

**UNITED STATES
AGENCY FOR INTERNATIONAL DEVELOPMENT**

**THE
INSPECTOR
GENERAL**



**Regional Inspector General for Audit
SINGAPORE**

**Audit of the Visayas Cooperative
Development Center, Inc. Contract
under the Local Resource Management
Project - Philippines**

**Audit Report No. 2-492-92-02-N
November 6, 1991**

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UNITED STATES OF AMERICA
AGENCY FOR INTERNATIONAL DEVELOPMENT
RESIDENT AUDIT OFFICE
MANILA

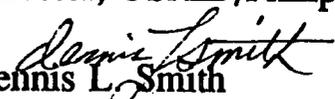
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DATE: November 6, 1991

MEMORANDUM

TO: Mr. Malcolm Butler
Director, USAID/Philippines

FROM: 
Dennis L. Smith
Resident Auditor

SUBJECT: Audit of the Visayas Cooperative
Development Center, Inc. Contract
under the Local Resource Management
Project - Philippines
Audit Report No. 2-492-92-02-N

The accounting firm Fernandez, Santos and Lopez, an affiliate of KPMG Peat Marwick, performed an audit of the Visayas Cooperative Development Center, Inc. Five copies of the audit report are attached for your action.

The Local Resource Management Project is an AID-financed activity with the Government of the Philippines (GOP) to improve the capability of local organizations to plan and implement activities for the rural poor. In October 1989 the GOP, through the National Economic and Development Authority, contracted with Visayas Cooperative Development Center, Inc. (VICTO) to provide technical assistance and manage the Community Project Fund in Negros Occidental province. The contract cost was \$47,350, but it was subsequently increased to \$54,268. In addition, \$39,769 was programmed for the Community Project Fund to finance livelihood activities of poverty groups. The contract was to be completed by May 1991, but it was subsequently extended through August

August 1991. The audit covered expenditures of \$45,466 for the period November 6, 1989, through May 31, 1991.

The audit objectives were to determine whether (1) expenditures were allocable, allowable and reasonable; (2) internal controls were adequate to segregate and account for A.I.D. funds and (3) provisions of the contract and applicable laws and regulations were complied with.

On July 18, 1991, the auditors issued a report disclaiming an opinion on the Statement of Contract Expenditures because VICTO had not presented supporting documentation for 176 seminars to be conducted under the terms of the contract. Subsequently, VICTO made available the supporting documentation and the auditors conducted additional work. As a result, the auditors submitted a supplemental report dated October 22, 1991, which concluded that the Statement of Contract Expenditures presents fairly the disbursements of the VICTO contract. However, the auditors identified \$12,335 in expenditures that were inadequately documented or were not in accordance with the terms of the contract as detailed on pages 15 - 17 of the supplemental report. Also, the auditors concluded that VICTO did not comply with some of the terms of the contract as detailed on pages 13 - 14 of the supplemental report and on pages 13 - 22 of the July 18 report. Finally, the auditors identified several matters in VICTO's internal control structure and its operation that were considered reportable conditions and material internal control weaknesses as detailed on pages 27 - 30 of the July 18 report.

VICTO officials generally agreed with the audit findings and recommendations and their comments are detailed on pages 20 - 22 of the supplemental report.

Recommendation No. 1: We recommend that USAID/Philippines, through the Government of the Philippines, resolve with the Visayas Cooperative Development Center, Inc. the \$12,335 in questioned costs (\$11,746 unsupported) and recover any costs not allowable under the terms of the contract.

Recommendation No. 2: We recommend that USAID/Philippines, through the Government of the Philippines, require the Visayas Cooperative Development Center, Inc. to develop and implement policies and procedures that will ensure that

- **accounting policies and procedures are documented in an accounting manual,**
- **payroll computations are supported with daily time records,**
- **written requests for cash advances are completed and approved,**
- **cash advances are liquidated in a timely manner,**
- **vouchers for the reimbursement of travel expenses are completed,**
- **personnel files include employment contracts for salary verification and**
- **procurements are documented and competitively awarded.**

Please advise me within 30 days of any actions planned or taken to close the recommendations.

Fernandez, Santos & Lopez

Certified Public Accountants
(Incorporated practices of Fernandez, Berris & Co.,
P.S. Santos & Co. and Lopez, Agravante & Co.)

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Representative Firm of

KPMG Peat Marwick
October 22, 1991

MR. DENNIS SMITH
Resident Audit Office - Manila
4th Floor, Thomas Jefferson Cultural Center
Sen. Gil J. Puyat Avenue
Makati, Metro Manila

Dear Mr. Smith:

This is a supplementary report on the results of the non-federal audit of the Local Resource Management (LRM) Project-AID Project Number 492-0358 administered by the National Economic Development Authority (NEDA) of the Philippines and implemented by the Visayas Development Center, Inc. (VICTO), for the period November 6, 1989 to May 31, 1991.

On June 8, 1991, we issued a disclaimer of opinion on the Statement of Contract Expenditures of VICTO for the period November 6, 1989 to May 31, 1991 because of scope limitation. The limitation in our audit scope during the time of our examination up to opinion date stemmed from the inavailability of the records pertinent to the delivery or conduct of seminars as contemplated under Art. III Sec. 3.01 of the Contract for Technical Assistance between NEDA Region VI and VICTO.

Subsequent to our opinion date, however, VICTO advised us that they were able to gather and compile the pertinent records and documents on the trainings and seminars they conducted to the twelve (12) community based organizations located at Calatrava and Cauayan, Negros Occidental. In fact, they forwarded the said documents to us on July 24, 1991 together with their response to our audit findings as shown in pages 20-22 of this report. And following a series of meetings and discussions with some RIG/AM representatives, it was mutually agreed upon that we shall extend our audit work to address the limitations in our audit scope.

The additional audit work included our review of the training documents pertinent to the delivery or conduct of seminars as contemplated under Art. III Sec. 3.01 of the Contract for Technical Assistance between NEDA Region VI and VICTO. These are as follows:

1. Ascertained that details shown on the training reports of the respective trainers are in agreement with the schedule of activities for the CBO program under the Implementation Plan of the Contract for Technical Assistance between NEDA Region VI and VICTO.
2. On a test basis, checked the training reports against the liquidation reports, paying particular attention to the name of trainers, training/seminars conducted, date conducted, venue, etc.

3. Obtained direct confirmations from selected members and officers of the identified 12 Community-Based Organizations located at Calatrava and Cauayan, Negros Occidental.

