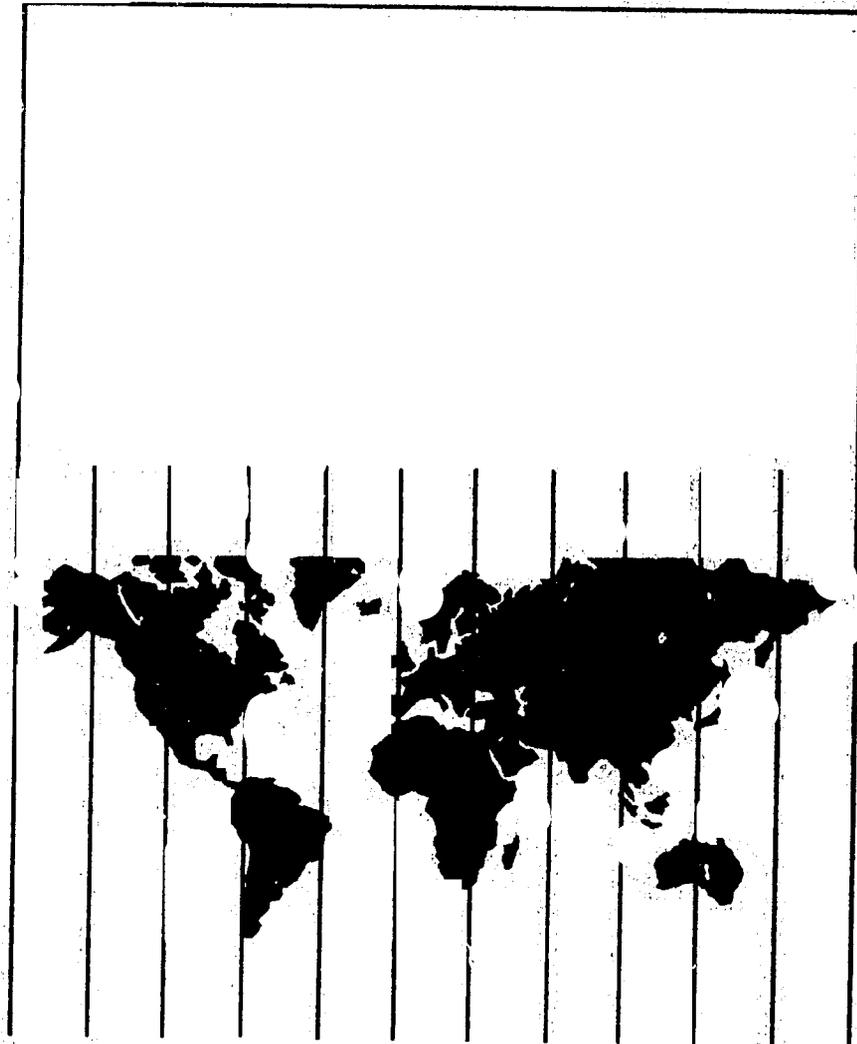


UNITED STATES
AGENCY FOR INTERNATIONAL DEVELOPMENT

THE
INSPECTOR
GENERAL



Regional Inspector General for Audit

TEGUCIGALPA

PD - ABD - 388

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

**Audit Report No. 1-511-91-55-N
September 20, 1991**

AGENCY FOR INTERNATIONAL DEVELOPMENT

OFFICE OF THE REGIONAL INSPECTOR GENERAL

AMERICAN EMBASSY

TEGUCIGALPA - HONDURAS

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September 20, 1991

MEMORANDUM

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

FROM: *John Mundy*
RIG/A/T, Reginald Howard

SUBJECT: Audit of USAID/Bolivia's Chapare Regional Development Project, Activities Managed by the Program of Alternative Regional Development, for the Year Ended December 31, 1990

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

The main functions of the Program include planning, coordinating, evaluating, and overseeing the subprojects carried out under the Project. The audit coverage included \$3.5 million provided by USAID/Bolivia as well as \$908,537 provided by the Government of Bolivia during the year ended December 31, 1990. The audit did not include direct payments of \$2.5 million made by USAID/Bolivia and \$33,826 made by the Government of Bolivia primarily for the procurement of technical assistance on behalf of the Program during the audit period.

The purpose of the audit was to determine whether: (1) the Program's fund accountability statement presents fairly, in all material respects, cash receipts and disbursements for the period audited; (2) the Program's internal control

structure was adequate for Project purposes; and (3) the Program 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 Program'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 Program. The auditors identified \$110,915 in questionable costs related to purchases made with A.I.D. funds without quotations and unpaid invoices recorded as disbursements. Government of Bolivia funds of \$10,352 were also identified as questionable costs for similar reasons.

With respect to the Program's internal control structure, Price Waterhouse identified 16 problem areas which, in their opinion, represent material internal control weaknesses. The weaknesses identified relate primarily to: (1) delays in implementing subprojects in accordance with the Program's operating plan (findings 1, 3, and 11); (2) inadequate and untimely accounting records and inadequate inventory controls over Project materials, supplies, and fixed assets (findings 2, 5, 6, 7, 9, and 12); (3) a lack of coordination among entities to assure timely distribution of educational and promotional materials (finding 4); (4) inadequate documentation and authorization for Project disbursements (findings 8 and 16); (5) the absence of procedures to assure that accurate, complete, and timely accounting and management reports are prepared for USAID/Bolivia's use in evaluating the Project's status and accomplishments (findings 10 and 13); and (6) inadequate planning and documentation of procurement (findings 14 and 15).

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 Program complied, in all material respects, except for not: (1) identifying Project vehicles with the A.I.D. emblem; and (2) 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 Program, 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. 1-511-91-15-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 Program, who expressed general agreement with the content of the report 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 recommendations in the Office of the Inspector General's audit recommendation follow-up system:

Recommendation No. 1

We recommend that USAID/Bolivia negotiate a recovery with the Program of Alternative Regional Development for \$110,915 in questionable costs (unsupported) detailed in the Price Waterhouse report dated August 23, 1991 and related to purchases made without quotations and unpaid invoices recorded as disbursements.

Recommendation No. 2

We recommend that USAID/Bolivia, in conjunction with the Program of Alternative Regional Development, develop a plan, including a timetable for implementation, for: (1) establishing procedures to assure that subprojects are implemented in accordance with the operating plan; (2) establishing controls to assure that the Project's accounting records and inventories are properly maintained and safeguarded; (3) improving coordination among entities to assure timely distribution of educational and promotional materials; (4) establishing procedures to adequately document and authorize Project disbursements; (5) establishing procedures to assure that all required reports are prepared and submitted on time to USAID/Bolivia; (6) establishing procedures to ensure the proper planning and documentation of procurement transactions; and (7) identifying Project vehicles with the A.I.D. emblem or obtaining exemption from this requirement.

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 PROGRAM OF ALTERNATIVE
REGIONAL DEVELOPMENT (PDAR)
USAID/BOLIVIA PROJECT No. 511-0543
FOR THE YEAR ENDED DECEMBER 31, 1990



AUDIT OF THE
CHAPARE REGIONAL DEVELOPMENT PROJECT, ACTIVITIES
MANAGED BY THE PROGRAM OF ALTERNATIVE
REGIONAL DEVELOPMENT (PDAR)
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 of the Chapare Regional Development Project, USAID/Bolivia Project No. 511-0543, managed by the Program of Alternative Regional Development (Programa de Desarrollo Alternativo Regional - PDAR), 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 in an integrated package of financing and technical assistance for small farmer related production, agroindustry development/marketing and institutional development support activities to be carried out by Bolivian public and private institutions for development of the Chapare region and associated high valleys sub-regions.

The project is a complementary part of the Government of Bolivia (GOB)'s program to reduce the coca plantings in Bolivia, and includes different activities and sub-projects designed to focus development resources on Bolivia's principal 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;

- 1 -

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 make compensation payments of US\$ 2,000 per hectare from its own resources to the peasant farmers that voluntarily reduce their coca plantations. The plan foresaw the eradication of 6,000 hectares of coca plants in 1990. 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



<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 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 Program of Alternative Regional Development (Programa de Desarrollo Alternativo Regional - PDAR) is an implementing unit created under the authority of the Sub-Secretariat for Alternative Development and Coca Planting Substitution (SUBDESAL). Until May 1990, this unit was called the Program of Alternative Development of Cochabamba (Programa de Desarrollo Alternativo de Cochabamba - PDAC).



The main functions of the PDAR include planning, coordination, evaluation, and follow-up of the sub-projects carried out under the project. During 1990, some sub-projects were executed by other governmental and non-governmental entities financed through PDAR with USAID/Bolivia and PL-480 funds. These sub-projects consisted of: promoting studies, technical assistance and investigations in the Chapare region, stimulating alternatives to substitute for the coca crop within the region; and improving the living conditions and economic development in the associated high valleys in order to reduce the migration of its population to the Chapare, where most probably they would cultivate coca.

Other sub-projects of immediate impact and with a cost of US\$ 20,000 or less, have been supervised and coordinated by PDAR in the Chapare area (4) and in the associated high valleys (54). These sub-projects include the construction of schools, sanitary posts, community centers, irrigation channels, the collection and distribution of drinking water, and other similar works.

