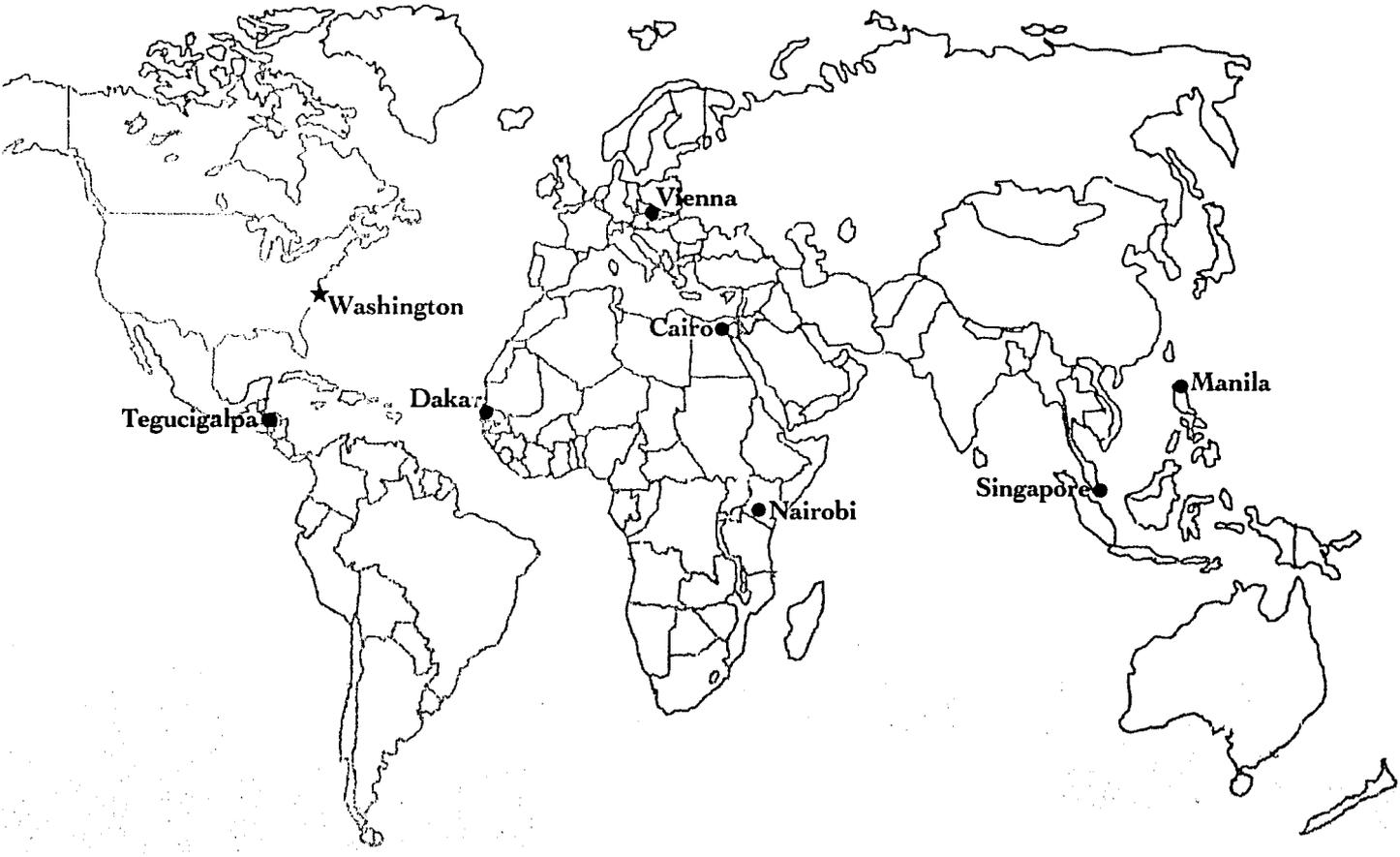


**Inspector General for Audit
Tegucigalpa, Honduras**

**Audit of the Food and Shelter Assistance
Provided to Displaced Persons in Panama
through OFDA's Assistance to
Panama-Chorrillo Program
January 1, 1990 to July 15, 1990**

**Audit Report No. 1-525-92-05-N
November 15, 1991**



**Inspector General for Audit
Tegucigalpa, Honduras**

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Provided to Displaced Persons in Panama
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November 15, 1991**