Based on the results of the extension in our audit work shown below, our present opinion on the Statement of Contract Expenditures for the period November 6, 1989 to May 31, 1991 as presented herein is different from that expressed in our previous report.

The Results of the Extension in our Audit Work are as follows:

1. VICTO was able to present to us the training reports and related supports from November 6, 1989 to May 31, 1991 for the 148 seminars they conducted to the 12 CBOs. For the remaining 44 seminars, VICTO said that these were also given to the 12 CBOs, although the relevant training records and documents were missing and could not be located. Consequently, the expenditures applicable to these 44 seminars are being questioned. However, we were not able to determine the total expenditures applicable to these 44 seminars because VICTO did not adopt the specific identification method in accounting for its expenditures.
2. On a test basis, our direct confirmation from the officers and members of the 12 CBO's on the training conducted by VICTO yielded positive results.
3. We were not able to obtain confirmations from the CBO's located at barangays Lumdia, Tambad, Abaca and Baclao, Cauyan, Negros Occidental because of the sites' rugged terrain, making them inaccessible to public transport. Moreover, our discussions with some of the town officials of Calatrava, Negros Occidental, where the above barangays are located, disclosed that in some instances, a clearance has to be secured from the peace officers of this town before anyone can go to the said barangays.

Please take note that the specific changes and/or revisions presented in this report refer to the following pages in our report issued to you per our transmittal letter dated July 18, 1991.

	<u>Page Nos.</u>
1. Results of the Audit	
a) Statement of Contract Expenditures	3
b) Compliance with the Terms of the Contract and Applicable Laws and Regulation - under finding no. 1 of the Technical Assistance.	3
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We trust you will find the foregoing and the enclosures in order. Should you have any questions, please let us know.

Very truly yours,


MA. VICTORIA R. LOPEZ
Partner

RESULTS OF THE AUDIT

Statement of Contract Expenditures

(This will supersede page 3 of the report we issued last July 18, 1991)

We noted that VICTO agreed to undertake 16 training activities and seminars for each of the 12 CBOs or a total of 192 training seminars as contemplated under the provisions of Art. III, Section 3.01 of the Contract for Technical Assistance. As a result thereof, USAID committed the total amount of P1,364,575.00 (US\$54,268.25) as Technical Assistance Fund.

Our examination disclosed that the accompanying Statement of Contract Expenditures presents fairly the disbursements of the Local Resource Management Project as implemented by VICTO for the period November 6, 1989 to May 31, 1991 on the basis described in Note 1 of the Statement of Contract Expenditures, except for the effects of the matters discussed below:

1. Out of the 192 training seminars VICTO committed to conduct to the 12 CBOs, it was able to adequately document the training reports from November 6, 1989 to May 31, 1991 for the 148 seminars they conducted. For the remaining 44 seminars, the relevant training records and documents were missing and could not be located. Consequently, the expenditures applicable to the 44 seminars are being questioned, although VICTO said these were also given to the 12 CBOs. However, we were not able to determine the total expenditures applicable to these 44 seminars because VICTO did not adopt the specific identification method in accounting for its expenditures.
2. We were also not able to obtain confirmations relative to the training seminars conducted to four CBOs because of the sites' rugged terrain, making them inaccessible to public transport. Moreover, our discussions with some of the town officials of Calatrava, Negros Occidental, where the said barangays are located, disclosed that in some instances, a clearance has to be secured from the peace officers of this town before anyone can go to the said barangays.
3. In addition, our audit disclosed questioned cost amounting to P310,161.17 (US\$12,334.90) of which P295,343.71 (US\$11,745.62) are unsupported. (For the details, please refer to pages 15, 16 and 17 of this report).

Compliance with the Terms of the Contract and Applicable Laws and Regulations

All statements in our previous report pertaining to this section and those in the succeeding pages up to page 8, will remain the same except for point 1 under Technical Assistance which should already read as follows:

1. VICTO was able to present to us the training reports from November 6, 1989 to May 31, 1991 for the 148 seminars they conducted to the 12 CBOs. For the remaining 44 seminars, VICTO said that these were also given to the 12 CBOs, although the relevant training records and documents were missing and could not be located. Consequently, the expenditures applicable to these 44 seminars are being questioned. However, we were not able to determine the total expenditures applicable to these 44 seminars because VICTO did not adopt the specific identification method in accounting for its expenditures. Moreover, we were not able to obtain confirmations from the CBO's located at barangays Lumdia, Tambad, Abaca and Baclao, Cauyan, Negros Occidental because of the sites' rugged terrain, making them inaccessible to public transport. Moreover, our discussions with some of the town officials of Calatrava, Negros Occidental, where the above barangays are located, disclosed that in some instances, a clearance has to be secured from the peace officers of this town before anyone can go to the said barangays.

VISAYAS COOPERATIVE DEVELOPMENT CENTER, INC.
TECHNICAL ASSISTANCE AND COMMUNITY PROJECT FUND OF THE
LOCAL RESOURCE MANAGEMENT PROJECT
NATIONAL ECONOMIC DEVELOPMENT AUTHORITY
AID PROJECT NO. 492-0358

Statement of Contract Expenditures

Independent Auditors' Report

We have audited the Statement of Contract Expenditures for the Technical Assistance and Community Project Funds of the Local Resource Management Project of Visayas Cooperative Development Center, Inc. (VICTO), AID Project number 492-0358, for the period November 6, 1989 to May 31, 1991. This statement is the responsibility of VICTO's Management. Our responsibility is to express an opinion on this report based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards and government auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimate made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our report dated June 8, 1991, we did not express an opinion on the statement of Contract Expenditures for the period November 6, 1989 to May 31, 1991 because of scope limitations. The limitation in our audit scope during the time of our examination up to opinion date stemmed from the inavailability of the records pertinent to the delivery or conduct of seminars as stated under Art. III Section 3.01 of the contract for Technical Assistance between NEDA Region IV and VICTO. We were not able to gather significant evidence to warrant an opinion on the reasonableness, allowability and allocability of the Contract Expenditures since only the records of about 8% of VICTO's intended output were made available to us for examination. As described in Note 2, VICTO was able to support the fact that it conducted 148 training seminars out of the 192 training seminars required to be conducted to the 12 pilot Community Based Organizations. (CBOs). The relevant records and documents for the remaining 44 training seminars were missing and the total applicable expenditures which were undetermined are being questioned. We were also not able to obtain confirmations relative to the training seminars conducted to four CBOs. In addition, as described in the accompanying Schedules of Findings and Questioned Costs, the Statement of Contract Expenditures also includes expenditures of P310,161.07 (US\$12,334.90), considered as questioned costs, of which P295,343.71 (US\$11,745.62) are unsupported costs. USAID will make a final determination if the questioned costs are allowable under the terms of the contract. Accordingly, our present opinion on the Statement of Contract Expenditures for the period November 6, 1989 to May 31, 1991 as presented herein is different from that expressed in our previous report.