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 1, a fund accountability statement of the project 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 project activities managed by PDAR 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. PDAR's internal control structure is adequate for project purposes; and
3. PDAR 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 PDAR to record the receipt of funds.
- Confirming the funds received for the project with the records of the funding agencies, USAID/Bolivia and PL-480 Executive Secretariat.
- Reviewing the supporting documentation of funds destined to finance sub-projects.
- Reviewing the supporting documentation for the principal disbursements made by PDAR. This test covered 86% of the amount spent during the year, and its objective was to determine whether the expenditures were properly supported with documentation, 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.



- On-site visits to the sub-projects of immediate impact to inspect them and get the opinions of the beneficiaries regarding the quality of the work, its acceptance and the compliance with the requirements regarding the reduction of coca. We visited 2 sub-projects in the Chapare Region and 17 in the associated high valleys. We also visited 3 subprojects which were commenced in the previous year.
- Reviewing the supporting documentation of the advances to the entities implementing the sub-projects, including the letters of understanding between PDAR and the implementing entities and the approved budget, and reviewing the sub-projects' quarterly reports to determine whether the expenses incurred during the year were allowable and properly documented.
- On-site visits to the implementing entities to evaluate their attainment of the objectives stipulated in the letters of understanding, and their accounting controls on project funding.
- Obtaining direct confirmation from the implementing entities of advances received, expenses incurred and unspent balances as of December 31, 1990.
- Obtaining direct confirmation of PDAR bank accounts as of December 31, 1990, and reviewing the corresponding bank reconciliations.
- Obtaining a complete understanding of the control environment, accounting system and control procedures used by PDAR 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, inventory management, procurement system, and sub-projects monitoring.
- Reviewing and evaluating PDAR's compliance with agreement terms, implementation letters, and applicable laws and regulations.



RESULT OF AUDIT

Fund Accountability Statement

The Program of Alternative Regional Development (PDAR) recorded its operations 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 operations other than generally accepted accounting principles. Our audit disclosed questionable costs in the amount of Bs412,307 (approximately US\$ 121,000) 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 Program of Alternative Regional Development, for the year ended on December 31, 1990, under the Chapare Regional Development Project, USAID/Bolivia Project No. 511-0543, on the basis of accounting described in the precedent paragraph.

Internal Control Structure

We have considered the internal control structure of PDAR 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 PDAR 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 condition 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 Arising During the Year

1. Failure to complete sub-projects carried out by non-governmental organizations on time.
2. Lack of proper procedures to control stores inventories and fixed assets at the commencement of projects carried out by private voluntary organizations.
3. Delays in execution of sub-projects carried out by PVO's.
4. Lack of coordination between the various entities to provide education and promotional material.
5. PDAR had no accounting control of the inventories, costs and budget.
6. Lack of supporting documentation for delivery and reception of material.
7. Cost records not maintained on timely basis.
8. Disbursements not properly documented.
9. Deficiencies in the Cochabamba warehouse.
10. Incorrect preparation of quarterly reports.
11. Delays in the construction of dehydration plants.
12. Lack of accountability by the University of San Simon - Cochabamba.
13. Lack of conclusion reports on immediate impact works.
14. Lack of ability to capitalize on successes.
15. No evidence of competitive bids being obtained for the purchase of goods.
16. Travel expenses not properly authorized.



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

Reiteration of Previous Year Findings

1. PDAR's accounting system was incomplete to produce timely accounting information and to properly record the future operations of the unit.
2. PDAR did not have proper procedures manuals.
3. The operating plan was only partially implemented.

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, PDAR 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 PDAR 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. PDAR has not received permission from 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 the Program of Alternative Regional Development (PDAR) 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. 5, 6, 7, 12 and 15 of the Internal Control section PDAR management stated: (a) that the



accounting department had valued kardex records (Finding 5); (b) that the materials delivery notes are signed by the communities as evidence of reception (Finding 6); (c) that the accounting department has cost records (Finding 7); (d) that the accounting documentation supporting the use of funds by the University of San Simon was reviewed periodically to verify its proper use (Finding 12) and (e) that all purchases were supported by competitive bids, although in some cases the vendors had no inventory.

Auditors' response

1. Finding No. 5. In the store there are detailed bin cards indicating the physical quantities held, but these are not valued. In the financial records, there is an overall control account indicating the value of all inventories, but, at the time of our examination, there were no detailed valued inventory records which allowed the physical amounts to be compared with the accounting records. Consequently, in our opinion, there was no accounting control over the stores.
2. Finding No. 6. The procedures require that all the delivery notes be signed by the beneficiary. However our tests disclosed examples where the notes were not signed and others where the signature was illegible. Furthermore, given the low level of education of many of the beneficiaries, we do not believe that the signing of the delivery notes is adequate evidence that the materials have been delivered. We believe that responsibility should be clearly defined and a proper system of accountability, linked to the budget control system, introduced.
3. Finding No. 7. The cost controls included in the accounting records were not written up on a timely basis in 1990. Certain information is maintained in files, but this is outside the accounting records, and there is no control over the accuracy of these records because they are not reconciled with the accounting records on a timely basis.



4. Finding No. 12. The advance to the University of San Simon was outstanding in the accounting records at December 31, 1990 and no evidence was presented to us that periodic revisions of the use of the funds had been carried out.
5. Finding No. 15. Of the six cases detected by us in three cases quotations had been received but only two of the vendors had inventories. In three cases no evidence that quotations had been received was presented to us.

Pricewaterhouse.



Moreno Muñoz



CHAPARE REGIONAL DEVELOPMENT PROJECT, ACTIVITIES
MANAGED BY THE PROGRAM OF ALTERNATIVE
REGIONAL DEVELOPMENT (PDAR)
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 Program of Alternative Regional Development, (Programa de Desarrollo Alternativo Regional- PDAR) 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 PDAR'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 costs amounting to Bs412,307, 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 Program of Alternative Regional Development 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 Program of Alternative Regional Development and the U.S. Agency for International Development. This restriction is not intended to limit the distribution of this report which, upon acceptance of the Office of the Inspector General, is a matter of public record.

February 15, 1991

Rene Waterhouse



CHAPARE REGIONAL DEVELOPMENT PROJECT, ACTIVITIES
MANAGED BY THE PROGRAM OF ALTERNATIVE REGIONAL DEVELOPMENT (PDAR)
USAID/BOLIVIA PROJECT No. 511-0543

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

	Funds balance as of December 31, 1989 <u>Bs</u>	Funds received during 1990 <u>Bs</u>	Funds available <u>Bs</u>	1990 Disbursements <u>Bs</u>	Funds balance as of December 31, 1990 <u>Bs</u>	Questionable costs (Note 4) <u>Bs</u>
SPECIAL ACCOUNT - (Note 2)						
USAID/BOLIVIA						
Training, studies and communication	826	3,686,347	3,687,173	3,026,420	660,753	
Construction	163,576	4,028,183	4,191,759	2,934,407	1,257,352	184,559
Commodities and supplies	17,880	203,260	221,140	192,164	28,976	63,940
Operating costs	214,387	2,617,405	2,831,792	2,816,278	15,514	
Others (Special Projects)		694,513	694,513	502,247	192,266	128,611
Advances to sub-contractors	(2,704)	2,704		9,964	(9,964)	
Loan to PL-480 Funds	(18,449)	18,449		166,117	(166,117)	
Assigned funds payable				(184,559)	184,559	
USARSO expenses				86,612	(86,612)	
Subtotal	<u>375,516</u>	<u>11,250,861</u>	<u>11,626,377</u>	<u>9,549,650</u>	<u>2,076,727</u>	<u>377,110</u>
AMIS/BOLIVIA						
Funds destined to AMIS Project		6,236	6,236		6,236	
NATIONAL TREASURY OF BOLIVIA						
Operating costs	<u>13,153</u>	<u>29,100</u>	<u>42,253</u>	<u>33,593</u>	<u>8,660</u>	
PL-480 EXECUTIVE SECRETARIAT						
Training, studies and communications	375,544	1,533,341	1,908,885	1,755,953	152,932	33,546
Constructions		1,206,200	1,206,200	940,006	266,194	1,651
Commodities and supplies	5,860	60,830	66,690	46,296	20,394	
Operating costs	54,413	88,280	142,693	82,830	59,863	
Advances to sub-contractors	(10,908)	10,908				
Loan from USAID/Bolivia Funds	18,449	166,117	184,566	18,449	166,117	
Assigned funds payable				(1,651)	1,651	
Subtotal	<u>443,358</u>	<u>3,065,676</u>	<u>3,509,034</u>	<u>2,841,883</u>	<u>667,151</u>	<u>35,197</u>
Totals	<u>832,027</u>	<u>14,351,873</u>	<u>15,183,900</u>	<u>12,425,126</u>	<u>2,758,774</u>	<u>412,307</u>

CHAPARE REGIONAL DEVELOPMENT PROJECT, ACTIVITIES
MANAGED BY THE PROGRAM OF ALTERNATIVE
REGIONAL DEVELOPMENT (PDAR)
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 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	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
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>

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES

The Program of Alternative Regional Development 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 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, 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 PDAR and charged to the project during 1990, are considered to be unsupported costs:

<u>Date</u>	<u>Voucher No.</u>	<u>Description</u>	<u>Questionable costs</u> <u>Bs</u>
		USAID/BOLIVIA - SPECIAL ACCOUNT	
		. Construction	
		Unpaid expenditures, recorded as disbursements of funds at December 31, 1990	<u>184,559</u>
		. Goods	
		Purchases without quotations	
01-16-90	AID 22/90	Purchase of doors and windows	1,880
01-16-90	AID 23/90	Repair vehicle	1,304
02-02-90	AID 57/90	Theodolite Wild T.1	27,810
02-02-90	AID 58/90	Spare parts for theodolite	18,596
02-07-90	AID 67/90	Engineers level	6,582
02-13-90	AID 83/90	Video camera, photographic camera, tape recorder and video recorder	<u>7,768</u>
			<u>63,940</u>
		. Others	
		Funds not rendered by governmental entities (CORDECO-UMSS), in charge of the subproject Rotating Fund for Processing Seeds "pasto cedron"	<u>128,611</u>
		PL-480 EXECUTIVE SECRETARIAT - SPECIAL ACCOUNTS	
		. Training, studies and communica- tion	
		Purchases without quotations	
		<u>ASAR</u>	
06-18-90	25/90	Agrobol, Chemical Supplies	<u>106</u>
Carrie forward			<u>106</u>
Carried forward			<u>377,110</u>

<u>Voucher</u>		<u>Description</u>	<u>Questionable costs</u>
<u>Date</u>	<u>No.</u>		
Brought forward			<u>377,110</u>
Brought forward			106
06-18-90	26/90	Agropecuaria Copacabana, Dimecrom	60
12-26-90	5/89	Office supplies	140
02-12-90	24/90	Typewriter purchase	670
01-09-90	5/90	Backpack purchase	540
02-19-90	31/90	Veterinary items	<u>339</u>
			<u>1,855</u>
<u>ARADO</u>			
01-02-90	92/90	Vehicle maintenance and spare parts	1,208
01-08-90	94/90	Vehicle spare parts	<u>390</u>
			<u>1,598</u>
<u>CER</u>			
12-20-89	CD-002	Printing of training charts	840
12-20-89	CD-002	Purchase of spare parts and tools	300
01-18-89	CD- 003-A	Purchase of office supplies	821
01-18-90	CD-017	Preparation of documentary films	7,300
01-31-90	CD-034	Printing of training charts	<u>1,250</u>
			<u>10,511</u>
			<u>13,964</u>
Lack of required approvals			
<u>ASAR</u>			
06-19-90	29/90	Fixed fund reimbursement	299
06-22-90	31/90	Office supplies purchases	242
06-27-90	36/90	Bicycle (Phoenix) purchase	480
12-28-89	10/89	December/89 salaries	2,851
02-12-90	26/90	February/90 salaries	<u>689</u>
Carried forward			<u>4,561</u>
Carried forward			<u>13,964</u>
Carried forward			<u>377,110</u>

<u>Voucher</u>		<u>Description</u>	<u>Questionable</u>
<u>Date</u>	<u>No.</u>		<u>costs</u>
			<u>Bs</u>
Brought forward			<u>377,110</u>
Brought forward			<u>13,964</u>
Brought forward			4,561
06-30-90	46/90	June/90 salaries	14,300
12-22-89	8/89	Various	191
01-05-90	9/90	Various	292
01-31-90	18/90	Various	<u>238</u>
			<u>19,582</u>

. Construction

Unpaid expenditures, recorded
as disbursement of funds at
December 31, 1990

1,651

1,651

Total questionable costs

412,307

Questionable
costs
Bs

Summary

Purchases without quotations	77,904
Lack of required approvals	19,582
Funds not rendered by governmental entities	128,611
Unpaid expenditures recorded as disbursements of funds at December 31, 1990	<u>186,210</u>
	<u>412,307</u>

NOTE 5 - FUNDS BALANCE

The funds balance as of December 31, 1990 consists of:

<u>A.I.D. Funds</u>	<u>Amount</u>	
	<u>Bs</u>	<u>US\$</u>
Petty cash - Central office	<u>4,000</u>	<u>1,309</u>
Carried forward	<u>4,000</u>	<u>1,309</u>

	<u>Amount</u>	
	<u>Bs</u>	<u>US\$</u>
Brought forward	4,000	1,309
Banco Nacional de Bolivia	2,072,427	678,351
Petty cash - Chapare	300	98
	<u>2,076,727</u>	<u>679,758</u>
 <u>AMIS/Bolivia-Project Funds</u>		
Banco Nacional de Bolivia	<u>6,236</u>	<u>1,890</u>
 <u>PL-480 Funds</u>		
Banco Nacional - saving account	941	287
Banco Nacional de Bolivia	665,910	203,247
Petty cash - Central office	300	92
	<u>667,151</u>	<u>203,626</u>
 <u>National Treasury Funds</u>		
Banco del Estado	7,960	2,434
Petty cash - Central office	700	214
	<u>8,660</u>	<u>2,648</u>
	<u>2,758,774</u>	<u>887,922</u>

NOTE 6 - ACCUMULATED FUND ACCOUNTABILITY STATEMENT THROUGH
DECEMBER 31, 1990 (UNAUDITED)

The project activities managed by PDAR have been funded by USAID/Bolivia, the PL-480 Executive Secretariat and the Government of Bolivia through the National Treasury. As of December 31, 1990, the total accumulated funds provided to PDAR in US\$, were as follow:

	<u>USAID/Bolivia</u>	<u>PL-480</u>	<u>Government</u>	<u>Others</u>
	<u>US\$</u>	<u>US\$</u>	<u>of Bolivia</u>	<u>US\$</u>
			<u>US\$</u>	<u>US\$</u>
Special account	5,409,685	1,322,465	120,970	1,890
Direct payments	6,757,570	33,826	-	-
	<u>12,167,255</u>	<u>1,356,291</u>	<u>120,970</u>	<u>1,890</u>

The accumulated fund accountability statement for the period from the beginning of the activities of the project managed by PDAR through December 31, 1990 (expressed in United States dollars), is included in the following pages for the reader's information. 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) The special account transactions were carried out entirely in local currency (bolivianos), and have been translated to U.S. 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 PDAR for information purposes only. PDAR does not manage the funds but controls and uses the assets and commodities thus provided.
- c) The funds provided by the PL-480 Executive Secretariat and the Government of Bolivia are entirely in bolivianos and have been translated into U.S. dollars at the exchange rate current on the date the funds were made available.

CHAPARE REGIONAL DEVELOPMENT PROJECT, ACTIVITIES
 MANAGED BY THE PROGRAM OF ALTERNATIVE REGIONAL DEVELOPMENT (PDAR)
 USAID/BOLIVIA PROJECT No. 511-0543

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

	Budget for 1990 US\$	ACTUAL COSTS		Excess (defect) over 1990 budget US\$
		as of 12-31-89 US\$	1990 US\$	
RECEIPTS				
<u>Special Account</u>				
USAID/Bolivia		1,888,613	3,521,072	5,409,685
Government of Bolivia		112,071	8,899	120,970
PL-480 Executive Secretariat		424,717	897,748	1,322,465
Funds destined to AMIS Project			1,890	1,890
		<u>2,425,401</u>	<u>4,429,609</u>	<u>6,855,010</u>
<u>Direct Payments</u>				
USAID/Bolivia		4,298,755	2,458,815	6,757,570
PL-480 Executive Secretariat			33,826	33,826
		<u>4,298,755</u>	<u>2,492,641</u>	<u>6,791,396</u>
Total receipts		<u>6,724,156</u>	<u>6,922,250</u>	<u>13,646,406</u>
EXPENDITURES				
<u>Special Account</u>				
USAID/Bolivia				
Training, studies and communications	1,562,039	226,454	978,297	1,204,751 (583,742)
Construction	3,113,895	336,977	940,490	1,277,467 (2,173,405)
Commodities and supplies	72,000	76,714	66,968	143,682 (5,032)
Operating costs	1,183,510	1,039,024	923,214	1,962,238 (260,296)
Other (special projects)	758,513		168,539	168,539 (589,974)
Advances to sub-contractors		58,964	(56,033)	2,931 (56,033)
Assigned funds payable			(55,927)	(55,927) (55,927)
USARSO expenses			26,246	26,246 26,246
Subtotal	<u>6,689,957</u>	<u>1,738,133</u>	<u>2,991,794</u>	<u>4,729,927</u> (3,698,163)
Government of Bolivia				
Operating costs	90,011	107,551	10,771	118,322 (79,240)
Carried forward	<u>6,779,968</u>	<u>1,845,684</u>	<u>3,002,565</u>	<u>4,848,249</u> (3,777,403)

CHAPARE REGIONAL DEVELOPMENT PROJECT, ACTIVITIES
MANAGED BY THE PROGRAM OF ALTERNATIVE REGIONAL DEVELOPMENT (PDAR)
USAID/BOLIVIA PROJECT No. 511-0543