AGENCY FOR INTERNATIONAL DEVELOPMENT

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November 15, 1991

MEMORANDUM

TO: D/USAID/Panama, Thomas Stukel

BR Howard

FROM: RIG/A/T, Reginald Howard

SUBJECT: Audit of the Food and Shelter Assistance Provided to Displaced Persons in Panama, through OFDA's Assistance to Panama-Chorrillo Program, January 1, 1990 to July 15, 1990

This report presents the results of a financial audit of the food and shelter assistance provided to displaced persons in Panama through A.I.D.'s Office of Foreign Disaster Assistance (OFDA) Assistance to Panama-Chorrillo Program (Program), USAID/Panama Project No. 525-0243. The Program was implemented by OFDA, the Chamber of Commerce, Industry and Agriculture of Panama (Chamber), and the Panamanian Red Cross. The period audited was from January 1, 1990 to July 15, 1990 which coincides with the period that the Program was financed with OFDA funds. The audit firm of Price Waterhouse prepared the report dated October 11, 1991.

As a result of the military action in Panama on December 20, 1989 many Panamanian citizens lost their homes. On December 23, 1989, the United States Ambassador to Panama declared the situation a disaster. In response OFDA initiated an assessment to determine the humanitarian needs of the affected population.

In an agreement between the Department of Defense and A.I.D., OFDA was assigned responsibility to temporarily support those persons displaced by the incident. In order to provide temporary shelter for the displaced persons the U.S. Army Corps of Engineers hired a contractor to prepare two Panamanian-owned hangars, located at Albrook Airfield, for use as a displaced persons center.

In implementing the Program OFDA provided emergency funds to finance the cost of preparing the Albrook Center, purchasing food, medicines, and other essential supplies, and paying the salaries of personnel required to administratively support the Center. The Chamber, responsible for these emergency funds,

Panamanian Red Cross was responsible for administering Program operations at the Albrook Center. The audit covered \$1.37 million of A.I.D. grant funds provided to the Chamber during the period audited.

The objectives of the audit were to determine whether: (1) the Chamber's fund accountability statement for the period audited presents fairly, in all material respects, the financial results of the Program's activities in accordance with the terms of the agreement; (2) the internal control structures of the implementing organizations were adequate to manage the Program's activities; and (3) the implementing organizations complied with agreement terms and applicable laws and regulations. The scope of the audit included an examination of the implementing organizations' activities and transactions to the extent considered necessary to issue a report thereon for the period under audit.

In the auditor's opinion the Chamber's fund accountability statement presents fairly, in all material respects, the Program's receipts and expenditures for the period from January 1, 1990 to July 15, 1990, in accordance with the terms of the agreement.

In its report on the implementing organizations' internal control structures the auditors did not note any material weaknesses in the management of Program activities. Likewise in their report on compliance the auditors found that the implementing organizations complied, in all material respects, with agreement terms and applicable laws and regulations.

The audit report was discussed with officials of the Chamber and A.I.D. who concurred with the report's conclusions.

In the Other Pertinent Matters Section of their report Price Waterhouse noted certain issues that took place at the onset of the Program's implementation. These issues, which primarily concerned recipient eligibility and controls over the provision of food, were previously reported in RIG/A/T Audit Report Nos. 1-525-90-017 dated July 17, 1990; 1-525-91-14-N dated January 18, 1991; and 1-525-91-005 dated February 8, 1991.

This report does not contain any recommendations for inclusion in the Office of the Inspector General's audit recommendation follow-up system.

AUDIT OF THE OFFICE OF FOREIGN DISASTER ASSISTANCE
OF THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT'S FOOD
AND SHELTER ASSISTANCE PROVIDED TO DISPLACED PERSONS
PROJECT NO.525-0000-G-0243-00 MANAGED BY THE CHAMBER OF
COMMERCE, INDUSTRY AND AGRICULTURE OF PANAMA
FOR THE PERIOD FROM JANUARY 1, 1990 TO JULY 15, 1990

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Price Waterhouse



October 11, 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 financial audit of the food and shelter assistance provided to displaced persons in Panama (the Project), implemented by the Chamber of Commerce, Industry and Agriculture of Panama, Panamanian Red Cross, and the Office of Foreign Disaster Assistance (OFDA) of the U.S. Agency for International Development (A.I.D.) during the period from January 1, 1990 through July 15, 1990 under Project No. 525-0000-G-0243-00 between the Republic of Panama and the U.S. Agency for International Development.

