in Note 4, our audit disclosed certain questionable expenditures amounting to Bs2,100, which we consider non-material to the fund accountability statement.

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 Subsecretariat for Alternative Development and Coca Crop Substitution (SUBDESAL) for the year ended December 31, 1990, on the basis of accounting described in paragraph 3 above.

This report is intended solely for the information of the Subsecretariat for Alternative Development and Coca Crop Substitution 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

*Pice Waterhouse*



CHAPARE REGIONAL DEVELOPMENT PROJECT, ACTIVITIES  
MANAGED BY THE SUBSECRETARIAT FOR ALTERNATIVE  
DEVELOPMENT AND COCA CROP SUBSTITUTION (SUBDESAL)  
USAID/BOLIVIA PROJECT No. 511-0543

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

	<u>Funds as of</u> <u>December 31,</u> <u>1989</u> <u>Bs</u>	<u>Funds</u> <u>received</u> <u>during</u> <u>1990</u> <u>Bs</u>	<u>Funds</u> <u>available</u> <u>Bs</u>	<u>1990</u> <u>Disbursements</u> <u>Bs</u>	<u>Funds as of</u> <u>balance at</u> <u>December 31,</u> <u>1990</u> <u>Bs</u>	<u>Questio-</u> <u>nable</u> <u>costs</u> <u>(Note 4)</u> <u>Bs</u>
<b>Balances as of 12-31-89:</b>						
Bolivia's Treasury	26,101		26,101		26,101	
PL-480 Executive Secretariat	270,266		270,266		270,266	
<b>Receipts during 1990:</b>						
Bolivia's Treasury		103,750	103,750		103,750	
PL-480 Executive Secretariat		1,229,319	1,229,319		1,229,319	
Devolution loan from DIRECO		22,000	22,000		22,000	
<b>Disbursements during 1990:</b>						
Bolivia's Treasury						
Operating costs				55,681	( 55,681)	
Reimbursements of expenses				26,101	( 26,101)	
PL-480 Executive Secretariat						
Operating costs				1,277,626	(1,277,626)	2,100
	<u>296,367</u>	<u>1,355,069</u>	<u>1,651,436</u>	<u>1,359,408</u>	<u>292,028</u>	<u>2,100</u>

CHAPARE REGIONAL DEVELOPMENT PROJECT, ACTIVITIES  
MANAGED BY THE SUBSECRETARIAT FOR ALTERNATIVE  
DEVELOPMENT AND COCA CROP SUBSTITUTION (SUBDESAL)  
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 transitory 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 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
Construction	3,060	1,019	3,246	\$ 1,600	8,925
Commodities	3,780	2,662	240		6,682
Carried forward	21,490	4,751	6,009	1,600	33,850

	USAID/BOLIVIA		GOVERNMENT OF BOLIVIA		Total
	Grant	Loan	PL480	GOB	
Brought forward	\$ 21,490	\$ 4,751	\$ 6,009	\$ 1,600	\$ 33,850
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 Subsecretariat for Alternative Development and Coca Crop Substitution (SUBDESAL) is one of the units receiving funding to participate in carrying out the project.

Since July 24, 1989 SUBDESAL is part of the Chapare Regional Development Project and is responsible for the supervision and overall coordination of the operations of the Bolivian Government through the different administrative components involved in carrying out the project as well as being the main Bolivian Government representative to the Agency for International Development, Mission to Bolivia.

SUBDESAL is an entity of and reports to the Ministry of Agriculture and Rural Affairs (Ministerio de Asuntos Campesinos y Agropecuarios - MACA) and operates with funding from the Executive Secretariat PL-480. The activities related to the project are financed by the Government of Bolivia and USAID/Bolivia.

#### NOTE 2 - SUMMARY OF ACCOUNTING POLICIES

The Subsecretariat for Alternative Development and Coca Crop Substitution'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 cost of fixed assets is 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 SUBDESAL 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, 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 - QUESTIONABLE COSTS (AUDITOR'S NOTE)

The following costs incurred by SUBDESAL and charged to the project during 1990 are considered to be questionable costs.