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

	Budget for 1990 US\$	ACTUAL COSTS		Excess (defect) over 1990 budget US\$	
		as of 12-31-89 US\$	1990 US\$		as of 12-31-90 US\$
Brought forward	<u>6,779,968</u>	<u>1,845,684</u>	<u>3,002,565</u>	<u>4,848,249</u>	<u>(3,777,403)</u>
PL-480					
Training, studies and communication	734,300	238,695	524,261	762,956	(210,039)
Construction	665,000		279,042	279,042	(385,958)
Commodities and supplies	332,500	4,527	16,912	21,439	(315,588)
Operating costs		30,539	25,368	55,907	25,368
Advances to sub-contractors		3,881	(3,881)		(3,881)
Assigned funds payable			(505)	(505)	(505)
Subtotal	<u>1,731,800</u>	<u>277,642</u>	<u>841,197</u>	<u>1,118,839</u>	<u>(890,603)</u>
<u>Direct Payments</u>					
USAID/Bolivia					
Technical assistance	2,291,974	2,250,475	2,291,974	4,542,449	
Training, studies and communication		264,804	36,529	301,333	36,529
Construction	80,000				(80,000)
Commodities and supplies		368,815	33,904	402,719	33,904
Operating costs		745,823	3,401	749,224	3,401
Evaluation and audits		52,870	93,007	145,877	93,007
Other		379,841		379,841	
Contingencies		236,127		236,127	
	<u>2,371,974</u>	<u>4,298,755</u>	<u>2,458,815</u>	<u>6,757,570</u>	<u>86,841</u>
PL-480 Executive Secretariat Constructions			33,826	33,826	33,826
Direct payment's total	<u>2,371,974</u>	<u>4,298,755</u>	<u>2,492,641</u>	<u>6,791,396</u>	<u>120,667</u>
Total expenditures	<u>10,883,742</u>	<u>6,422,081</u>	<u>6,336,403</u>	<u>12,758,484</u>	<u>(4,547,339)</u>
Total receipt		6,724,156	6,922,250	13,646,406	
Total expenditures		<u>6,422,081</u>	<u>6,336,403</u>	<u>12,758,484</u>	
Cash on hand		<u>302,075</u>	<u>585,847</u>	<u>887,922</u>	

Moreno Muñoz



CHAPARE REGIONAL DEVELOPMENT PROJECT, ACTIVITIES
MANAGED BY THE PROGRAM OF ALTERNATIVE
REGIONAL DEVELOPMENT (PDAR)
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 Program of Alternative Regional Development (Programa de Desarrollo Alternativo Regional - PDAR) 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 Program of Alternative Regional Development (PDAR) 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 Program of Alternative Regional Development (PDAR) 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 funds controls,
- inventories management,
- procurement system, and
- sub-projects monitoring.

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 16 and findings from



previous year not yet implemented Nos. 1, 2 and 6 included in the follow-up of previous year recommendations, Appendix I to this report.

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 Program of Alternative Regional Development 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 Winters



Moreno Muñoz



CHAPARE REGIONAL DEVELOPMENT PROJECT, ACTIVITIES
MANAGED BY THE PROGRAM OF ALTERNATIVE
REGIONAL DEVELOPMENT (PDAR)
USAID/BOLIVIA PROJECT No. 511-0543
FOR THE YEAR ENDED DECEMBER 31, 1990

REPORT ON INTERNAL CONTROL STRUCTURE

FINDINGS

1. Failure to Complete Sub projects Carried out by
Non-governmental Organizations on Time

Condition:

During our visit on June 11, 1990 to the subproject "Manejo Ganado" in the high valleys it was noted that certain objectives and operating plans which should have been achieved, based on the original time table, had not been achieved.

Examples:

- None of the 10 units for the "efficient management to improve cattle and forage production" had been established.
- The capacitacion courses and the training of peasant farmers in techniques to improve cattle had not been carried out.
- Technical literature, information guides, bulletines, etc., and other training material had not been produced.

Although these objectives were attained during the second half of 1990. This was not in accordance with the original time table.

Criteria:

The execution of sub-projects by non-governmental organizations should be carried out in accordance with the time table laid down in the operating plan.

Cause:

The project was not approved on a timely basis and this resulted in delays in the disbursement of funds to commence the project.

Effect:

The sub projects are not commenced when planned, with the potential risk that higher costs are incurred.

Recommendation:

PDAR should improve procedures so that the planning and approval of sub-projects is made on a timely basis. Consequently the disbursements will be made for the sub-project to be commenced in accordance with the operating plan.

2. Lack of Proper Procedures to Control Stores Inventories and Fixed Assets at the Commencement of Projects Carried out by Private Voluntary Organizations

Condition:

Sub-projects carried out by ASAR (PVO) had no records to adequately control the materials, supplies and fixed assets used when the project commenced.

Criteria:

Proper records and procedures should be in place from the beginning of all sub-projects carried out by PVO's to ensure the proper use and safekeeping of assets.



Cause:

PDAR did not have proper rules and procedures that required the PVO's to have records to control assets assigned to the sub-projects.

Effect:

During the early stages of the sub projects carried out by ASAR, there were no controls over the use of materials, supplies and fixed assets provided for the projects. Consequently these materials could have been misused.

Recommendation:

PDAR should issue rules and procedures that require that proper records to control the use of the assets assigned to the sub-projects are in place prior to the commencement of the sub-project.

3. Delays in Execution of Sub projects carried out by PVO's

Condition:

Delays are incurred in the approval, disbursement of funds, and execution of sub-projects carried out by PVO's. This problem applies to many projects but as specific examples we mention the following:

Delays in commencing
the sub-project

<u>Sub-project</u>	<u>Date that the project should commence per PDAR</u>	<u>Actual date of first disbursement of funds to commence the project</u>
<u>PL-480 - Funds</u>		
"Conservacion de suelos"	01-08-90	04-18-90
"Riego parcelario"	02/90	04-18-90
"Procipla"	02/90	04-30-90
"Apoyo en capacitación"	02/90	05-02-90



<u>Sub-project</u>	<u>Date that the project should commence per PDAR</u>	<u>Actual date of first disbursement of funds to commence the project</u>
<u>AID - Funds</u>		
"Sistemas de cultivos y transferencia de tecnología"	02-19-90	05-23-90
"Diagnóstico y profilaxis del mal de chagas"	04-26-90	06-28-90
"Apoyo para la organización de unidades productivas"	05/90	06-28-90

Delays in disbursement funds

<u>Project</u>	<u>Date reimbursement of funds requested</u>	<u>Date reimbursement made</u>
<u>PL-480 - Funds</u>		
"Apoyo en capacitación"	02-15-90	04-30-90
<u>AID - Funds</u>		
"Diagnóstico y profilaxis del mal de chagas"	09-30-90	12-18-90

Due to these delays, we detected several cases when it was necessary to use AID funds to cover subprojects to be funded by PL-480. These transfers were authorized by AID. The following are examples of reimbursement of funds to AID by PL-480:

<u>Date</u>	<u>Voucher</u>	<u>Explanation</u>	<u>Amount</u> <u>Bs</u>
01-26-90	AID 44/90	Reimbursement - Several implementing entities	50,757
05-18-90	AID 298/90	Reimbursement - Several implementing entities	130,000



<u>Date</u>	<u>Voucher</u>	<u>Explanation</u>	<u>Amount</u> <u>Bs</u>
06-26-90	AID 415/90	Reimbursement CER	50,000
09-18-90	AID 743/90	Reimbursement ARADO- PROCIPLA	64,000
09-18-90	AID 744/90	Reimbursement IBTA/Regional	54,386

Criteria:

The plans and the presenting of reimbursement claims should be made with sufficient anticipation to enable the sub-projects and reimbursement claims to be approved, without delaying the commencement and progress of the projects.

Cause:

PDAR and the PVO's do not present the plans and requests for the disbursement of funds on a timely basis. As a result delays occur before the approval of the projects and disbursements are made, resulting in the non-compliance of the operating plan. Furthermore the approval procedures themselves are extremely time consuming.

Effect:

The PVO's do not complete the projects in accordance with the operating plan and furthermore, especially once the project has commenced, extra costs may be incurred as result of these delays.

Recommendation:

PDAR should establish a realistic time table for the presentation of projects to enable the approval process to be carried out without delaying the project. Clear instructions should be implemented for the presentation of requests for disbursements so as to limit to a minimum delays in the disbursement of funds.



4. Lack of Coordination Between the Various Entities to Provide Education and Promotional Material.

Condition:

The PVO's, during the first half of 1990 did not receive the educational and promotion equipment required to carry out the projects on a timely basis. Examples of projects which did not have the material are:

<u>PVO's</u>	<u>Subproject</u>
ARADO	"Procipla"
ASAR	"Manejo ganado"
ASAR	"Validación y transferencia de tecnología en conservación de suelos"
ASAR	"Mejoramiento de riego parcelario"

Criteria:

A proper timetable should be in place prior to the commencement of the projects which establishes the material required and the date when required so that the material is available as needed.

Cause:

During the first half of 1990 there was a lack of proper planning and coordination between the PVO's, PDAR and CER (the PVO responsible for the production of educational and promotion material) which resulted in the material not being available when needed.

Effect:

Delays in carrying out the projects. In one case a PVO prepared its own material, in contravention of the establish procedures which require the CER prepare all such material.

Recommendation:

PDAR should coordinate the requirements of educational and promotional material fix priorities and establish a



timetable to ensure that all such material is in place when required.