BACKGROUND

As result of the military action of December 20, 1989 in Panama, many citizens of the El Chorrillo area lost their homes. On December 23, 1989, the United States Ambassador to Panama declared a disaster, and OFDA initiated an assessment to determine the extend of humanitarian needs of the affected population.

In an agreement between the Department of Defense and A.I.D., OFDA was assigned responsibility for the temporary support of these displaced persons. The U.S. Army Corps of Engineers employed a general contractor to clean-up two Panamanian-owned hangars, construct sanitary and kitchen facilities, and prepare the site for use as a displaced persons center. These hangar facilities are located at Albrook.

From January 1, 1990 until July 15, 1990, OFDA assumed the responsibility of financing the cost of readying the Albrook center, purchasing food, medicines and other essential supplies, and paying salaries of personnel required to support the administration of the center. The Chamber of Commerce, Industry and Agriculture of Panama provided administrative support for the Project activities,

Mr. Reginald Howard
October 11, 1991

such as processing purchase orders, making payments and keeping financial records. The Panamanian Red Cross was responsible for the administration of the Project at the Albrook Displaced Persons Center.

This project consisted of providing:

- a. Personnel required to support the administration of the Albrook Displaced Persons Center.
- b. Food, hygienic, educational and medical supplies needed by the population of the Albrook Displaced Persons Center.
- c. Material and labor for the construction of additional facilities as required at the Albrook Center.

AUDIT OBJECTIVES AND SCOPE

The general objective of this audit was to assess the adequacy of the financial management and administrative systems established to control the assistance.

The specific objectives of the audit were to determine whether:

1. The fund accountability statement for the food and shelter assistance provided to displaced persons in Panama for the period from January 1, 1990 through July 15, 1990 presents fairly, in all material respects, the financial results of Project activities in accordance with the terms of the agreement.
2. The internal control structure of the implementing institutions was adequate to manage Project activities.
3. The implementing institutions complied with the terms of the agreement and applicable laws and regulations.

The 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 as considered necessary.

Mr. Reginald Howard
October 11, 1991

The following major audit procedures were performed as considered necessary to meet the stated audit objectives.

Receipts

We confirmed directly with USAID/Panama the funds provided to the Chamber of Commerce, Industry and Agriculture of Panama under Grant Agreement No. 525-0000-G-0243-00.

Disbursements

We examined a representative number of disbursements incurred by the Chamber of Commerce, Industry and Agriculture of Panama under the Project to verify that they were appropriately supported and recorded in the Project's accounting books maintained by the Chamber of Commerce, Industry and Agriculture of Panama.

Other Procedures

1. We reviewed the procedures utilized by OFDA, the Chamber of Commerce, Industry and Agriculture of Panama and the Panamanian Red Cross for the management of Project activities.
2. We reviewed the Project's bank account reconciliation and confirmed its balance.
3. We conducted tests to verify that the use of funds provided was in compliance with terms of the agreement and applicable laws and regulations.

RESULTS OF AUDIT

Fund Accountability Statement

In our opinion, the fund accountability statement for the food and shelter assistance provided to displaced persons in Panama for the period from January 1, 1990 through July 15, 1990 presents fairly, in all material respects, the Project's receipts and disbursements for the period from January 1, 1990 to July 15, 1990, in accordance with the terms of the agreement.

Mr. Reginald Howard
October 11, 1991

Internal Control Structure

In planning and performing our audit of the fund accountability statement of the Project for the period from January 1, 1990 to July 15, 1990, we considered the implementing institutions' internal control structure with respect to Project activities 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.

We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses.

Compliance with the terms of the Agreement and Applicable Laws and Regulations

We tested transactions and records for the period from January 1, 1990 to July 15, 1990, which included receipts and expenditures, and evaluated on-site activities for compliance with the terms of the agreement and applicable laws and regulations. The results of our tests indicate that, with respect to the items tested, the implementing institutions complied, in all material respects, with the terms of the agreement and applicable laws and regulations.

With respect to items not tested, nothing came to our attention that caused us to believe that the implementing institutions had not complied with the terms of the agreement and applicable laws and regulations.

OTHER PERTINENT MATTERS

As described under this section of our report, given the existing conditions in Panama at the time the emergency help was provided by OFDA, it did not result practical to exercise all normal procedures followed under general A.I.D.'s program in setting up the Albrook Center. We considered all conditions surrounding the project in conducting our work, and in our opinion, given the circumstances, these conditions did not have a material financial impact on the project.