In our opinion, except for the effects of the matters discussed in the third paragraph, the Statement of Contract Expenditures presents fairly the disbursements of the Local Resource Management Project as implemented by Visayas Cooperative Development Center, Inc. (VICTO), AID Project number 492-0385, for the period November 6, 1989 to May 31, 1991 on the basis described in Note 1.

This report is intended solely for the use of the United States Agency for International Development, VICTO, the National Economic Development Authority, and others within the Organization. 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.

Fernandez, Santos & Lopez

October 5, 1991

VISAYAS COOPERATIVE DEVELOPMENT CENTER, INC.
 TECHNICAL ASSISTANCE AND COMMUNITY PROJECT FUND OF THE
 LOCAL RESOURCE MANAGEMENT PROJECT
 NATIONAL ECONOMIC DEVELOPMENT AUTHORITY
 AID PROJECT NO. 492-0358

Statement of Contract Expenditures

For the Period November 6, 1989 to May 31, 1991

I. TECHNICAL ASSISTANCE

A. PERSONNEL SERVICES

	<u>APPROVED BUDGET</u>		<u>CUMULATIVE ADVANCES</u>		<u>ACTUAL EXPENDITURES</u>	
	<u>Peso</u>	<u>US Dollar</u>	<u>Peso</u>	<u>US Dollar</u>	<u>Peso</u>	<u>US Dollar</u>
Salaries and wages	393,035.96	23,664.19	346,398.28	21,729.90	613,848.05	24,412.33
Employee benefits	36,754.29	2,237.08	32,168.17	2,074.69	34,710.34	2,173.80
Accident and health insurance	10,726.07	426.37	14,334.08	578.01	6,181.86	245.85
Honorarium	<u>9,000.00</u>	<u>357.92</u>	<u>0.00</u>	<u>0.00</u>	<u>9,000.00</u>	<u>357.92</u>
	<u>671,516.32</u>	<u>26,705.76</u>	<u>613,100.53</u>	<u>24,382.60</u>	<u>683,740.45</u>	<u>27,191.90</u>

B. MAINTENANCE AND OTHER
 OPERATING EXPENSES

Travel and per diem	180,698.84	7,186.27	120,042.10	4,773.99	196,727.44	7,823.72
Rent	34,000.00	2,147.54	61,800.00	2,437.75	34,000.00	2,147.54
Office Supplies	10,526.80	418.64	11,049.80	439.44	11,883.60	472.68
Light and water	17,314.43	689.38	17,038.20	678.39	18,247.00	725.67
Communications	5,043.35	200.36	6,330.20	239.70	3,604.00	222.87
Repairs and maintenance	32,637.12	1,297.93	26,736.83	1,063.31	42,333.00	1,694.43
Gasoline and oil	<u>3,467.47</u>	<u>217.42</u>	<u>9,683.22</u>	<u>385.10</u>	<u>3,869.00</u>	<u>233.41</u>
	<u>305,688.01</u>	<u>12,137.01</u>	<u>252,900.37</u>	<u>10,037.68</u>	<u>334,688.04</u>	<u>13,310.32</u>

C. OTHER RELEVANT EXPENSES

(Board, lodging, supplies and
 materials for LGU and CBO
 Trainings)

	<u>209,000.30</u>	<u>8,311.80</u>	<u>163,185.45</u>	<u>6,489.78</u>	<u>85,990.60</u>	<u>3,419.79</u>
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D. CONTINGENCIES

	<u>17,300.00</u>	<u>695.96</u>	<u>(3,928.50)</u>	<u>(156.24)</u>	<u>320.00</u>	<u>12.73</u>
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E. ADMINISTRATIVE SUPPORT

	<u>7,000.00</u>	<u>273.38</u>	<u>0.00</u>	<u>0.00</u>	<u>38,500.00</u>	<u>1,531.12</u>
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TOTAL

	<u>1,210,704.635</u>	<u>48,148.91</u>	<u>1,025,257.85</u>	<u>40,773.83</u>	<u>1,143,239.09</u>	<u>45,465.86</u>
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II. COMMUNITY PROJECT FUND

	<u>Peso</u>	<u>US Dollars</u>
Advances from USAID	1,000,000.00	39,769.34
Fund releases	(20,000.00)	(795.39)
Bank charges	(400.00)	(15.91)
Fund balance	<u>979,600.00</u>	<u>38,958.04</u>

VISAYAS COOPERATIVE DEVELOPMENT CENTER, INC.
TECHNICAL ASSISTANCE AND COMMUNITY PROJECT FUND OF THE
LOCAL RESOURCE MANAGEMENT PROJECT
NATIONAL ECONOMIC DEVELOPMENT AUTHORITY
AID PROJECT NO. 492-0358

Notes to Statement of Contract Expenditures

1. Nature of Operations and Summary of Significant Accounting Policies

- a. VICTO was organized in 1971 and registered with the Securities and Exchange Commission as a non-stock, non-profit organization. It was also registered with the Department of Agriculture as a Cooperative Federation on September 28, 1988.

On October 27, 1989, the Philippine government, through the National Economic and Development Authority (NEDA), contracted VICTO to participate in the USAID-funded Local Resource Management Project (LRM) to be conducted in the province of Negros Occidental. This project consisted of two Phases: Phase I consisted of the Technical Assistance (TA) and Phase II consisted of the administration and management of the Community Project Fund (CPF) with a contract cost of P1,190,632.00 (US\$47,350.65) and P1 million (US\$39,769.34), respectively. The period of the contract was originally from November 6, 1989 to May 6, 1991, but was extended up to August 6, 1991 and the contract cost for the technical assistance fund was increased to P1,364,575 (US\$54,268.24). The said increase will cover the additional training costs for capability building for Negros Occidental LRM implementors which VICTO proposed to undertake.

The Technical Assistance shall be made available to the local poverty groups in the twelve (12) pilot barangays in the municipalities of Calatrava and Cauayan, Negros Occidental, in the form of project technical or technology assessment, design and development of livelihood system, and installation of accounting and internal control systems.

Under the contract, VICTO, as CPF administrator, has the responsibility of determining the readiness and capability of the barangays to undertake and implement livelihood projects to be funded from the CPF.