5. PDAR had no Accounting Control of the Inventories, Costs and Budget.

Condition:

There was no integral accounting system to account for the movement and balances of materials, supplies and tools. Under the present system there is an overall control account but this cannot be reconciled to the actual use of stores and the physical inventory at a given date.

Criteria:

All inventory movement and balances should be properly recorded, and the accounting system must enable proper reconciliation to be made between the accounting records and the physical movement of the material.

Cause:

No prior planning was made for the administrative needs to properly control the projects costs, and there was a lack of technical expertise in designing proper systems.

Effect:

There is a lack of control over the materials and there is no assurance that all the costs incurred are charged to the projects. As a result there is no assurance that the budget controls over the projects are effective.

Recommendation:

PDAR should take urgent measures to design and implement adequate accounting systems to control inventories, costs and budgets.



6. Lack of Supporting Documentation for Delivery and Reception of Material.

Condition:

There was no formal evidence of the delivery or receipt of materials by the communities. The engineer authorizes the dispatch from the stores, but only occasionally is there any evidence that the goods are delivered to the communities. Even in the cases that evidence exists, this is informal because many of the signatures on the documents are illegible.

Criteria:

The delivery of goods to the communities should be supported by written evidence that the goods are delivered to the projects.

Cause:

The responsibility and accountability for the delivery of the goods has never been clearly defined. Given the lack of education of the beneficiaries the signing of forms by the beneficiaries is not an effective control.

Effect:

There is no effective evidence that the goods have been delivered to the projects, with the risk that these may be used for other than project purposes.

Recommendation:

PDAR should establish procedures which clearly define the responsibility and accountability for the delivery of materials.

7. Cost Records not Maintained on Timely Basis

Condition:

The records to control costs of each individual sub-project are not prepared at the time the cost is incurred. Periodically, usually quarterly, an effort is



made to prepare these records, but useful accurate information prepared on a timely basis is not available to management.

Criteria:

A proper management accounting system, which enables information to be available to control costs, requires that the records be prepared on a timely basis, so that the management have the information to detected problems and take measures when these arise.

Cause:

The absence of proper accounting procedures and the lack of the use of the information prepared, results in a lack of importance being given to these records.

Effect:

There is no proper information on the costs and the advance of the work on each individual sub-project.

Recommendation:

PDAR should design procedures so that the information is recorded when the cost is incurred and management must be provided the information to follow-up the program and control the costs of the projects.

8. Disbursements not Properly Documented

Condition:

As a result of our review of documentation supporting the accounts rendered by the private voluntary organizations and government entities, the following matters came to our attention:

ASAR

- a) Disbursements vouchers which, at the time of our review, included no evidence of approval by the executive director of ASAR.



Voucher		Explanation	Amount Bs
Date	No.		
06-19-90	29/90	Fixed fund reimbursement	299
06-22-90	31/90	Office supplies purchase	242
06-27-90	36/90	Bicycle (Phoenix) purchase	<u>480</u>
			<u>1,021</u>

b) Payrolls, which, at the time of our review, included no evidence of approval by the executive director of ASAR.

Date	Voucher	Payroll	Amount
12-28-89	10/89	December/89 Salaries	2,851
02-12-90	26/90	February/90 Salaries	689
06-30-90	46/90	June/90 Salaries	<u>14,300</u>
			<u>17,840</u>

c) Petty cash payments, which at the time of our review, included no evidence that the expense had been approved.

Date	Ticket No.	Amount Bs
12-22-89	8/89	191
01-05-90	9/90	292
01-31-90	18/90	<u>238</u>
		<u>721</u>

d) The person responsible for the petty cash also approved the payments and registered the operations.

e) Purchases made without obtaining the required number of competitive bids.

Voucher		Explanation	Amount Bs
Date	No.		
06-18-90	25/90	Agrobol, Chemical Supplies (1)	<u>106</u>
Carried forward			106



<u>Voucher</u>		<u>Explanation</u>	<u>Amount</u>	
<u>Date</u>	<u>No.</u>		<u>Bs</u>	
Brought forward				106
06-18-90	26/90	Agropecuaria Copacabana, Dimecrom	(2)	60
12-26-90	5/89	Office supplies	(3)	140
02-12-90	24/90	Typewriter purchase	(2)	670
01-09-90	5/90	Backpack purchase	(2)	540
02-19-90	31/90	Veterinary items	(2)	339
				<u>1,855</u>

- (1) Only one quotation
(2) Only two quotations
(3) No quotation

ARADO

- a) Lack of prior authorization for travel.
b) There were no special forms for the reimbursement of travel expenses and consequently the detail of such expenses was included in the technical report.
c) Purchases made without obtaining the required number of competitive bids.

<u>Voucher</u>		<u>Explanation</u>	<u>Amount</u>	
<u>Date</u>	<u>No.</u>		<u>Bs</u>	
01-02-90	92/90	Vehicle maintenance and spare parts	(1)	1,208
01-08-90	94/90	Vehicle spare parts	(2)	390
				<u>1,598</u>

- (1) No quotation
(2) Of 3 quotations only two had inventories

- d) There is no evidence of the evaluation of the bids obtained or reasons given why a supplier was chosen.
e) The accountant was paid Bs294.47 in excess due to a calculation error. This amount was subsequently repaid by the accountant.



f) Advances were normally charged directly to expenses rather than to an account receivable from the employee, until such time as the accounts were rendered.

CER-Sub project "Training support"

a) Purchases made without obtaining competitive bids.

Examples:

<u>Date</u>	<u>Voucher</u>	<u>Explanation</u>	<u>Amount</u> <u>Bs</u>
12-20-89	CD-002	Printing of training charts	840
12-20-89	CD-002	Purchase of spare parts and tools	300
01-18-89	CD-003-A	Purchase of office supplies	821
01-18-90	CD-017	Preparation of documentary films	7,300
01-31-90	CD-034	Printing of training charts	<u>1,250</u>
			<u>10,511</u>

IBTA/Regional

- The financial report of the sub project "Frutales Tarata" for the period June 27, 1990 to September 13, 1990 did not include the actual payments made for the purchase of materials and supplies. Only the cost of material and supplies used were included.

Criteria:

The administration and accounting of funds, by the PVO's should be in accordance with approved standards and procedures. Compliance with these standards should be the responsibility of the executive director of each organization.

Cause:

PDAR did not establish the procedures to be followed by the PVO's when administering project funds, nor for the rendering of accounts.



Effect:

The administration of the project funds by the PVO's may not be in accordance with the standards established in the overall project agreement, which could result in some of the expenses incurred being considered questionable.

Recommendation:

PDAR should establish clear and concise procedures to enable the PVO's to administer the projects funds in accordance with the project agreement and the standards established by the financing agency. The procedures should include adequate description of: (1) disbursement approvals, (2) payroll approvals, (3) petty cash disbursement approvals, (4) separation of duties of personnel involved in the handling of cash, (5) competitive bidding requirements, (6) travel expense authorizations and reimbursements.

9 Deficiencies in the Cochabamba Warehouse

Condition:

The following deficiencies were noted in the controls over stores in the Cochabamba warehouse.

- The documentation of the use of material was not properly filed to support the dispatch of material from the store.
- There were no registers or pre-numbered goods received notes to ensure that all goods received are recorded in the inventory control records.

Criteria:

The movement of goods received and dispatched from the warehouse should be supported by goods received and dispatch notes, which should be properly filed.

Cause:

The warehouse was installed without previously issuing procedures to control the movement of inventories.



Effect:

Errors or omissions in the recording of the movement of goods may not be detected. Also the dispatch of goods may not be supported by appropriate documentation.

Recommendation:

PDAR should implement procedures to ensure that all the inventory movements are supported by documentation, which is properly filed.

10 Incorrect Preparation of Quarterly Reports

Condition:

The quarterly reports presented by PDAR include information related to the operations of PL 480, but not other executing agencies of the project. At June 1990 and September 1990 the information related to PL-480 funds did not agree with that included in the PL-480 records and at December 1990 the PL 480 information was not included.

Criteria:

Procedures should be established to obtain all the information required to prepare the quarterly reports and this information should be reconciled with that recorded in the records of the executing agency.

Cause:

The information requirements were not properly coordinated between PDAR and PL-480.

Effect:

The information provided by PDAR to USAID/Bolivia was incorrect and incomplete and is therefore of little use to USAID/Bolivia in managing the project.

Recommendation:

PDAR should coordinate with USAID/Bolivia to clearly define what information is required to manage the



project, who should provide such information and then issue written procedures to ensure that accurate information is obtained on a timely basis.

11 Delays in the Construction of Dehydration Plants

Condition:

In accordance with the operating plan the construction of the dehydration plants for forage and banana should have begun in March and May 1990. During our visit to the site in December 1990 we were informed that the work commenced in November 1990.

Criteria:

The management of the sub-projects should make every effort to commence projects in accordance with the operating plan, and when this is not possible should document the reasons for the delay.

Cause:

The operation plan is not realistic because of the time required by the financing agency to review and approve the sub-project.

Effect:

Delays in the completion of the sub-project. These delays may result in the loss of agricultural production, because production plans may be geared to the completion of the project in accordance with the plan. In this case any delay would result in the expectations of the farmers, who replaced coca plantations, being unrealized.