MANAGEMENT COMMENTS

The draft report was discussed with Chamber of Commerce, Industry and Agriculture of Panama and USAID/Panama's officials. They concurred with the report's conclusion.

Price Waterhouse

AUDIT OF USAID/PANAMA'S FOOD AND SHELTER ASSISTANCE
PROVIDED TO DISPLACED PERSONS COMPONENT OF THE IMMEDIATE
RECOVERY PROJECT NO.525-0000-G-0243-00 MANAGED BY THE
CHAMBER OF COMMERCE, INDUSTRY AND AGRICULTURE OF PANAMA FOR
THE PERIOD FROM JANUARY 1, 1990 TO JULY 15, 1990

FUND ACCOUNTABILITY STATEMENT
FOR THE PERIOD FROM JANUARY 1, 1990 TO JULY 15, 1990

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying fund accountability statement for the food and shelter assistance provided to displaced persons in Panama for the period from January 1, 1990 to July 15, 1990. The fund accountability statement is the responsibility of the managements of the Chamber of Commerce, Industry and Agriculture of Panama and other implementing institutions. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the U.S. Comptroller General's "Government Audit 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 the management, as well as evaluating the overall fund accountability statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the fund accountability statement was prepared on the basis of cash receipts and disbursements and is not intended to be a presentation in conformity with generally accepted accounting principles.

In our opinion, the fund accountability statement referred to above presents fairly, in all material respects, the receipts and expenditures for the food and shelter assistance provided to displaced persons in Panama for the period from January 1, 1990 to July 15, 1990, on the basis of accounting described in Note 1 and in accordance with the terms of the respective Agreement.

This report is intended for the information of the Chamber of Commerce, Industry and Agriculture of Panama 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.

Price Waterhouse

July 18, 1991

AUDIT OF USAID/PANAMA'S FOOD AND SHELTER ASSISTANCE
PROVIDED TO DISPLACED PERSONS COMPONENT OF THE IMMEDIATE
RECOVERY PROJECT NO.525-3000-G-0243-00 MANAGED BY THE CHAMBER
OF COMMERCE, INDUSTRY AND AGRICULTURE OF PANAMA FOR THE PERIOD
FROM JANUARY 1, 1990 TO JULY 15, 1990

FUND ACCOUNTABILITY STATEMENT
FOR THE PERIOD FROM JANUARY 1, 1990 TO JULY 15, 1990

Expressed in U.S. Dollars (Note 1)

	<u>Budget</u>	<u>Receipts and Expenditures</u>	<u>Balance (Over) Under Budget</u>	<u>Questioned Costs</u>
<u>Receipts</u>				
Grant	\$1,370,000	\$1,370,000		
Total receipts	<u>\$1,370,000</u>	<u>\$1,370,000</u>		
<u>Expenditures</u>				
Food, medicines, etc.	914,900	969,086	\$(54,186)	
Materials and hangar construc- tion	188,800	224,614	(35,814)	
Administrative support	98,900	85,900	13,000	
Maintenance and repairs	57,800	51,039	6,761	
Utensils and equipment	29,400	13,446	15,954	
Contingencies	<u>80,200</u>	<u>25,565</u>	<u>54,635</u>	
Total expendi- tures	<u>\$1,370,000</u>	<u>\$1,369,650</u>	<u>\$ 350</u>	
Excess of re- ceipts over expenditures (Note 3)		<u>\$ 350</u>		

AUDIT OF USAID/PANAMA'S FOOD AND SHELTER ASSISTANCE
PROVIDED TO DISPLACED PERSONS COMPONENT OF THE IMMEDIATE
RECOVERY PROJECT NO.525-0000-G-0243-00 MANAGED BY THE CHAMBER
OF COMMERCE, INDUSTRY AND AGRICULTURE OF PANAMA FOR THE PERIOD
FROM JANUARY 1, 1990 TO JULY 15, 1990

NOTES TO THE FUND ACCOUNTABILITY STATEMENT
FOR THE PERIOD FROM JANUARY 1, 1990 TO JULY 15, 1990

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

The significant accounting policies adopted by the Chamber of Commerce Industry and Agriculture of Panama to manage the Project are summarized as follows:

Basis of Accounting:

The cash basis of accounting is used in recording the receipts and expenditures of the Project.

The records of the Project are kept in United States dollars.