<u>Voucher</u>		<u>Description</u>	<u>Unsupported costs</u>
<u>No.</u>	<u>Date</u>		<u>Bs</u>
321	09-27-90	Travel expenses with no travel report	747
109	04-18-90	Purchase of a Computer monitor without quotations	930
227	07-25-90	Excess payment of travel expenses	423
			<u>2,100</u>

NOTE 5 - ACCUMULATED FUND ACCOUNTABILITY STATEMENT THROUGH DECEMBER 31, 1990 EXPRESSED IN UNITED STATES DOLLARS (NOT AUDITED)

The project activities managed by SUBDESAL have been funded by the Government of Bolivia through the PL-480 Executive Secretariat and the National Treasury. Additionally, it has received support from USAID/Bolivia through furniture and equipment directly acquired by USAID/Bolivia. As of December 31, 1990 the total accumulated funds spent through SUBDESAL in US dollars were as follows:

	<u>Source of Funding</u>	
	<u>USAID/Bolivia</u> <u>US\$</u>	<u>Government</u> <u>of Bolivia</u> <u>US\$</u>
Special account	-	1,155,104
Direct account	131,837	37,976
	<u>131,837</u>	<u>1,193,080</u>

The accumulated fund accountability statement for the period from the commencement of the management of funds by SUBDESAL 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 on the following basis:

- a) Those conducted with funding from the Government of Bolivia through the PL-480 Executive Secretariat and the National Treasury have been translated into U.S. dollars at the exchange rate current on the day the payment was made.
- b) Those conducted by USAID/Bolivia through the direct account were translated into U.S. dollars at the exchange rate current on the day the payment was made.

NOTE 6 - FUNDS BALANCE

The funds balance at December 31, 1989 consist of:

	Amount	
	<u>Bs</u>	<u>US\$</u>
<u>PL-480 Funds</u>		
Banco Central de Bolivia	<u>243,959</u>	<u>73,141</u>
<u>National Treasury Funds</u>		
Banco Central de Bolivia	<u>48,069</u>	<u>14,617</u>
	<u>292,028</u>	<u>87,758</u>

CHAPARE REGIONAL DEVELOPMENT PROJECT, ACTIVITIES  
MANAGED BY THE SUBSECRETARIAT FOR ALTERNATIVE  
DEVELOPMENT AND COCA CROP SUBSTITUTION (SUBDESAL)  
USAID/BOLIVIA PROJECT No. 511-0543

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

	<u>Budget for</u> 1990 <u>US\$</u>	<u>Accumulated</u> as of 12-31-89 <u>US\$</u>	<u>Actual 1990</u> <u>US\$</u>	<u>Accumulated</u> as of 12-31-90 <u>US\$</u>	<u>Excess (deficit)</u> over 1990 budget <u>US\$</u>
<b>RECEIPTS</b>					
<u>Special account</u>					
Bolivia's National Treasury		70,525	32,391	102,916	
PL-480 Executive Secretariat		757,614	382,332	1,139,946	
Loan from DIRECO		<u>50,461</u>	<u>          </u>	<u>50,461</u>	
		<u>878,600</u>	<u>414,723</u>	<u>1,293,323</u>	
<u>Direct payments</u>					
USAID/Bolivia		131,837		131,837	
Bolivia's National Treasury		<u>29,539</u>	<u>8,437</u>	<u>37,976</u>	
		<u>161,376</u>	<u>8,437</u>	<u>169,813</u>	
<b>Total receipts</b>		<u>1,039,976</u>	<u>423,160</u>	<u>1,463,136</u>	
<b>EXPENDITURES</b>					
<u>Special account</u>					
Bolivia's National Treasury					
Operating cost	74,233	58,987	17,774	76,761	( 56,459)
Reimbursement of expenses		<u>2,444</u>	<u>9,094</u>	<u>11,538</u>	
Subtotal	<u>74,233</u>	<u>61,431</u>	<u>26,868</u>	<u>88,299</u>	<u>( 56,459)</u>
PL-480 Executive Secretariat					
Operating costs	638,426	652,440	409,762	1,062,202	(228,664)
Loan repayment to DIRECO		7,458	( 7,458)		
Reimbursement of expenses		<u>4,603</u>	<u>          </u>	<u>4,603</u>	
Subtotal	<u>638,426</u>	<u>664,501</u>	<u>402,304</u>	<u>1,066,805</u>	<u>(228,664)</u>
Carried forward	<u>712,659</u>	<u>725,932</u>	<u>429,172</u>	<u>1,155,104</u>	<u>(285,123)</u>

CHAPARE REGIONAL DEVELOPMENT PROJECT, ACTIVITIES  
MANAGED BY THE SUBSECRETARIAT FOR ALTERNATIVE  
DEVELOPMENT AND COCA CROP SUBSTITUTION (SUBDESAL)  
USAID/BOLIVIA PROJECT No. 511-0543