Recommendation:

PDAR should make the operating plan on a realistic basis so that the projects can be completed in time and there can be proper coordination between the production and the completion of the plant. If possible the time required for approval procedures to be carried out should be reduced so that the sub-projects are commenced on time.



12 Lack of Accountability by the University of San Simon - Cochabamba

Condition:

During May 1990 PDAR advanced Bs128,611 to the San Simon University in Cochabamba to promote the production Cedron grass in order to supply a processing plant designed to obtain oil from the grass. No accounts have been rendered on how these funds were used. We have been informed that the project has now been cancelled.

Criteria:

All project funds should be properly accounted for and accounts rendered in accordance with the agreements between PDAR and the University.

Cause:

There is no evidence that PDAR has taken follow-up action to determine the proper use of these funds.

Effect:

PDAR has no information on how these funds have been used and consequently this expense is considered to be questionable. (See note 4 to the fund accountability statement).

Recommendation:

PDAR should take action to recover these funds.

13 Lack of Conclusion Reports on Immediate Impact Works

Condition:

During our visit to the Chapare and the Associated High Valleys we noted that a number of projects had been completed, but no final reports had been prepared.



Criteria:

On the completion of each job a final report should be issued evaluating the project. This report should include a declaration from the beneficiaries that the job has been satisfactorily completed.

Cause:

There are no standard procedures that require that final reports are prepared.

Effect:

There is no proper evaluation of the projects to determine if the work has been a success and identifying problems incurred, so that errors or problems encountered can be avoided in the future.

Recommendation:

PDAR should establish proper procedures requiring ensuring final reports are prepared for all jobs, so that a data bank can be formed detailing the experience obtained on each job.

14 Lack of ability to capitalize on successes

Condition:

The institution has not been able to capitalize on successes because plans cannot be easily changed in the light of changed circumstances. For example the demand for fish from farmers, who had built proper installations for developing tilapias, could not be met because there is only one small truck to cover the whole of the Chapare. Another example is the forestry program where again there is only one truck to deliver the plants from three nurseries, which are in distant zones, to all the peasant farmers who request plants.

Criteria:

Plans should be sufficiently flexible to allow PDAR to capitalize on its successes.



Cause:

The original projects did not contemplate the provision of trucks and therefore these were not included in the project. It was expected that in the case of the forestry project, the truck would be provided from other sources. It is hoped that the problem will be solved when PDAR receive new trucks and the existing ones can be used on these projects.

Effect:

The material cannot be delivered on a timely basis to the beneficiaries and these may become disinterested and abandon the project.

Recommndation:

PDAR should build a certain flexibility into its original plans to allow modifications if the circumstances change.

15 No Evidence of Competitive Bids Being Obtained for the Purchase of Goods

Condition:

There was no evidence in the following purchases that competitive bids had been obtained.

<u>Date</u>	<u>Voucher</u>	<u>Description</u>	<u>Amount</u> <u>Bs</u>
01-16-90	22/90	Purchase of doors and windows	(1) 1,880
01-16-90	23/90	Repair vehicle	(1) 1,304
02-02-90	57/90	Theodolite - Wild T.1	(2) 27,810
02-02-90	58/90	Spare parts for theodolite	(2) 18,596
02-07-90	67/90	Engineers level	(2) 6,582
02-13-90	83/90	Video camera, photographic camera, tape recorder and video recorder	(1) <u>7,768</u>
			<u>63,940</u>



- (1) No quotations
- (2) Of three quotations only two have inventory

Criteria:

Normal circumstances require that three bids are required for all purchases over minimum amounts. However modern management practice favors that "preferred suppliers" be named prior to making acquisitions. In this case bidding is not required for each purchase, when these suppliers are used, reducing delays, bureaucratic paperwork and it allows a professional relationship to be developed with the suppliers. However if this procedure is used the naming of the "preferred supplier" must be properly documented and monitoring procedures put in place to avoid above.

Cause:

These were emergency purchases, early in the year, and there was no time to obtain competitive bids.

Effect:

The purchase may not have been made in the best possible conditions. This is also a lack of formal validity of the project activities documentation.

Recommendation:

PDAR should issue written purchase procedures laying out the procedures to be followed.

16 Travel Expenses not Properly Authorized

Condition:

The following travel expenses were paid without obtaining the prior written authorization.

Examples:



<u>Date</u>	<u>Voucher</u>	<u>Name</u>	<u>Amount</u> <u>Bs</u>
04-27-90	240	Juan Carlos Baya	120
04-27-90	240	Eduardo Ferrufino	326
04-27-90	240	Maximo Salvatierra	171
04-27-90	240	Felix Serna	171

Criteria:

All travel expenses should be authorized by the executive director prior to their reimbursement or in his absence by a person designated to make such approvals.

Cause:

The executive director was travelling when these expenses were paid and there were no procedures which established how these expenses were to be approved in these circumstances. As a result no approval was given even though the amounts were reimbursed.

Effect:

The travel expenses could have been incorrectly paid and there is a lack of formal validity for these payments.

Recommendation:

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



Moreno Muñoz



CHAPARE REGIONAL DEVELOPMENT PROJECT, ACTIVITIES
MANAGED BY THE PROGRAM OF ALTERNATIVE
REGIONAL DEVELOPMENT (PDAR)
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 Program of Alternative Regional Development (Programa de Desarrollo Alternativo Regional - PDAR) 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 Program of Alternative Regional Development'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 certain provisions of laws, regulations, and agreement terms. 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 Program of Alternative Regional Development 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 Program of Alternative Regional Development (PDAR) did not comply with the legal requirement to withhold the transaction tax on payments for services to individuals, and to 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 Program of Alternative Regional Development's 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 noncompliance mentioned in the fifth paragraph, the results of our tests of compliance indicate that, with respect to items tested, the Program of Alternative Regional Development 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 Program of Alternative Regional Development 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 Program of Alternative Regional Development 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

Pricewaterhouse.



Moreno Muñoz



CHAPARE REGIONAL DEVELOPMENT PROJECT, ACTIVITIES
MANAGED BY THE PROGRAM OF ALTERNATIVE
REGIONAL DEVELOPMENT (PDAR)
USAID/BOLIVIA PROJECT No. 511-0543
FOR THE YEAR ENDED DECEMBER 31, 1990

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

FINDINGS

Transaction Tax not Retained from Payments for Services
to Individuals

Condition:

Cases were noted where PDAR 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>
2-02-90	AID 60/90	Payments to casual workers for community work - Chapare	6,723
2-19-90	AID 091/90	Payments to casual workers in nursery	2,869
9-10-90	AID 715/90	Payments to casual building workers - Mizque	2,241

Criteria:

The PDAR 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 PDAR employees that the withholding was not made because such withholding are a charge for the laborers who have low incomes.

Effect:

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

Recommendation:

PDAR should establish procedures to ensure tax is withheld in accordance with the tax law.



Moreno Muñoz



CHAPARE REGIONAL DEVELOPMENT PROJECT, ACTIVITIES
MANAGED BY THE PROGRAM OF ALTERNATIVE
REGIONAL DEVELOPMENT (PDAR)
USAID/BOLIVIA PROJECT No. 511-0543
FOR THE YEAR ENDED DECEMBER 31, 1990

LIST OF REPORT RECOMMENDATIONS

REPORT ON INTERNAL CONTROL STRUCTURE

Recommendation 1:

PDAR should improve procedures so that the planning and approval of sub-projects is made on a timely basis. Consequently the disbursements will be made for the sub-project to be commenced in accordance with the operating plan.

Recommendation 2:

PDAR should issue rules and procedures that require that proper records to control the use of the assets assigned to the sub-projects are in place prior to the commencement of the sub-project.

Recommendation 3:

PDAR should establish a realistic time table for the presentation of projects to enable the approval process to be carried out without delaying the project. Clear instructions should be implemented for the presentation of requests for disbursements so as to limit to a minimum delays in the disbursement of funds.

Recommendation 4:

PDAR should coordinate the requirements of educational and promotional material fix priorities and establish a timetable to ensure that all such material is in place when required.

Recommendation 5:

PDAR should take urgent measures to design and implement adequate accounting systems to control inventories, costs and budgets.

Recommendation 6:

PDAR should establish procedures which clearly define the responsibility and accountability for the delivery of materials.

Recommendation 7:

PDAR should design procedures so that the information is recorded when the cost is incurred and management must be provided to use the information to follow-up the program and control the costs of the projects.

Recommendation 8:

PDAR should establish clear and concise procedures to enable the PVO's to administer the projects funds in accordance with the project agreement and the standards established by the financing agency. The procedures should include adequate description of: (1) disbursement approvals, (2) payroll approvals, (3) petty cash disbursement approvals, (4) separation of duties of personnel involved in the handling of cash, (5) competitive bidding requirements, (6) travel expense authorizations and reimbursements.

Recommendation 9:

PDAR should implement procedures to ensure that all the inventory movements are supported by documentation, which is properly filed.

Recommendation 10:

PDAR should coordinate with USAID/Bolivia to clearly define what information is required to manage the project, who should provide such information and then issue written procedures to ensure that accurate information is obtained on a timely basis.



Recommendation 11:

PDAR should make the operating plan on a realistic basis so that the projects can be completed in time and there can be proper coordination between the production and the completion of the plant. If possible the time required for approval procedures to be carried out should be reduced so that the sub-projects are carried out in time.