- b. Expenditures are related to the disbursement of funds provided by USAID to accomplish the objectives of the projects discussed above. Expenditures are recognized as incurred, in accordance with generally accepted accounting principles.

For the purpose of quantifying Philippine Pesos into US Dollars, the exchange rate of P25.145 to US\$1.00 was used which represents the average monthly exchange rates from November to May 1991.

2. Contract for Technical Assistance with National Economic Development Authority - Region VI (NEDA - Region VI)

As contemplated under A. . III, Section 3.01 of the Contract for the Technical Assistance with NEDA - Region VI, VICTO agreed to conduct or provide 16 training seminars for each of the 12 CBOs, or a total of 192 training seminars for the 12 CBOs.

VICTO was able to support the fact that it conducted 148 training seminars out of the 192 training seminars required to be conducted to the 12 pilot Community Based Organizations (CBOs).

VISAYAS COOPERATIVE DEVELOPMENT CENTER, INC.
TECHNICAL ASSISTANCE AND COMMUNITY PROJECT FUND OF THE
LOCAL RESOURCE MANAGEMENT PROJECT
NATIONAL ECONOMIC DEVELOPMENT AUTHORITY
AID PROJECT NO. 492-0358

Compliance with the Terms of the Contract and Applicable
Laws and Regulations

Independent Auditors' Report

We have audited the Statement of Contract Expenditures of Visayas Cooperative Development Center, Inc. (VICTO) for the period November 6, 1989 to May 31, 1991. In our report dated June 8, 1991, we disclaimed an opinion on this statement because of scope limitation. However, we have extended our audit work to address the limitations in audit scope. Accordingly, our present opinion on the Statement of Contract Expenditures is different from that expressed in our previous report.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in Government Auditing Standards 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 Statement of Contract Expenditures is free of material misstatement.

Compliance with the terms of the contract and the laws, regulations, grants, and binding policies and procedures applicable to VICTO is the responsibility of VICTO's management. As part of our audit, we performed tests of VICTO's compliance with certain provisions of the contract and laws, regulations, grants, and binding policies and procedures. However, it should be noted that we performed these tests of compliance as part of obtaining reasonable assurance as to whether the Statement of Contract Expenditures is free of material misstatement; our objective was not to provide an opinion on compliance with such provisions.

Material instances of non-compliance are violations of the contract, laws, regulations, grants, or binding policies and procedures that cause us to conclude that the aggregation of misstatements resulting from these violations is material to the Statement of Contract Expenditures. The results of our tests of compliance disclosed material instances of non-compliance described as findings 1 to 5 in the accompanying Schedule of Findings.

We considered these material instances of non-compliance in forming our opinion on whether VICTO's Statement of Contract Expenditures for the period November 6, 1989 to May 31, 1991 is presented fairly, in all material respects on the basis of accounting described in Note 1 of the Notes on the Statement of Contract Expenditures, and this report does not affect our report dated October 5, 1991 on the Statement of Contract Expenditures.

Our testing of transactions and records disclosed instances of non-compliance with the terms of the contract and applicable laws and regulations. All instances of non-compliance that we found are identified in the accompanying Schedule of Findings. All questioned costs relating to these findings are summarized in the accompanying Schedule of Questioned Costs.

Except as described above, the results of our tests of compliance indicate that, with respect to the items tested, VICTO complied, in all material respects, with the provisions referred to in the third paragraph of this report. With respect to the items not tested, nothing came to our attention that caused us to believe that VICTO had not complied, in all material respect, with those provisions.

This report is intended solely for the use of the U.S. Agency for International Development, VICTO, the National Economic Development Authority, and others within the Organization. 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.

Bernardiz, Santos & Lopez

October 5, 1991

VISAYAS COOPERATIVE DEVELOPMENT CENTER, INC.
AID PROJECT NUMBER 492-0358

Compliance with the Terms of the Contract and Applicable
Laws and Regulations

Schedule of Findings

MATERIAL FINDINGS

TECHNICAL ASSISTANCE

1. As called for in the contract, VICTO shall make available 16 training activities and seminars for each of the 12 CBOs through technical assistance in the form of project technical or technology assessment, design and development of livelihood system, and installation of accounting and internal control system. All in all, VICTO should conduct a total of 192 seminars under the following stages and schedule of activities:

<u>Stage</u>	<u>Schedule of Implementation</u>
1. Pre-organizational stage	First Quarter
2. Organizational building stage	Second and Third Quarter
3. Project Development/CPF implementation	Fourth and Fifth Quarter
4. Phase-out	Sixth Quarter

Out of the 192 training seminars VICTO committed to conduct to the 12 CBOs, it was able to present to us the training reports from November 6, 1989 to May 31, 1991 for the 148 seminars they conducted. For the remaining 44 seminars, VICTO said these were also given to the 12 CBOs although the relevant training records and documents were missing and could not be located. Consequently, the expenditures applicable to the 44 seminars are being questioned. However, we were not able to determine the total expenditures applicable to these 44 seminars because VICTO did not adopt the specific identification method in accounting for its expenditures. In addition, we were also not able to obtain confirmations relative to the training seminars conducted to four (4) CBOs because of the sites' rugged terrain, making them inaccessible to public transport. Moreover, our discussions with some of the town officials of Calatrava, Negros Occidental, where the said barangays are located, disclosed that in some instances, a clearance has to be secured from the peace officers of this town before anyone can go to the said barangays.

RECOMMENDATION

We suggest that VICTO require its trainers to submit regularly to the Project the training reports they conducted and the related expense reports to ensure adequate documentation of and to determine any time the training expense for each seminar given to the community. Moreover, custodianship over the training records and documents should be defined to pinpoint easily the person who is responsible for lost and missing documents.

2. As of May 31, 1991, VICTO's actual expenditures for lodging, supplies and training materials for LGU and CBO trainings amounted only to P85,990.60 which was way below the budget by P123,099.30 (US\$4,892.00). Only one (1) out of the twelve (12) designated barangays was granted the CPF loan of P83,333.00, of which the amount of P20,000.00 was released on May 15, 1991 from the P1 million CPF. (Please see finding no. 5 on pages 17 and 18 in our previous report, for the details.)

RECOMMENDATION

We suggest that VICTO make the necessary evaluation and review of the actual training expenditures vis-a-vis approved budget and the manner by which the CPF loan is to be conducted. This should be discussed and communicated with USAID and NEDA in order that an appropriate plan of action be developed and agreed among USAID, NEDA and VICTO.

* * *

All statements in our previous report pertaining to this section and those in the succeeding pages up to page 22 will remain the same.