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

	<u>Budget for</u> <u>1990</u> <u>US\$</u>	<u>Accumulated</u> <u>as of</u> <u>12-31-89</u> <u>US\$</u>	<u>Actual 1990</u> <u>US\$</u>	<u>Accumulated</u> <u>as of</u> <u>12-31-90</u> <u>US\$</u>	<u>Excess (deficit)</u> <u>over 1990 budget</u> <u>US\$</u>
Brought forward	712,659	725,932	429,172	1,155,104	(285,123)
Loan from DIRECO					
Advance to Project Agroyungas		50,000		50,000	
Other advances		461		461	
Subtotal		50,461		50,461	
Total expenditures from the special account	712,659	776,393	429,172	1,205,565	(285,123)
<u>Direct payments</u>					
USAID/Bolivia					
Technical assistance		20,159		20,159	
Goods		111,678		111,678	
Subtotal		131,837		131,837	
Government of Bolivia					
Operating costs	34,182	29,539	8,437	37,976	( 25,745)
Total expenditures from the direct account	34,182	161,376	8,437	169,813	( 25,745)
Total expenditures	746,841	937,769	437,609	1,375,378	(310,868)
		<u>Summary</u>			
Total receipts		1,039,976	423,160	1,463,136	
Less: Total expenditures		937,769	437,609	1,375,378	
Cash on hand		102,207	( 14,449)	87,758	

*Moreno Muñoz*



CHAPARE REGIONAL DEVELOPMENT PROJECT, ACTIVITIES  
MANAGED BY THE SUBSECRETARIAT FOR ALTERNATIVE  
DEVELOPMENT AND COCA CROP SUBSTITUTION (SUBDESAL)  
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 Subsecretariat for Alternative Development and Coca Crop Substitution (Subsecretaría de Desarrollo Alternativo y Sustitución de Cultivos de Coca - SUBDESAL) 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 Subsecretariat for Alternative Development and Coca Crop Substitution (SUBDESAL) 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.

The management of the Subsecretariat for Alternative Development and Coca Crop Substitution (SUBDESAL) is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to

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

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

- cash receipts and disbursements,
- budgeting controls,
- bank accounts and fund controls, and
- procurement system.

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. The reportable conditions noted are included in the following pages as finding Nos. 1 through 4.



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

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However we believe 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 Subsecretariat for Alternative Development and Coca Crop Substitution (SUBDESAL) 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

*Rice Waterhouse.*



*Moreno Muñoz*



CHAPARE REGIONAL DEVELOPMENT PROJECT, COMPONENT  
MANAGED BY THE SUBSECRETARIAT FOR ALTERNATIVE  
DEVELOPMENT AND COCA CROP SUBSTITUTION (SUBDESAL)  
USAID/BOLIVIA PROJECT No. 511-0543  
FOR THE YEAR ENDED DECEMBER 31, 1990

REPORT ON INTERNAL CONTROL STRUCTURE

FINDINGS

1. Deficiencies in the Documents Supporting reductions  
of Coca Plantations that Were Carried out by  
Agroyungas on Behalf of SUBDESAL

Condition:

In 1987, DIRECO made a disbursement of US\$ 50,000 (of the Narcotic Assistance Unit's funding) in favor of SUBDESAL for the reduction of 25 hectares of coca plants in the area of Yungas in La Paz. SUBDESAL then delegated the job to the Agroyungas project.

In 1990, the Subsecretariat's office requested the documentation that supported the work done by the Agroyungas project to justify the amounts disbursed. The documents presented the following deficiencies:

- a) The plans presented showing the areas reduced, showed regular areas (squares, rectangles, etc.) whereas in the practice (as shown by DIRECO reductions) the areas are irregular. The person responsible for preparing the plans did not sign them.
- b) There was no evidence that the disbursement voucher had been authorized.
- c) There was no evidence that evidence of title was obtained from the farmers who made the reduction of their plantations.
- d) The measuring plans were not stamped paid as evidence of payment of the compensation.

- e) There is no evidence that SUBDESAL carried out follow-up procedures to ensure that the areas claimed to have been cleared of coca plantation had actually been cleared.

**Criteria:**

All supporting documentation on voluntary coca plantation reductions must be presented in accordance with DIRECO'S operating procedures. This assures the receipt of accurate information on compensation payments and is evidence that the reduction actually took place.