Recommendation 12:

PDAR should take action to recover these fund.

Recommendation 13:

PDAR should establish proper procedures requiring and ensuring final reports are prepared for all jobs so that a data bank can be formed detailing the experience obtained on each job.

Recommendation 14:

PDAR should build a certain flexibility into its original plans to allow modifications if the circumstances change.

Recommendation 15:

PDAR should issue written purchase procedures laying at the procedures to be followed.

Recommendation 16:

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



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

Recommendation:

PDAR should make the tax withholding in accordance with the tax law.



Moreno Muñoz



APPENDIX I

AUDIT OF THE
CHAPARE REGIONAL DEVELOPMENT PROJECT, ACTIVITIES
MANAGED BY THE PROGRAM OF ALTERNATIVE
REGIONAL DEVELOPMENT (PDAR)
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 Program of Alternative Regional Development (PDAR), for the year ended December 31, 1990. The scope of our work included a follow-up on 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 PDAR and/or USAID/Bolivia to provide adequate documentation and settle the questionable costs of Bs32,432 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. PDAR's accounting system was incomplete to produce timely accounting information and to properly record the future operations of the unit.

Previous Recommendation

PDAR, in coordination with USAID/Bolivia should evaluate and redesign its accounting system with the object of improving it and making it compatible with the legal requirements of the Bolivian Government and also allows

for the preparation of the information required by USAID/Bolivia and which is meaningful for management in the future.

2. PDAR did not have proper procedures manuals

Previous Recommendation

PDAR should redesign and implement these procedures manuals, as applicable.

3. Lack of Inventories Control (material and supplies)

Previous Recommendation

PDAR should redesign its control system over the materials and supplies held by the unit and the private entities carrying out sub-projects.

4. PDAR did not Always Hire Personnel in Accordance with USAID/Bolivia Recommended Procedures

Previous Recommendation

The PDAR should permanently supervise the application of contracting procedures as required by the terms of the agreement so as to document the procedures used and avoid similar cases in the future.

5. Inadequate Determination and Control Over the Costs of the Immediate Impact Sub-projects

Previous Recommendation

PDAR should design and implement effective accounting and management information systems for project activities. These systems must provide reliable and timely information on the sub-projects.

6. The Operating Plan was Only Partially Implemented

Previous Recommendation

PDAR's management in coordination with USAID/Bolivia should ensure that all human resources are provided for



in a timely manner in accordance with the requirements outlined in the annual operating plan.

Implementation Status of Previous Recommendations:

1. At the date of our report the chart of accounts has been implemented. However the general ledger cards still contain no information on specific budgeted line items.
2. The recommendation has not been implemented.
3. Except for the lack of subsidiary records to control the value of each type of material in the inventory and the absence of physical inventories, measures have been adopted by the entity to implement the recommendation. (See finding No. 5 Internal Control Structure section of this report).
4. No additional cases were noted.
5. The recommendation has been implemented except for the non-issuing of conclusion reports (See finding No. 13 Internal Control Structure section of this report).
6. Only 45% of 1990 operating plan was implemented based on the project implementation letters.

Implementation of specific sub-projects which were approved during 1990 were as follows:

- Sub-projects financed with special account funds of USAID/Bolivia 47%.
- Sub-projects financed with funds of PL-480 66%.

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

Our previous year recommendations highlighted the following:



1 There was Noncompliance with some Social Security Regulations on the Registration of PDAR's employees

Previous Recommendation

PDAR should clearly define the situation and affiliate its employees in the Social Security System in order to comply with the law.

2. Lack of Identification and Marking of Goods

Previous Recommendation

PDAR should:

- a) implement a procedure to ensure that all goods financed by A.I.D. 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 PDAR.

Implementation Status of Previous Recommendations:

1. Measures have been taken in 1991 to register employees in the Social Security System.
2. All goods financed by A.I.D. have been marked except vehicles. To date no specific exemption has been obtained for vehicles.

C DISPOSITION OF QUESTIONABLE COSTS FOR Bs32,432 IDENTIFIED IN OUR PREVIOUS YEAR REPORT

Questionable costs were classified in the following cost categories:

	<u>Bs</u>
Construction	20,649
Operating costs	<u>11,783</u>
	<u>32,432</u>



The above costs were questioned because PDAR has carried out purchases without quotations (Bs18,632), has incurred in excess of costs over the budget for a sub-project (Bs2,017), and has paid salaries and social benefits to PDAR employees without approval by USAID/Bolivia (Bs11,783).

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



NOTAS ACLARATORIAS A INFORME DE AUDITORIA DE MORENO
MUÑOZ AL 31 DE DICIEMBRE DE 1990

1.-FALLA EN COMPLETAR A TIEMPO LOS SUB PROYECTOS LLEVADOS A CABO POR ORGANIZACIONES NO GUBERNAMENTALES .- El incumplimiento de ciertos objetivos y planes operativos del cronograma original de los Sub Proyectos, fundamentalmente se debe al retraso en el inicio de actividades como consecuencia de la demora del primer desembolso y este por su aprobación de parte del Comité de Aprobación de Proyectos.

En relación al comentario del inciso efecto sobre este punto, consideramos que la demora en la iniciación de un Sub Proyecto no origina mayores gastos al contrario no permite la ejecución de los gastos programados para el periodo ocasionando un retraso en el cumplimiento de las metas, lo cual da una imagen irreal de falta de capacidad de gasto. Cabe hacer notar que la entidad financiadora también cumple un papel fundamental en este aspecto.

2.-FALTA DE PROCEDIMIENTOS ADECUADOS DE CONTROL DE ALMACENES, INVENTARIOS Y ACTIVOS FIJOS AL COMIENZO DE PROYECTOS LLEVADOS A CABO POR ORGANIZACIONES VOLUNTARIAS PRIVADAS .-

ASAR.- Estas observaciones fueron superadas con la contratación de dos asistentes Financieros, los mismos que prestan asesoramiento y seguimiento oportuno, además de haber elaborado procedimientos pertinentes los que fueron enviados mediante circular a todas las entidades ejecutoras en el mes de Septiembre de 1990.

3.-GOMBAS EN LA EJECUCION DE PROYECTOS.- Debemos indicar que los desembolsos correspondientes a cada una de las Entidades Ejecutoras, estuvieron sujetas a autorizaciones de USAID/SOLIVIA mediante Cartas Administrativas, las mismas que se aproximan a las fechas de desembolso de Fondos.

En lo referente a Sub Proyectos financiados por el PL-480 para no perjudicar el inicio de sus actividades se les otorgo anticipos con Fondos de AID debidamente autorizados por la oficina de USAID/SOLIVIA.

4.-FALTA DE COORDINACION ENTRE LAS DIVERSAS ENTIDADES PARA PROPORCIONAR MATERIAL EDUCATIVO Y PROMOCIONAL.- La solicitud de material educativo de parte de los subproyectos al Centro de Educación Rural (C.E.R.), se la realiza a principio de gestión para fines de programación técnica y presupuestaria, por lo tanto, solicitudes realizadas sin previa anticipación, no pueden ser atendidas por razones presupuestarias y de tiempo disponible.

5.-EL POAF NO TENIA CONTROL CONTABLE DE INVENTARIOS, COSTOS NI PRESUPUESTO.- El Movimiento contable del inventario ha sido registrado en tarjetas de existencia en Almacenes y Kardex valorado en Contabilidad. las salidas de materiales y herramientas con destino a las Obras Comunitarias y/o trabajos especificos de las Unidades de Riego se originan con el formulario de pedido debidamente aprobado, el despacho de los mismos se efectua con la Nota de Recepcion de Materiales en Obra que es entregado a los dirigentes de comunidades y se encuentran debidamente firmados y cargados al costo individual correspondiente. En la gestion 1991 se a implementado el control de existencias mediante la incorporacion al sistema computarizado. Periodicamente se ha efectuado conciliaciones de saldos de almacenes con los controles de Kardex en Cochabamba.

6.-FALTA DE DOCUMENTACION DE RESPALDO PARA LA ENTREGA Y RECEPCION DE MATERIALES.- La evidencia efectiva de que los bienes han sido entregados a los proyectos es la construccion de los mismos que pueden ser cuantificados con un tecnico especializado en el area, sin embargo a la fecha se cuentan con todos los controles correspondientes en cuanto a la entrega y recepcion de materiales asi como su control fisico en almacenes.

En el caso de las Obras Comunitarias de Impacto Inmediato en la zona de Valles Altos donde se procede al despacho de materiales con destino a las obras en construccion se puede evidenciar las entregas mediante las firmas en LAS NOTAS DE RECEPCION DE MATERIALES EN OBRA efectuadas por los dirigentes.

7.-NO SE MANTIENEN REGISTRO DE COSTO OPORTUNAMENTE.- Desde la gestion 1989 hasta la fecha se ha efectuado registros de costos individuales por obras en tarjetas de control de contabilidad, cuyas copias se archivan en los folders correspondientes a cada Obra Comunitaria.