VISAYAS COOPERATIVE DEVELOPMENT CENTER, INC.
LOCAL RESOURCE MANAGEMENT PROJECT
AID PROJECT NO. 492-0358

Compliance with the Terms of the Contract and Applicable
Laws and Regulations

Schedule of Questioned Costs

For the Period November 6, 1989 to May 31, 1991

According to AID applicable regulations, costs charged to a project must meet the following general criteria:

- a. Be reasonable for the performance of the project. A cost is reasonable if, its nature or amount does not exceed that which would be incurred by a prudent person under the same circumstances.
- b. Be allocable to the project. A cost is allocable in accordance with the relative benefits received.
- c. Conform to any limitations or exclusions set forth in the agreement in which the project is based.
- d. Be adequately documented.

Ineligible costs are all those costs unallocable and or unallowable in accordance with the terms of the contract, applicable laws and regulations. Unsupported costs are costs not properly supported by the recipient, in excess of the budgeted amount per line item including allowable variances, and costs considered unreasonable under the circumstances.

Our audit disclosed the questioned cost amounting to P310,161.17 (US\$12,334.90) of which P295,343.71 (US\$11,745.62) were unsupported, as follows:

<u>Budget Line Items</u>	<u>Ineligible Cost</u>	<u>Unsupported Cost</u>	<u>Total</u>	<u>Remarks</u>
A. Personnel Services				
Salaries and wages P		P 247,290.54	P 247,290.54	not supported by daily time records paid to VICTO-IRM personnel who conducted training seminars for other sponsors and outside of the 12 CEOs as agreed with USAID.
	4,351.43		4,351.43	
	8,715.55		8,715.55	
		750.00	750.00	salaries paid to project cashier which is not in accordance with the provision on "Salaries and wages" of Amendment I Salaries paid to Trainor III in excess of the approved budget.
	<u>13,066.98</u>	<u>248,040.54</u>	<u>261,107.52</u>	

<u>Budget Line Items</u>	<u>Ineligible Cost</u>	<u>Unsupported Cost</u>	<u>Total</u>	<u>Remarks</u>
B. Maintenance and Other Operating Expenses	1,750.48		1,750.48	Paid to VICTO-LRM Personnel who conducted training seminars for other sponsors and outside of the 12 CBOs as agreed with USAID. in excess of budget including the 15% allowable variance.
		16,853.17	16,853.17	
	<u>1,750.48</u>	<u>16,853.17</u>	<u>18,603.65</u>	
C. Administrative Support	<u>0.00</u>	<u>30,450.00</u>	<u>30,450.00</u>	in excess of budget including the 15% allowable variance
Total Questioned Cost	<u>P 14,817.46</u>	<u>P 295,343.71</u>	<u>P 310,161.17</u>	

These costs were previously described in the Schedule of Findings.

VISAYAS COOPERATIVE DEVELOPMENT, INC.
TECHNICAL ASSISTANCE AND COMMUNITY PROJECT FUND OF THE
LOCAL RESOURCE MANAGEMENT PROJECT
NATIONAL ECONOMIC DEVELOPMENT AUTHORITY
AID PROJECT NUMBER 492-0358

Internal Controls

Independent Auditors' Report

We have audited the Statement of Contract Expenditures for the Technical Assistance and Community Project Funds of the Local Resource Management Project of Visayas Cooperative Development Center, Inc. (VICTO), AID Project number 492-358 for the period November 16, 1989 to May 31, 1991. In our report dated June 8, 1991, we disclaimed an opinion on this statement because of scope limitation. However, we have extended our audit work to address the limitations in audit scope. Accordingly, our present opinion on the Statement of Contract Expenditures is different from that expressed in our previous report.

We conducted our audit in accordance with generally accepted auditing standards for financial audits contained in Government Auditing Standards 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 Statement of Contract Expenditures is free of material misstatement.

In planning and performing our audit of Visayas Cooperative Development Center, Inc., we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the Statement of Contract Expenditures and not to provide assurance on the internal control structure.

The management of VICTO 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 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 Statement of Contract Expenditures 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 of VICTO applicable to the AID Project No. 492-0358 for the period November 6, 1989 to May 31, 1991 in the following accounting applications.

- a. Cash receipts; and
- b. Cash disbursements.

For 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.

We noted the matters described in findings nos. 1 to 8 on the Schedule of Findings 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 judgement, could adversely affect the entity's ability to record, process, summarize and report financial data consistent with the assertions of management in the Statement of Contract Expenditures.

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 Statement of Contract Expenditures 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 the matter described in findings no. 1 and no. 2 on the Schedule of Findings represents material weaknesses.

This report is intended solely for the use of VICTO, United States Agency for International Development, the National Economic Development Authority, and others within the Organization. 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.

Fernandez, Santos & Lopez

October 5, 1991

All statements in our previous report up to page 30 will remain the same.

VICTO MANAGEMENT RESPONSE TO OUR AUDIT FINDINGS

A. Compliance with the Terms of the Contract and Applicable Laws and Regulations

Material Findings

Technical Assistance

- Finding 1** Lower training costs do not necessarily mean less trainings. We are enclosing the list of trainings conducted and the documents to support this.
- Finding 2** While we admit deficiency in the submission of the necessary information/reports because of staff turnover, we could not allow the subsequent delays in funds release to hamper our implementation of the project. For the smooth and efficient implementation towards the achievement of the desired project goals, VICTO obligated its own funds.
- Finding 3** Previously, VICTO's policy for field staff was to require the submission of a monthly planner at the beginning of each month. At the end of the month, an activity report was submitted which sufficed as support for the payroll. Indicated in the activity report was the variance between planned and the actual, plus the reasons for the variance. Before June, 1990 only the office staff were required to prepare DTR's. However, starting June, 1990, management required all staff to submit daily time records to support payment of the payroll. We are now enforcing this policy.
- Finding 4** On November 29, 1990, a letter was sent to NEDA-LRM reporting a realignment in the salary schedule. Instead of hiring a project auditor, an administrative support fund was incorporated to absorb the services provided to field operations.

Community Project Fund

- Finding 5** Per implementation schedule, CPF was to be released during the period from November, 1990 to February, 1991. However, there were factors that caused the delay of the releases, e.g. peace and order situation, Typhoon Ruping, change in the Project identified by the CBO, and internally, the staff turn-over. CPF is a fund intended for livelihood projects of the CBO's in the municipalities of Calatrava and Cawayan. As an implementing PVO, we want to ensure the proper utilization of these funds for future replication by other self-help organizations.