**Cause:**

According to SUBDESAL officials, operating procedures had not been fully implemented at the time the first payments were made.

**Effect:**

This situation could result in duplicate payments on reduction payments in the Yungas area, due the DIRECO'S lack of information on the reductions carried at by Agroyungas. Furthermore there is no proper evidence that these funds were correctly used and is therefore considered to be a questionable cost applicable to 1987 payments.

**Recommendation:**

SUBDESAL should obtain explications and documentantion which properly demonstrates that the 25 hectares were reduced and that the compensation was paid to the farmers.

**2. Deficiencies in Control over Petty Cash**

**Condition:**

The following weaknesses in the control over petty cash funds were detected:

- a) Disbursement vouchers were not signed by the beneficiary as evidence of having received the funds.



- b) At the date of our cash count (August 20, 1990) there was an unexplained difference (defect) of Bs51.
- c) At the date of our cash count funds amounting to Bs161,50 had been disbursed in favor of the SUBDESAL Employee Social Fund which was supported by a voucher in the cashier's funds and had not been recorded in the accounting records.

**Criteria:**

All disbursements from the petty cash fund should be supported by documentation which is signed by the beneficiaries, properly authorized and recorded in the accounting records. Periodic cash counts should be carried out by persons not involved in the handling of the cash. These cash counts should be properly documented and differences investigated.

**Cause:**

The cases a) and b) were non compliance with SUBDESAL procedures, which require the signature of beneficiaries and cash counts. In the case of c), funds were loaned to the Employee Social Fund.

**Effect:**

There is no evidence that the beneficiary actually received the funds and petty cash differences are not detected on a timely basis. If disbursements are not recorded these may be made without proper authorization being obtained.

**Recommendation:**

SUBDESAL should take measures to ensure the compliance with established procedures and the recording of all petty cash transactions.

**3. Incorrect Payment of Travel Expenses**

**Condition:**

SUBDESAL Administrative Resolution 07/90 regulates travel expenses by categories and states, the amounts to be paid



in both rural and urban areas but in certain cases the resolution is unclear. Travel expenses paid to Mr. Jaime Torrico for a seven day trip to the rural area of La Asunta were apparently calculated using the wrong scale basis, if the wrong scale basis were used an excess payment of US\$ 133 was incurred.

**Criteria:**

Internal control procedures must be clear and concise in order to avoid misinterpretation, and compliance must be enforced.

**Cause:**

SUBDESAL'S administrative director has informed us that the Administrative Resolution is unclear regarding the rural travel expense scale.

**Effect:**

This employee received US\$ 133, equivalent to Bs423, which may be in excess of the laid down rate, and is therefore considered to be a questionable cost.

**Recommendation:**

SUBDESAL should clarify Administrative Resolution 07/90. Until the formal clarification is made travel expenses should be paid in accordance with a conservative interpretation of the Resolution.

**4. Payments not Properly Documented**

**Condition:**

During the year SUBDESAL paid Bs747 to a Finance Ministry employee as travel expenses. This payment was not supported by a report on the work carried out nor the reason why these expenses were paid by SUBDESAL from PL-480 funds rather than Treasury Funds.

In April 1990 SUBDESAL rented a computer from AESA without obtaining the three quotations required. The amount paid was Bs930.



**Criteria:**

All payments should be properly supported.

**Cause:**

In the first case, because of the hierarchy of the employee a report was not considered necessary. In the second case SUBDESAL considered AESA to be the only supplier. Furthermore there is no formal procedures manual laying down the procedures to be followed.

**Effect:**

Payments are not properly supported and are therefore considered to be questionable.

**Recommendation:**

SUBDESAL should develop a procedures manual covering payment procedures so as to avoid confusion and improperly documented payments.



*Moreno Muñoz*



CHAPARE REGIONAL DEVELOPMENT PROJECT, ACTIVITIES  
MANAGED BY THE SUBSECRETARIAT FOR ALTERNATIVE  
DEVELOPMENT AND COCA CROP SUBSTITUTION (SUBDESAL)  
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 managed by the Subsecretariat for Alternative Development and Coca Crop Substitution (Subsecretaría de Desarrollo Alternativo y Sustitución de Cultivos de Coca - SUBDESAL) under the Chapare Regional Development Project, USAID/Bolivia Project No. 511-0543, 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 Subsecretariat for Alternative Development and Coca Crop Substitution's management. As part of obtaining reasonable assurance about whether the fund accountability statement is free of material misstatement, we performed tests of compliance with 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 Subsecretariat for Alternative Development and Coca Crop Substitution 1990 Fund accountability statement.