NOTE 2 - HISTORY AND OPERATIONS OF THE PROJECT

As result of the military action of December 20, 1989 in Panama, many citizens of the El Chorrillo area lost their homes. On December 23, 1989, the United States Ambassador to Panama declared a disaster, and the Office of Foreign Disaster Assistance (OFDA) of the U.S. Agency for International Development (A.I.D.) initiated an assessment to determine the extend of humanitarian needs of the affected population.

In an agreement between the Department of Defense and A.I.D., OFDA was assigned responsibility for the temporary support of these displaced persons. The U.S. Army Corps of Engineers employed a general contractor to clean-up two Panamanian-owned hangars, construct sanitary and kitchen facilities, and prepare the site for use as a displaced persons center. These hangar facilities are located at Albrook.

From January 1, 1990 until July 15, 1990, OFDA assumed the responsibility of financing the cost of readying the Albrook center, purchasing food, medicines and other essential supplies, and paying salaries of personnel required to support the administration of the center. The Chamber of Commerce, Industry and Agriculture of Panama provided administrative support for the Project activities, such as processing purchase orders, making payments and keeping financial records. The Panamanian Red Cross was responsible for the administration of the Project at the Albrook Displaced Persons Center.

NOTE 3 - EXCESS OF RECEIPTS OVER EXPENDITURES

The \$350 excess of receipts over expenditures stated in the fund accountability statement was reimbursed to the U.S. Treasury by the Chamber of Commerce, Industry and Agriculture of Panama in May, 1991. At that time the Project's bank account was closed.

AUDIT OF USAID/PANAMA'S FOOD AND SHELTER ASSISTANCE
PROVIDED TO DISPLACED PERSONS COMPONENT OF THE IMMEDIATE
RECOVERY PROJECT NO.525-0000-G-0243-00 MANAGED BY THE CHAMBER
OF COMMERCE, INDUSTRY AND AGRICULTURE OF PANAMA FOR THE PERIOD
FROM JANUARY 1, 1990 TO JULY 15, 1990

INTERNAL CONTROL STRUCTURE

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying fund accountability statement for the food and shelter assistance provided to displaced persons in Panama for the period from January 1, 1990 to July 15, 1990 and have issued our report thereon dated July 18, 1991.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in "Government Auditing Standards" (1988 Revision) issued by the Comptroller General of the United States. 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.

In planning and performing our audit of the fund accountability statement for the food and shelter assistance provided to displaced persons in Panama for the period from January 1, 1990 to July 15, 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 managements of the implementing institutions are responsible for establishing and maintaining an internal control structure for the Project. 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 the 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 preparation of the fund accountability statement in accordance with generally accepted accounting principles. 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 the significant internal control structure policies and procedures in the following categories:

- Accounting process
- Budgetary process
- Payroll procedures
- Receipt and disbursement systems

For all of the control 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.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. 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. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

This report is intended for the information of the Chamber of Commerce, Industry and Agriculture of Panama 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.

Price Waterhouse

July 18, 1991.

AUDIT OF USAID/PANAMA'S FOOD AND SHELTER ASSISTANCE
PROVIDED TO DISPLACED PERSONS COMPONENT OF THE IMMEDIATE
RECOVERY PROJECT NO.525-0000-G-0243-00 MANAGED BY THE CHAMBER
OF COMMERCE, INDUSTRY AND AGRICULTURE OF PANAMA FOR THE PERIOD
FROM JANUARY 1, 1990 TO JULY 15, 1990

COMPLIANCE WITH TERMS OF THE AGREEMENT
AND APPLICABLE LAWS AND REGULATIONS

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying fund accountability statement for the food and shelter assistance provided to displaced persons in Panama for the period from January 1, 1990 to July 15, 1990 and have issued our report thereon dated July 18, 1991.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in "Government Auditing Standards" (1988 Revision) issued by the Comptroller General of the United States. 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 laws, regulations, contracts, grants, and binding policies and procedures applicable to the implementing institutions is the responsibility of the implementing institutions' management. As part of our audit, we performed tests of the implementing institutions compliance with certain provisions of laws, regulations, contracts, grants, and binding policies and procedures. However, it should be noted that we performed those tests of compliance as part of obtaining reasonable assurance about whether the fund accountability statement is free of material misstatement; our objective was not to provide an opinion on overall compliance with such provisions.