Other Findings

Technical Assistance

- Finding 6** VICTO-LRM personnel are VICTO staff implementing the LRM Project. As such, they are responsible for the promotion of VICTO's services in general and to carry out the LRM Project in particular. Moreover, it is VICTO's policy to always upgrade the KSA of its staff. Being a support staff in a training event is not only a training activity but also an upgrading of skills. This is a strategy which we use to expose LRM staff to other VICTO programs, and likewise, non-LRM staff to the LRM program. We feel that this is essential, considering the short project life of LRM, and we were anticipating staff relocation.
- Finding 7** We admit the reporting deficiency because of staff turnover, but it is not quite true that no previous documentations were submitted. We are also enclosing printed copies of these reports, which, at the time of audit, could not be produced since the staff had packed up some of our records prior to our transfer of office premises.
- Finding 8** Per Amendment No. 1 dated June, 1990, the cashier/accounting clerk was receiving her actual salary from the project for the period May-June, 1990. Effective July, 1990, VICTO-VCF shouldered the salary of the Cashier so that in exchange, the salary of the utility clerk was charged to the project starting the same period. However, starting August 1990, the project bookkeeper took a leave of absence in order to take the CPA Board exams. The previous Cashier who had been assigned to VCF was requested to handle the bookkeeping job. On August 20, 1990, NEDA, thru its Regional Director, Atty. Alex Umadhay approved the request for replacement of the bookkeeper.
- Finding 9** Because of the staff turn-over, the VICTO management decided to get staff within VICTO who had the necessary knowledge and skills to conduct various trainings effectively and efficiently. The staff identified, being a senior staff, was receiving a salary much bigger than what is provided for in the LRM budget. Her salary could not be lowered to suit the LRM budget.

Community Project Fund

- Finding 10** The transfer of the CPF funds from USAID to the wrong bank account was an unintentional mistake of the Cebu office because of the numerous bank accounts which VICTO maintains. The initial communication was through VICTO-Cebu, and the Cebu office inadvertently made an error in the transmittal of the bank account number.
- Finding 11** The CPF status report was not submitted since there was no movement in the funds. The VCF Manager naturally assumed that since there was nothing to report, no report was necessary. Compliance was done immediately after the clarifications were made.

B. Internal Controls

Material Findings

- Finding 1** VICTO as a growing organization, was trying to develop its accounting manual. However, there was a management decision to computerize the accounting system, thus suspending the preparation of the accounting manual. We have just started the computerization of our accounting system.
- Finding 2** Previously, VICTO's policy for field staff was to require the submission of a monthly planner at the beginning of each month. At the end of the month, an activity report was submitted which sufficed as support for the payroll. Indicated in the activity report was the variance between planned and the actual, plus the reasons for the variance. Before June, 1990 only the office staff were required to prepare DTR's. However, starting June, 1990, management required all staff to submit daily time records to support payment of the payroll. We are now enforcing this policy.

Other Findings

- Finding 3** VICTO has a standing policy that no cash advance would be granted unless previous CA's are liquidated. This is now being strictly implemented for proper accounting and recording.
- Findings 4 & 5** We have designed a new form which shows the itinerary, the cash advance request and the status of the cash advance for proper information to the approving authority. Moreover, the department heads are also maintaining control records for double checking.
- Finding 6.** We are in the process of reviewing our cash receipts system for improvement.
- Finding 7.** With the new staffing pattern, each employee's file is being updated and properly maintained.
- Finding 8** The existing procurement policy is that purchases of over three hundred pesos (P300.00) will be supported with a canvass sheet. We will be strictly enforcing the implementation of this procurement procedure.

Certified Public Accountants
(Incorporated practices of Fernandez, Berris & Co.,
P.S. Santos & Co. and Lopez, Agravante & Co.)

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Representative Firm of

KPMG Peat Marwick

July 18, 1991

MR. DENNIS SMITH
Resident Audit Office - Manila
4th Floor, Thomas Jefferson Cultural Center
Sen. Gil J. Puyat Avenue
Makati, Metro Manila

Dear Mr. Smith:

This report presents the results of the non-federal audit of the Local Resource Management (LRM) Project-AID Project No. 492-0358 administered by the National Economic Development Authority (NEDA) of the Philippines and implemented by the Visayas Cooperative Development Center, Inc. (VICTO), for the period November 6, 1989 to May 31, 1991.

We discussed the draft report with the representatives of NEDA, VICTO and RIG/AM on July 5, 1991. It was agreed during the meeting that VICTO will submit to us its written response within 10 days but no later than July 15, 1991. Moreover, we pointed out that documentary evidences should likewise be submitted by VICTO to enable us to satisfy ourselves as to the allowability of the disbursements from the Technical Assistance Fund. The RIG/AM representative advised us to finalize the report by the 18th of July whether or not VICTO will be able to submit their written response by the said date. On July 17th, VICTO called us up and sent as well a fax message informing us that they will be sending their comments and supporting documents on the 19th of July. Since this is already beyond the date we are required to submit our report, we decided to proceed with its finalization and not to wait anymore for VICTO's written comments. This report does not therefore include the comments of VICTO.

BACKGROUND

Pursuant to the Loan and Grant Agreement between the Republic of the Philippines and the United States of America (AID Project No. 492-0358) dated August 31, 1982, as amended, the United States Agency for International Development (USAID) entered into an agreement with the Philippine Government through the National Economic and Development Authority (NEDA) to undertake the Local Resource Management Project (LRM).

On October 27, 1989, the Philippine government, through the National Economic and Development Authority (NEDA) contracted VICTO to participate in the USAID-funded LRM project to be conducted in the province of Negros Occidental. This project consisted of two Phases: Phase I consisted of the Technical Assistance (TA) and Phase II consisted of the administration and management of the Community Project Fund (CPF) with a contract cost of P1,190,632.00 (US\$47,350.65) and P1,000,000.00 (US\$39,769.34), respectively. The period of the contract was originally from November 6, 1989 through May 6, 1991 but was extended up to August 6, 1991 and the contract cost for the technical assistance fund was increased to P1,364,575.00 (US\$54,268.24).

The Technical Assistance shall be made available to the local poverty groups in the twelve (12) pilot barangays in the municipalities of Calatrava and Cauayan, Negros Occidental, in the form of project technical or technology assessment, design and development of livelihood system and installation of accounting and internal control systems.

Under the Contract, VICTO, as administrator of the CPF, has the responsibility of determining the readiness and capability of the barangays to undertake and implement livelihood projects to be funded from the CPF.