As described in the following pages and in the follow-up of previous year recommendations Appendix I to this report, the Subsecretariat for Alternative Development and Coca Crop Substitution did not comply with 1) obtaining proper authorization from USAID/Bolivia to allocate resources to SUBDESAL's Employee Social Fund, 2) contract agreements by requesting that PL-480 should avoid any legal action against those peasant farmers who are in arrears with their loan repayment, and 3) the legal requirement to register employees in the state social security system.

We considered these material instances of noncompliance in forming our opinion on whether the Subsecretariat for Alternative Development and Coca Crops Substitution 1990 fund accountability 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 the items tested, the Subsecretariat for Alternative Development and Coca Crop Substitution 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 Subsecretariat for Alternative Development and Coca Crop Substitution 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 Subsecretariat for Alternative Development and Coca Crop Substitution 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*



CHAPARE REGIONAL DEVELOPMENT PROJECT, ACTIVITIES  
MANAGED BY THE SUBSECRETARIAT FOR ALTERNATIVE  
DEVELOPMENT AND COCA CROP SUBSTITUTION (SUBDESAL)  
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 Allocation of Resources to SUBDESAL's Employee Social  
Fund Without Proper Authorization by USAID/Bolivia

Condition:

As of the month of June 1990, the Employee Social Fund was established with funds that were obtained from disciplinary fines imposed on employees. The funds were withheld on the payroll and deposited in August 1990 in a saving account at the Banco de La Paz under the name of SUBDESAL.

Criteria:

In view of the fact that the funds used in creating the Employee Social Fund (which is backed by Supreme Decree No. 19637 dated July 4, 1983) belong to the project, a written approval must be acquired from USAID/Bolivia.

Cause:

This situation came about because SUBDESAL considered that authorization of USAID/Bolivia was not required because the formation of the fund is in accordance with a Bolivian Government Decree.

Effect:

The fines (arising because employees have not complied with disciplinary procedures) are not used for the

benefit of the project but for the benefit of the employees.

**Recommendation:**

SUBDESAL should obtain written consent from USAID/Bolivia in order to be able to use the funds withheld for the Employee Social Fund.

2 SUBDESAL Requested PL-480 not to Take Legal Action Against Peasant Farmers who are in Arrears With their Loan Repayment

**Condition**

SUBDESAL in their letter N° 998/90 of July 24, 1990 requested the Executive Secretariat PL-480 to suspend legal action to recover loans given to farmers in the Chapare Region who are overdue in the payment of interest.

**Criteria:**

In accordance with the loan agreements legal action may be taken to recover loans when these are overdue. PL-480 should exercise their rights under the loan agreements.

**Cause:**

SUBDESAL was under pressure from the loan beneficiaries to suspend legal action and requested PL-480 that a temporary suspension be granted to enable the individual cases to be investigated.

**Effect:**

If the loan beneficiaries become aware that PL-480 is not taking legal action against delinquent borrowers, it will be extremely difficult to collect the amounts outstanding.

**Recommendation:**

SUBDESAL should take immediate action to investigate the individual cases and make a final recommendation to PL-480 on how to proceed. To date there is no evidence that any effort has been made to investigate the individual cases.



*Moreno Muñoz*



CHAPARE REGIONAL DEVELOPMENT PROJECT, COMPONENT  
MANAGED BY THE SUBSECRETARIAT FOR ALTERNATIVE  
DEVELOPMENT AND COCA CROP SUBSTITUTION  
USAID/BOLIVIA PROJECT No. 511-0543  
FOR THE YEAR ENDED DECEMBER 31, 1990

LIST OF REPORT RECOMMENDATIONS

Internal Control Structure:

Recommendation 1:

SUBDESAL should obtain explications and documentantion which properly demostrates that the 25 hectares were reduced and that the compensation was paid to the farmers.

Recommendation 2:

SUBDESAL should take measures to ensure the compliance with established procedures and the recording of all petty cash transactions.

Recommendation 3:

SUBDESAL should clarify Administrative Resolution 07/90. Until the formal clarification is made travel expenses should be paid in accordance with a conservative interpretation of the Resolution.

Recommendation 4:

SUBDESAL should develop a procedures manual covering payment procedures so as to avoid confusion and improperly documented payments.