8.-DESEMBOLOSOS QUE NO ESTAN APROPIADAMENTE DOCUMENTADOS.-

ASOCIACION DE SERVICIOS ARTESANALES Y RURALES.-

a.-b.-c.-de la nomina de documentos observados por la auditoria efectuada indicando falta de evidencias de aprobacion por parte del Director Ejecutivo en el momento de la revision, es evidente, en vista de que el indicado ejecutivo no se encontraba para la firma respectiva lo que se supero una vez incorporado a sus funciones.

e.-Con el proposito de que no se recitan estas irregularidades reiteramos que mediante circular se les proporciono manual de procedimientos de control interno a las entidades ejecutoras, el mismo que es conocido por funcionarios de Moreno Muñoz.

ARADO.-

a.-b.- Evidentemente ARADO no contaba con formularios para autorización de viaje ni formulario de liquidación de viáticos, esta liquidación se la efectuaba en el informe de viaje que era aprobado por el Director, y a la fecha cuenta con los mismos.

c.- Los formularios para determinar el crédito fiscal está bajo resguardo y responsabilidad de la Institución respectiva de acuerdo a disposiciones legales.

d.-e.- El comprobante 92/90 del 2/1/90 se trata de un servicio de mantenimiento para vehículo Ford Bronco obtenido de Galindo S.A. Única autorizada para este trabajo razón por la que no se obtuvieron cotizaciones.

El comprobante 94/90 del 8/1/90 a la orden de Transatlantic Ltda. cuenta con las cotizaciones respectivas y no así con el cuadro comparativo.

f.- g.- El anticipo al Contador que se indica, se refiere a un cargo efectuado por error de cálculo en duodécimas de Aguinaldo gestión 1989 y que fue cargado a la cuenta en comprobante de caja # 89/89 de fecha 22 de Diciembre de 1989. Este error fue detectado al momento de la revisión de documentos de descargo por parte del PDAR, recomendando el ajuste a Cuentas por Cobrar del indicado funcionario.

Los anticipos que fueron cargados directamente al gasto corresponden a becas a favor de Alvaro Méndez, Serafin Ponce y Ximena Coronado quienes elaboran perfiles de Tesis, este pago corresponde a becas devengadas del mes de Noviembre/89.

Estas explicaciones fueron echas en su oportunidad a los auditores de Moreno Muñoz y consideramos que estos costos no son cuestionables.

CENTRO DE EDUCACION RURAL.- A.- Las observaciones son correctas, las mismas que fueron superadas con la contratación del personal de Finanzas del PDAR.

IBTA REGIONAL. A.- En lo referente al impuesto retenido en los pagos de salarios observados, se explicó en su oportunidad que se debió a la inexperiencia del Contador de esa entidad, error que fue detectado por el P.D.A.R. y regularizado posteriormente mediante créditos fiscales.

B.- Existían planillas IVA de viáticos en las que por presentación de facturas no correspondía el descuento, el error fue de que las mismas se encontraban al inicio de la documentación de descargo y no en cada comprobante como correspondía, en vista de ello, se recordó en presencia de un funcionario de Moreno Muñoz.

C.- La observación es correcta. Habiéndose instruido la utilización del formulario correspondiente.

D.-Por la dificultad de conseguir mano de obra y la resistencia que aún se encuentra en áreas rurales, además de los bajos montos cancelados que ascienden a Bs. 96.00 mes por jornalero, no se procedió al descuento de los impuestos sobre servicios a personas independientes. A la fecha se está aplicando esta recomendación.

RADIO ESPERANZA.- Las observaciones son correctas, habiéndose instruido la aplicación de los formularios correspondientes y el cálculo de los impuestos.

CORDECO .-A.-B.- Efectivamente las observaciones son correctas en los Sub Proyectos Plantaciones Forestales y Manejo Silvicultural, Desarrollo Forestal y Manejo Silvicultural del Bosque. Estas observaciones fueron tomadas en cuenta para lo posterior.

9.-DEFICIENCIAS EN LOS ALMACENES DE COCHABAMBA.- Los formularios de solicitud de materiales impresos, llevan numeración correlativa y son distribuidos por talonarios a los diferentes departamentos, cuyos funcionarios utilizan según sus necesidades que en almacenes no necesariamente muestran correlatividad. La evidencia de la recepción de los materiales solicitados se observa en la firma de conformidad del solicitante al pie del documento.

10.-PREPARACION INCORRECTA DE LOS INFORMES TRIMESTRALES.- Los Informes Trimestrales que se elevan a USAID/Bolivia se los elabora en formularios modelo proporcionados por el Financiado. En cuanto a la observación relacionada con Fondos PL-480 que no coincidían con los registros de la PL-480, se trata de datos relacionados con el número de préstamos y montos concedidos en este periodo, los mismos que fueron extractados de reportes de la PL-480 Oficina Cochabamba. (Informe Gerencial de Cartera).

En el Informe de Diciembre no se incluyó esta información por no haber recibido oportunamente, por esta explicación el informe relacionado con Crédito PL-480 es extracontable. Sin embargo a solicitud del PDAR durante la presente gestión PL-480 nos hace llegar mensualmente estos datos.

11.-DEMORAS EN CONSTRUCCION DE PLANTAS DE DESHIDRATACION.- Una gran parte del Presupuesto correspondiente al primer trimestre asignado, estuvo destinado a la adquisición de maquinarias y equipos de producción, el mismo que fue adquirido paulatinamente en el periodo, las construcciones fueron retrazadas debido a las abundantes lluvias en el área, sin embargo presenta una ejecución del 86 % de los fondos entregados según informe Financiero al 31 de Diciembre de 1990 el mismo que se lo consideró aceptable en la primera etapa que fue la de instalación de las plantas. Presupuesto anual Bs.364.910.00-Desembolsado Bs. 262.900.00-Ejecutado Bs.227.391.40.

12.-FALTA DE RENDICION DE CUENTAS DE LA UMSS.-De acuerdo a convenio suscrito con la UMSS Agroquimico para la ejecucion del Sub Proyecto PLANTA PROCESADORA DE PASTO CEDRON, cabe aclarar que si bien no presentaron en forma oficial documentos de descargo e informes financieros al 30 de Noviembre de 1990 fecha de auditoria, fue por que, aun no se habia ejecutado el 70 % de los fondos recibidos, sin embargo por cierre de gestión al 31 de Diciembre de 1990 presentaron los informes y documentos correspondientes mostrando un 50% de ejecucion debido a la poca capacidad de los calderos. La devolución y la correspondiente recuperacion de estos fondos de acuerdo tambien a convenio, está en función a las ventas del producto procesado para lo cual se estipula un plazo de dos años, 30 % primer año y el saldo en el segundo año. No se efectuaron exportaciones.

En el inciso causa afirman que se cargo contablemente a una cuenta de gastos, sin embargo se puede evidenciar este desembolso segun CP-AID-312/90 el cargo a una cuenta de Activo Exicible.

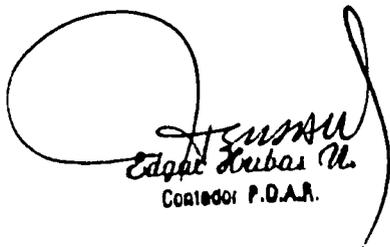
En el inciso efecto indican que no se tiene informacion alguna sobre la utilizacion de los fondos. Rechazamos rotundamente la misma ya que la documentacion contable fue revisada periodicamente por la unidad de Finanzas del P.D.A.R. verificando su correcta utilizacion.

13.-FALTA DE INFORMES DE CONCLUSION SOBRE LAS OBRAS DE IMPACTO INMEDIATO.- Esta informacion es parcialmente cierta, puesto que existian informes en proceso de elaboracion por lo que no se contaban con la totalidad de los mismos. Por otra parte, en el contrato suscrito entre el PDAR y los Comunitarios en la cláusula decima se establece que, los beneficiarios participaran mediante nota la conclusion de la obra y fecha de inauguracion.

14.-FALTA DE APOYO LOGISTICO PARA LOS PROYECTOS.- Esta situacion se dio por que el PDAR no contaba con el número suficiente de vehiculos para afrontar todos estos requerimientos. El PDAR solicito su dotacion, sin embargo por causas que son de conocimiento del financiador estos no fueron adquiridos en su oportunidad.

15.-NO HAY EVIDENCIA DE QUE SE HAYA OBTENIDO OFERTAS COMPETITIVAS PARA LA ADQUISICION DE BIENES.- En este punto la observacion deberia estar dirigida a la falta de cuadro comparativo de cotizaciones, ya que se cuenta con las tres cotizaciones, si bien dos de ellas con precios y una sin existencia. Por las caracteristicas propias de las compras observadas, en Cochabambano existen proveedoras en el número suficiente para llenar las tres cotizaciones, sin embargo se tomarán las previsiones del caso para futuras adquisiciones.

1a.-GASTOS DE VIAJE QUE NO HAN SIDO DEBIDAMENTE AUTORIZADOS.- Fueron autorizados como se muestra en la documentación pertinente donde se incluye Autorización de Viaje, Informe de Viaje y Liquidación de Viáticos. De todas las liquidaciones de viáticos procesadas en la gestión, solo un caso no llevaba la firma del Director que posteriormente fué completada.



Edgar Huber U.
Contador P.D.A.R.



Hernán Ríos Pérez
Gerente Adm. y Financiero
P. D. A. R.

APPENDIX

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