AUDIT OBJECTIVES AND SCOPE

Our objectives were to perform our work in accordance with generally accepted auditing standards and the Comptroller General's "Government Auditing Standards" (1988 Revision) and, accordingly, include such tests of the accounting records, internal control structures and such other auditing procedures as we considered necessary in the circumstances to determine whether:

1. VICTO's expenditures from the Technical Assistance and Community Project Fund were fairly presented and were in fact allocable, allowable, and reasonable;
2. VICTO's internal controls were sufficient to capture data under the contracts and were adequate to segregate and account for USAID funds; and
3. VICTO complied with the contract agreement and applicable laws and regulations.

The scope of our audit covered expenditures from the Technical Assistance and Community Project Fund from November 6, 1989 to May 31, 1991.

The major audit procedures conducted during our work in order to meet the audit objectives consisted of:

- o Review, analyze, conduct ocular inspection and examine supporting documentation for selected expenses to determine allowability of expenditures from the Technical Assistance and Community Project Fund covering the transactions from November 6, 1989 to May 31, 1991.
- o Study and evaluate the adequacy of VICTO's internal controls and procedures relative to AID Project No. 492-0358 in order to assess the control risks and to determine our auditing procedures.
- o Review of the compliance with Contract agreement and amendments thereto, pertinent documents and other applicable laws and regulations related to the Project.

During our audit, we were alert to transactions or events that could be indicative of fraud and illegal expenditures or acts.

RESULTS OF THE AUDIT

Statement of Contract Expenditures

VICTO did not maintain adequate records and sufficient evidential documents supporting the training seminars it conducted to the twelve (12) CBO's. VICTO agreed to undertake 16 training activities and seminars for each of the 12 CBO's or a total of 192 training seminars as contemplated under the provisions of Art. III, Section 3.01 of the Contract for Technical Assistance. As a result thereof USAID committed the total amount of P1,364,575.00 as Technical Assistance Fund. However, per available records provided to us, only 16 (or 8%) seminars were conducted as of May 31, 1991 to 9 CBO's instead of the targetted 12 CBO's.

We were unable to apply other auditing procedures to satisfy ourselves as to the allowability of the total expenditures charged to Technical Assistance. In addition, our audit disclosed questioned costs amounting to P310,161.17 (US\$12,334.90) of which P295,343.71 (US\$11,745.62) were unsupported. (See pages 23 and 24 for the schedule of questioned costs.)

Because of the above scope limitation, we were unable to express an opinion on the Statement of Contract Expenditures of AID Project No. 492-0358, for the period November 6, 1989 to May 31, 1991, administered by VICTO.

Compliance with the Terms of the Contract and Applicable Laws and Regulations

As part of our audit, we performed tests of VICTO's compliance with certain provisions of the contract and laws, regulations, grants, and binding policies and procedures. We performed those tests of compliance as part of obtaining reasonable assurance about whether the Statement of Contract Expenditures is free of material misstatement, our objective was not to provide an opinion on compliance with such provisions.

Our tests of compliance disclosed the following instances of non-compliance, numbers 1, 2, 3, 4 and 9 of which are considered to be material.

Technical Assistance

1. The required 16 training activities and seminars to be conducted for each of the 12 CBOs, or a total of 192 training seminars, as contemplated under Art. III, Section 3.01 of the Contract for the Technical Assistance, were not conducted as planned. As of May 31, 1991, only 16 (or 8%) training seminar activities were conducted to 9 CBOs instead of the targetted 12 CBOs.
2. VICTO disbursed funds over and above the amount received from USAID which is not in consonance with Art. V, Section 5.03 - Terms of payment of the Contract for the Technical Assistance.
3. 40% or P247,290.54 (US\$9,834.58) of the total salaries paid to employees involved in the VICTO-LRM Project was not supported by Daily Time Records.

4. Administrative support amounting to P30,450.00 was paid in excess of the maximum allowed by the contract.
5. Some of VICTO-LRM's personnel, who were supposed to render full time services to VICTO's project, conducted training seminars for other sponsors and outside of the 12 CBOs as agreed with USAID.
6. Certain reportorial requirements were not submitted. There were also reports not submitted promptly.
7. The salary of the Project Cashier in the amount of P8,715.55 (US\$346.61) was charged to the Technical Assistance contrary to what was provided for in Amendment No. 1 dated June 30, 1990.
8. Salaries paid to a trainor from January to May 1991 were higher than the approved budget by P750 (US\$29.83).

Community Project Fund

9. As of May 31, 1991, only one out of the twelve (12) designated barangays was granted the CPF loan amounting to P83,333.33, of which the amount of P20,000.00 was released on May 15, 1991. The P1 million CPF was requested on October 30, 1990 and was received on December 18, 1990. As noted on the request, the CPF was expected to be disbursed to the barangays for the period November 19, 1990 to February 1991.
10. USAID remitted the P1 million CPF fund to VICTO's Visayas Central Fund (VCF) interest-earning bank account due to the non-submission on a timely basis, of the bank account number opened for the CPF fund. This was subsequently transferred on January 14, 1991 to VICTO CPF bank account. Interest earned up to date of transfer to CPF fund amounted to P970.22.
- 11. VICTO did not submit the CPF Status Report showing the amount of funds received from USAID, the amount released to the Fund conduit (CBOs) and expenditures against such releases, which should have been submitted to NEDA on May 10, 1991.

Except as described above, the results of our tests of compliance indicate that, with respect to the items tested, VICTO complied with the provisions of the contract and laws, regulations, grants and binding policies and procedures. With respect to the items not tested, the extent of non-compliance noted in our testing indicates that there is more than a relatively low risk that VICTO may have violated applicable laws and regulations.

Internal Control Structure

We studied and evaluated VICTO's internal control structure relative to USAID contract number 492-0358 in order to assess the control risks and to determine our auditing procedures for the purpose of expressing an opinion on the Statement of Contract Expenditures of VICTO and not to provide assurance on VICTO's internal control structure taken as a whole.

VICTO had no accounting manual. The project bookkeeper confirmed the absence of a manual and said that VICTO's accounting manual was undergoing revisions at its head office in Cebu City.

In the absence of the said accounting manual, we obtained an understanding of the accounting practices and procedures employed by the Project through inquiries and observations and validated the same with the review of the project's accounting transactions, as follows:

We classified the significant internal control policies and procedures of VICTO under the LRM project in the following accounting applications:

- a. Cash Receipts
- b. Cash Disbursements

For the control categories listed above, we obtained an understanding of the relevant policies and procedures and how these have been applied.