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

Recommendation 1:

SUBDESAL should obtain written consent from USAID/Bolivia in order to be able to use the funds withheld for the Employee Social Fund.

**Recommendation 2:**

SUBDESAL should take immediate action to investigate the individual cases and make a final recommendation to PL-480 on how to proceed. To date there is no evidence that any effort has been made to investigate the individual cases.



*Moreno Muñoz*



APPENDIX I

AUDIT OF THE  
CHAPARE REGIONAL DEVELOPMENT PROJECT, ACTIVITIES  
MANAGED BY THE SUBSECRETARIAT FOR ALTERNATIVE  
DEVELOPMENT AND COCA CROP SUBSTITUTION (SUBDESAL)  
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 Subsecretariat for Alternative Development and Coca Crop Substitution (SUBDESAL), for the year ended December 31, 1990. The scope of our work included a follow-up of 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 SUBDESAL and for USAID/Bolivia to provide adequate documentation and settle the questionable costs of Bs3,450 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. SUBDESAL Did Not Maintain Adequate Control Over the Project's Fixed Assets.

Previous Recommendation

- a) SUBDESAL should design and establish control procedures to ensure proper maintenance, storage and

safeguarding of furniture acquired for project purposes.

- b) SUBDESAL should analyze its furniture needs and based on this analysis properly dispose of the excess furniture.

2. Lack of Procedures Manuals

Previous recommendation

SUBDESAL should design and implement Administrative Procedures, Internal Regulations, and Functions Manuals.

3. Lack of Formal Evidence of Compliance with the Procedures to Hire Personnel as Established by USAID/Bolivia

Previous Recommendation

SUBDESAL should design and implement proper procedures and forms to document the manner in which each of the personnel hiring requirements outlined in USAID/Bolivia's hiring procedures (as required by PIL No. 98) is complied with and documented for each individual hired.

4. Unsupported Travel Expenses were Reimbursed

Previous recommendation

SUBDESAL should implement a procedure in all cases requiring that supporting travel expense documentation be reviewed and approved by the responsible person prior to disbursement of the expense reimbursement.

Implementation Status of Previous Recommendations:

- 1.a) No measures have been taken to design and establish control procedures.
- b) No additional furniture have been purchased during the year. Part of the excess furniture has been sent to DIRECO and PDAR in Cochabamba. The rest is in SUBDESAL who have requested that USAID/Bolivia rent a deposit to store these items.



2. This situation continues. No procedures manuals have been prepared.
  3. No procedures and forms have been designed. However during the year no cases of employees being hired without complying with USAID procedures were detected.
  4. No written procedures have been developed, but travel expense reimbursements are supported by proper documentation.
- 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

SUBDESAL 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 written Procedures for Marking of Goods

Previous Recommendation

SUBDESAL 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 SUBDESAL.



Implementation Status of Previous Recommendations:

1. During 1990 this the personnel were not registered in the Social Security System. We have been informed that this situation will be solved during 1991.
  2. The furniture has been marked with the A.I.D. emblem, but there is no written procedure that requires that goods acquired with A.I.D. funds are marked.
- C. Disposition of Questionable Costs For Bs3,450 Identified in Our Previous Year Deposit

The questionable costs consisted of operating costs paid with PL-480 Executive Secretariat funds. These costs were questioned because SUBDESAL reimbursed unsupported travel expenses.

SUBDESAL has forwarded to USAID/Bolivia explications for these expenses. USAID/Bolivia is awaiting direction from RIG/AT to determine whether these explications are acceptable, and if not what action to take.



**TRABAJO DE AUDITORIA REALIZADA POR LOS PERSONEROS DE MORENO MUÑOZ POR  
EL AÑO QUE TERMINA AL 31 DE DICIEMBRE DE 1990**

**1. DEFICIENCIAS REGISTRADAS EN LOS DOCUMENTOS QUE RESPALDAN LAS REDUCCIONES DE LAS PLANTACIONES DE COCA QUE FUERON REALIZADAS POR AGROYUNGAS EN NOMBRE DE SUBDESAL.**