The results of our tests indicate that, with respect to the items tested, the implementing institutions complied, in all material respects, with the 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 implementing institutions had not complied, in all material respects, with those provisions.

This report is intended for the information of the Chamber of Commerce, Industry and Agriculture of Panama 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.

Pricewaterhouse

July 18, 1991

AUDIT OF USAID/PANAMA'S FOOD AND SHELTER ASSISTANCE
PROVIDED TO DISPLACED PERSONS COMPONENT OF THE IMMEDIATE
RECOVERY PROJECT NO.525-0000-G-0243-00 MANAGED BY THE CHAMBER
OF COMMERCE, INDUSTRY AND AGRICULTURE OF PANAMA FOR THE PERIOD
FROM JANUARY 1, 1990 TO JULY 15, 1990

OTHER PERTINENT MATTERS

Environment under which the Project was executed

General background

On December 20, 1989, the United States of America started a military action known as "Operation Just Cause", whose stated main objective was to seize General Manuel Antonio Noriega and bring him to the United States to face drug related charges.

In the aftermath of the military operations a series of fires destroyed a substantial part of the El Chorrillo area thus leaving an estimated 1,800 families homeless.

Also, as a result of the military action, the existing Public Force (Panama's Defense Forces) was disbanded. During the following days up to December 24, 1989, uncontrolled looting and pillage occurred throughout Panama City causing huge losses to the commercial sector in general.

At the initial stage, the Southern Command assumed responsibility for providing humanitarian assistance to refugees from the El Chorrillo area as well as from other areas (up to nearly 5,500 displaced persons were cared for at the Balboa High School). However, as it was also in charge of the custody of prisoners taken during the military action, it soon became obvious that care of the displaced persons should be assumed by civilians. However, it was also clear to all parties involved that the new Panamanian government in office was not in a position of assuming this responsibility as operations of public institutions had yet to be fully reorganized. Under these circumstances, on December 23, 1989 the United States Ambassador to Panama declared a state of emergency and the Office of Foreign Disaster Assistance (OFDA) of the U.S. Agency for International Development (A.I.D.) initiated an assessment to determine the extend of humanitarian needs of the affected population.

Establishment of a Displaced Persons Center

In an agreement between the U.S. Department of Defense, to which the Southern Command reports, and A.I.D., OFDA was assigned responsibility for the temporary support of these displaced persons. The U.S. Army Corps of Engineers employed a general contractor to clean-up a Panamanian-owned hangar located at Albrook, construct sanitary and kitchen facilities, and prepare the site for use as a displaced persons center.

On January 12, 1990, the Department of Defense began the transfer of the displaced persons from the Balboa High School to the Albrook Center, operation which was completed the following day. During this process the Panamanian Red Cross prepared a census of people coming into the Center which totalled 2,632 registered persons. However, on Monday January 14, 1990 when the Panamanian Red Cross performed a cubicle-by-cubicle survey of the Center residents, it found 2,934 living in the Center. From January 16 thru January 18, 1990, the U.S. military issued identification cards to the 2,934 persons in the Center to facilitate the movement of people into and out of the Center. It was not until Friday, January 19, 1990 when the Department of Defense actually turned over management of the Albrook Displaced Persons Center to OFDA. Financing of the cost of readying the Albrook center, purchasing food, medicines and other essential supplies, and paying salaries of personnel required to support the administration of the center, was nevertheless assumed by OFDA from January 1, 1990 (and continued until July 15, 1990).

In carrying out its responsibilities under the Project, OFDA enlisted the assistance of the Chamber of Commerce, Industry and Agriculture of Panama to provide administrative support for the Project activities, such as processing purchase orders, making payments and keeping financial records; and of the Panamanian Red Cross for the actual on-site administration of the Project at the Albrook Displaced Persons Center.

Beginning July 16, 1990, OFDA was no longer able to use funds for this activity; and, therefore, USAID/Panama decided to use funding from the initial \$4.875 million amendment to the Immediate Recovery Project to continue this assistance.

Scope of the Food and Shelter Project

The assistance project assigned to OFDA consisted basically of providing:

- a. Personnel required to support the administration of the Albrook Displaced Persons Center.

- b. Food, hygienic, educational and medical supplies needed by the population of the Albrook Displaced Persons Center.
- c. Material and labor for the construction of additional facilities, as could be required at the Albrook Center.