- a) Las fotocopias presentadas y en acuerdo realizado en la lectura del borrador, fueron aceptados como documentos de descargo, dejando los originales (únicamente certificados), en poder del Banco Agrícola, quienes efectuaron entrega de planos originales a DIRECO por intermedio de SUBDESAL.
- b) Se evidencia y se acepta deficiencias en la medición en razón a que por ser estas las primeras mediciones no se efectuaron con personal técnico especializado, ni en Agroyungas ni tampoco en Direco.
- c) La evidencia requerida, se respalda en la ejecución de los pagos efectuados por el Banco Agrícola, y registrados mediante lista individual; también fueron proporcionados a DIRECO con la firma del funcionario bancario responsable en la zona (Carpico).
- d) La exigencia del Título Agrario para las reducciones, es un defecto de orden legal, genérico para todo el ámbito agrario, y su implementación continúa en proceso de registro para obtener su titulación.
- e) Se evidencia que esta formalidad no pudo ser implementada en el proceso de pago.
- f) En razón a que el proceso tuvo su inicio en la gestión 1987, a esa fecha no se contaba con los recursos humanos ni técnicos para cumplir esta tarea, ya mencionado anteriormente.

Las reducciones y compensaciones antes señaladas, tuvieron un período no mayor a los seis meses, comprendido entre los últimos de la gestión de 1987 y primeros de 1988. Al no existir en dicho período procedimientos y mecanismos establecidos, estas tareas fueron realizadas con cierto grado de dificultad a propósito de no contar con los medios y recursos humanos adecuados.

A este respecto, cabe señalar que aún a pesar de que fué un proceso consolidado, se coordinarán tareas con personeros de Direco para lograr una evaluación técnica de las tareas que cumplieron en esa ocasión el ex-Proyecto Agroyungas (concluido el 31-diciembre-1990).

## 2.- DEFICIENCIAS EN EL CONTROL DE CAJA CHICA

- a) Se evidencia, que sólo en algunos casos los recibos no fueron firmados por los beneficiarios, y la explicación expuesta oportunamente señala que el personal de apoyo declarado en comisión de viaje, en algún caso no pudo cumplir ésta formalidad.
- b) La diferencia señalada tuvo la explicación en la misma fecha de observación, y su razón obedece a una entrega de efectivo a un conductor que por decisión de último momento tuvo que efectuar viaje en comisión, obligando una entrega de efectivo para la adquisición de combustible en razón a que el responsable de la entrega de los vales correspondientes, había concluido su jornada de trabajo en horario habitual.
- c) Se evidencia, un préstamo a favor del Fondo Social, con destino a gastos efectuados a la atención dirigida al Señor Ministro del Organismo, en un horario en el que el servicio bancario no podía prestarnos servicio.

Las situaciones antes señaladas, que por las razones expuestas tienen la justificación de ser consideradas de emergencia, en la actualidad fueron superadas en razón a la implantación de un sistema de registro de salida de efectivo mediante vales de Caja Chica, que además de contar con autorización previa, son revisados por Auditoría Interna, unidad creada con este propósito a partir del mes de septiembre de 1996.

## 3.- PAGO INCORRECTO DE LOS GASTOS DE VIAJE

La cancelación de viáticos referidas en este punto, no son incorrectas, en razón a que obedecen a una Resolución interna que establece categorías y consecuentes montos de compensación; sin embargo, se dió la situación de que el concepto que englobaba la comisión en zona rural sin goce de campamento, no estaba claramente especificada, razón que dió origen a una interpretación discutible que en su momento fué aclarada al Auditor de la Consultora en cuestión, que tuvo a bien su revisión.

A este respecto, cabe señalar que se tomó la precaución de elaborar una nueva disposición del mismo rango, que aclarara en la actualidad el concepto cuestionado y que dió origen a ésta observación. En consecuencia, el cuestionamiento del monto cancelado, se salva con la vigencia retroactiva de la disposición, respecto a la fecha de percepción de los viáticos.

#### 4.- PAGOS QUE NO TIENEN LA DOCUMENTACION CORRECTA

Con relación a este punto, no corresponde señalar como un error la falta de existencia de documentación apropiada que avale la ejecución, pues ésta situación fué explicada oportunamente a momento de efectuarse la observación.

Tal es el caso que a objeto de cumplir con las regulaciones que exige las normas, se tuvo que solicitar a una Autoridad excenta de éste tipo de justificaciones, su firma en un informe que respalde la comisión del viaje efectuado, con la incomodidad que este hecho representa.

Respecto al incumplimiento de la presentación de las cotizaciones exigidas para toda compra de servicios (AESAs), esta fué respaldada con la emisión de una Resolución Administrativa específica, que señala las razones que obligan a la cancelación del servicio adquirido, que fué motivo de observación, y que en ningún caso puede ser considerado como dudoso al existir el respaldo que acompaña la ejecución.

#### SEGUIMIENTO DE LAS RECOMENDACIONES EFECTUADAS EN AÑOS PASADOS

##### 1.- Moblaje adquirido:

A este respecto, se debe señalar que con el propósito de contar con un registro, control, protección y adecuado almacenamiento del moblaje adquirido con recursos ARI, se efectuaron las siguientes acciones:

- a) Contratación de un depósito adecuado para el depósito de los escasos muebles y accesorios usados los mismos que son controlados mediante inventario computarizado.
- b) Responsabilización individual de la tenencia de muebles por los funcionarios, con la recepción en conformidad de su buen uso y mantenimiento en las tareas de trabajo.
- c) Ante la necesidad de contar con ambientes adecuados para comisionados a la ciudad de Cochabamba, se instalaron dos oficinas equipadas con estos muebles, tanto en DIRECO como en el PDAR, trasladando muebles para este objeto previa autorización aprobada en USAIP.

## **RECOMENDACIONES EFECTUADAS**

### a) Estructura Interna de Control

Con relación a estas recomendaciones, se tomaron acciones en cada una de las observaciones que como explicación señalan líneas arriba.

### b) Cumplimiento de disposiciones legales y regulaciones aplicables.

#### **Recomendación 1:**

A este respecto, reiteraremos nuestra justificación por la generación y destino de fondos con origen en la sanción de faltas disciplinarias (faltas, atrasos, suspensiones, abandonos, y otros señalados por ley).

#### **Recomendación 2:**

- Esta decisión fué tomada ante la incapacidad de pago de los productores, por la baja producción previamente evaluada y posteriormente justificada en el bajo ingreso experimentado por los trabajadores en campo.
- El respaldo legal a ésta decisión está sustentada por la Resolución 10/90 firmado por el Director del PDAR, cuya copia se acompaña.

## **SEGUIMIENTO A RECOMENDACIONES EFECTUADAS EN AÑOS ANTERIORES**

- a) Las acciones tomadas a este respecto, se señalan en "Lista de Recomendaciones de Informe".
- b) Las acciones a este respecto, se señalan en "Lista de Recomendaciones de Informe".

## **FALTA DE MANUALES DE PROCEDIMIENTO**

- a) SUBDESAL, continúa con la implementación de procedimientos y regulaciones internas para el buen desarrollo de sus tareas.
- b) SUBDESAL, cumple con los procedimientos establecidos para la contratación de personal, a partir de la PIL No. 98.

## **GASTOS DE VIAJE QUE FUERON REEMBOLSADOS SIN NINGUN SOPORTE**

Luego de las conversaciones sostenidas con miembros de la Consultora Moreno Muñoz, inicialmente se determinó error en la traducción o redacción de ésta observación, en razón a que existe en todo los casos sustento por los reembolsos efectuados, y sólo en dos casos fué requerido mayor respaldo (firma de recibí conforme por los comisionados en viajes), que a la fecha fué cumplida.

## **IMPLEMENTACION DE RECOMENDACIONES**

a) A este respecto, se señala lo siguiente:

Que, previo a cualquier pago por reembolso, debe existir la presentación del informe de viaje correspondiente, y el memorándum que autoriza el reconocimiento de pago. Esta situación, fué cumplida desde el inicio de actividades administrativas de la SUBDESAL.

b) Cumplimiento de regulaciones sociales:

A partir del mes de mayo el personal de la SUBDESAL, se encuentra gozando con el beneficio del seguro médico (se acompaña copia de registro patronal al Seguro Petrolero)

c) Marcado de Activos:

El marcado de los muebles, fue ejecutado en la pasada gestión (marzo/98), y en la actualidad los mismos se encuentran codificados.

Respecto a los vehículos, se encuentra en curso un requerimiento de excepción que evite el marcado (logotipo AID) a objeto de evitar su identificación que ponga en riesgo al personal, y personal ocupante del vehículo.

d) Costos dudosos:

En relación al cuestionamiento de Bs3.450.- reitero, que los mismos, mediante nota y copias de antecedentes que acompañaron a ésta, fueron enviados a USAID en ocasión del primer informe concluido en la gestión 1989, que luego de las acciones tomadas se pudo obtener confirmación de cobro (certificación bancaria) y en otros ratificación mediante nota de recepción de montos (viáticos), que por reembolso fueron cancelados, salvando así ésta observación.



## APPENDIX

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