Inherent limitations in setting-up
the Albrook Center

The main problems faced by OFDA in setting up the Albrook Center, and logistics for it, were the following:

- 1.- The beneficiaries of the Project were not clearly defined at the outset. When the Panamanian Red Cross took control of the Albrook Center, refugees already had identification cards provided to them by the Southern Command.
- 2.- Although the creation of an official list of beneficiaries for the Housing Component of the Immediate Recovery Project was to be prepared by the Ministry of Housing (MIVI), it was not available when the Albrook Center started operations, nor was the list prepared by the MIVI geared toward identifying all possible refugees, but rather just the heads of families, who were to represent their families in securing a housing solution.
- 3.- Because economic sanctions against the Noriega Regime during nearly two years prior to the military action had weakened the local economy and forced many businesses to curtail their operations, a situation which was further aggravated by the ensuing looting and pillage which occurred from December 20 through December 24, 1989, finding suitable suppliers for goods and services whom were able to deliver within the time frame and quantities needed was extremely difficult.

CERTAIN EXCEPTIONS WHICH WERE DISCLOSED
DURING THE COURSE OF THE PROJECT

1. There is no evidence that at the beginning of the Project the condition of being a displaced person for admittance to the Albrook Center was verified.

It was not until January 19, 1990 that the Department of Defense actually turned over management of the Albrook Displaced Persons Center to OFDA. Thus, when the Panamanian Red Cross officially took charge of the Center on behalf of OFDA, persons, which were brought into the Center by the U.S. Army, already had identification cards issued by the Department of Defense.

2. OFDA failed to comply at the outset of the Project with the requirement of obtaining at least three (3) quotations from possible suppliers prior to committing to purchase so as to be in the position of selecting the best proposal.

As explained by Mr. Alejandro James, OFDA's disaster expert assigned to the Project, this resulted from the urgency with which goods and services were required which did not provide enough time to secure required quotations from possible different suppliers. In this sense, the criteria used for selecting a supplier was the immediate availability of required goods at the supplier facilities or its ability to render the required service promptly.

3. OFDA failed to comply at the outset of the Project with the requirement of preparing written purchase orders for building materials.

No purchase orders were prepared for materials purchased from Cochez & Cia. According to Mr. Alejandro James, due to the urgent nature of the purchases, to the fact that only this supplier had the capacity to deliver the requested goods and offered credit facilities at a time when funds were still unavailable, orders were placed verbally over the telephone.

4. There is no evidence of written approval by OFDA for providing support to shelters other than Albrook.

Only the Albrook Center is formally covered under the food and shelter operations established by the Grant Agreement. Other temporary shelter locations which received food assistance under the Project were located at the Fatima Catholic Church, MIVI facilities, Republic of Chile School, Republic of El Salvador School, Republic of Venezuela School, the Santa Ana Community Center, Pension "G" and Clinica Mastelari (persons lodged in the latter two were originally in the Republic of Chile and Republic of Venezuela Schools).

Ms. Francis Palma, Mr. Alejandro James' assistant, informed us it was OFDA's understanding that the intention of the Grant was to provide food and shelter assistance to displaced persons from El Chorrillo area, and in that sense it was not relevant where that assistance was provided.

5. There is no evidence of written approval by OFDA for providing one hundred additional meals per day to the Lady of Fatima Parrish for the feeding of persons in church supported homes.

According to Mr. Alejandro James, this situation was the result of social pressure exerted by a group of persons who felt they had been affected by the military action of December 20, 1989 and who claimed food support similar to the support given the Chorrillo area residents in the Albrook Shelter.

6. Food orders were placed by implementing institutions based on global headcount without giving consideration to minor children whose food intake should have been lower than that of an adult.

According to Panamanian Red Cross officers, food orders were placed based on their global headcount. These food orders were subsequently adjusted based on experience gained on no shows for meals. Meals were ordered without consideration to minor children, as full food servings were given to everyone regardless of age. Panamanian Red Cross officers stated that initial excesses of food purchases were distributed among refugees who were allowed to take additional servings. Because not everyone could receive additional servings, disorders arose among refugees and it was decided to give away excess food to non-profit organizations for distribution among needy persons.

7. The implementing institutions did not obtain written contracts from the caterers. Procedures were not established to control delivered by the caterers to the shelters.

According to Mr. Alejandro James, no written contracts were executed with caterers in order to have flexibility in terminating caterers who provided unsatisfactory services. Food was delivered in bulk to avoid costs of preparing individual servings. These bulk deliveries were not agreed to food orders.

APPENDIX

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