We noted matters that we consider reportable conditions under Generally Accepted Auditing Standards and the United States Comptroller General's "Government Auditing Standards" (1988 Revision). We believe that the matters identified as numbers 1 and 2 represent material weaknesses. Our findings are as follows:

1. No written accounting policies were developed for the VICTO-LRM project, clearly defining the Project's significant accounting practices and procedures.
2. Salaries paid to employees were not adequately supported with daily time records or other appropriate records.
3. The present system covering cash advances allows the granting of cash advances to the staff even if they had unliquidated cash advances.
4. The itinerary sheet, which serves as the cash advance request showing the nature and purpose of cash advances, was neither reviewed nor approved in writing by a responsible project official prior to the issuance of check disbursement vouchers. Moreover, the space provided for in the itinerary sheet showing the outstanding/unliquidated cash advances of the requesting staffmember was not filled out.
5. Liquidation reports on travel expenses did not indicate the time of departure and/or arrival.
6. Additional clerical work services were engaged in accounting for cash collections.
7. Personnel files were not properly maintained.
8. Certain deviations were noted from the usual practice requiring a specific canvassing procedure for purchases over P300.00.

SUMMARY OF RECOMMENDATIONS

Compliance with the Terms of the Contract and Applicable Laws and Regulations

MATERIAL FINDINGS

Technical Assistance

1. We suggest that VICTO make the necessary evaluation and review of the schedule of the training activities and seminars and the manner by which these are to be conducted based on the contract. This should be discussed and communicated with USAID and NEDA in order that an appropriate plan of action will be developed and agreed among USAID, NEDA and VICTO.
2. We suggest that VICTO strictly comply with USAID's funding procedures and the reportorial requirements as contained in Section 3.03 of the contract to ensure receipt of funds from USAID on a timely basis and to preclude borrowings from other organizations/projects, and avoid unnecessary delays in the implementation of the Project's planned activities.
3. We suggest that payment for salaries be supported by daily time records upon which the computation of the payroll will be based to ascertain the accuracy and legitimacy of the salaries paid.
4. We suggest that VICTO carefully review the allocated budget for each line item prior to approving disbursements to ascertain that expenses are within approved budget.

Community Project Fund

5. We recommend that VICTO properly maintain files of the CBO CPF loan beneficiaries which should include among other things, the status of the CBO loan application, the date when the CBO loan requirements were received, the requirements of the CBO's which have not been complied with, the reasons for the delay in granting loans and other matters necessary in determining the status of CBO loan applications.

OTHER FINDINGS

Technical Assistance

6. We suggest that in cases where employees render services both to USAID-funded projects and those funded by other agencies, the salaries, per diems and other expenses incurred in relation to the services rendered should be properly allocated to the USAID Grant Project and the other projects in accordance with the proportion of relative benefits received.
7. We suggest that VICTO submit promptly the process documentation reports in compliance with the provisions of Section 3.03 of the contract.

Section 3.03 of the contract between NEDA and VICTO provides for the submission of reports with the corresponding schedule of submission to administer the conduct of the Technical Assistance and the management of the Community Project Fund (CPF)

8. We suggest that VICTO strictly comply with the provision on "salaries and benefits" of Amendment No. 1 to ascertain that expenditures from the Technical Assistance were indeed allocable and to properly reflect actual expenses under the AID Grant Project.
9. We suggest that VICTO pay the employees under the LRM Project in consonance with what was approved by USAID (as provided for in the Contract between NEDA and VICTO) to ascertain that the budget allocated for every budget line items (as allocated) were properly disbursed.

Community Project Fund

10. We suggest that the interest earned on the P1 million CPF of P970.25 be remitted to USAID or be deducted from the total cost of the contract. Interest should be computed from the time it was credited to VICTO'S regular bank account up to the time it was transferred to the TA bank account .
11. In compliance with the reportorial requirements of the contract, VICTO should promptly submit the CPF status report even if funds had not been released to the fund conduits.

Internal Control Structure

MATERIAL FINDINGS

1. We suggest that VICTO prepare and make available an accounting manual clearly defining VICTO's significant accounting practices and procedures. The existence of said manual would facilitate monitoring of the application of practices and procedures employed by VICTO sufficient to reflect all transactions under or in connection with the terms and conditions of the contract between NEDA and VICTO.
2. We suggest that daily time records or any appropriate records be properly maintained by VICTO upon which the computation of the payroll will be based to ascertain the accuracy and legitimacy of the salaries paid.

OTHER FINDINGS

3. We recommend that management review its present policy especially in the areas of granting and liquidation of cash advances. The present practice nullifies the accounting principle on "proper matching of cost and revenues" should the cash advance be liquidated after the cut-off date required by USAID (which could be considered as one accounting period). Expenses that should have been included in said report would not be included. Moreover, it opens an opportunity for the staff to use the money for purposes which do not serve the best interest of the project.

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We suggest that cash advances be liquidated in full and immediately after an activity has been completed to properly monitor cash advances and facilitate recording of and accounting for expenses.

4. We suggest that the itinerary sheet which serves as the cash advance request, be properly accomplished, and duly reviewed and approved by a responsible Project official to ascertain that cash advances are within the approved budget.
5. We recommend that travel expenses include the time of arrival in and departure from each location to facilitate monitoring of travel expenses and per diems.

Moreover, the audit procedures provided by USAID on travel charges require that travel and transportation expenses show the time of departure and arrival at each location, locations visited, details of costs incurred, supported by documentation, purpose of the trip and signature of a responsible official.

6. Since all collections are deposited intact and are not used to finance daily disbursements, we suggest that VICTO simplify its recording procedures regarding cash transactions by directly charging cash in bank account for collections received to save on clerical work, thus, save time and facilitate the reconciliation of the cash account.
7. We suggest that VICTO keep and properly maintain an updated file of employees involved in the LRM-Project which should include among others things, an employment contract. Said contract shall serve as basis in determining the propriety and validity of salaries paid to the employees.
8. In compliance with the management's usual practice on procurement system, we suggest that purchases of over P300.00 be supported by canvass sheets regardless of the terms of the purchase. This would also serve as an appropriate documentation that VICTO paid the most reasonable price for all items bought using the USAID funds.

Very truly yours,

FERNANDEZ, SANTOS & LOPEZ

By:


MA. VICTORIA R. LOPEZ
Partner

VISAYAS COOPERATIVE DEVELOPMENT CENTER, INC.
TECHNICAL ASSISTANCE AND COMMUNITY PROJECT FUND
OF THE LOCAL RESOURCE MANAGEMENT PROJECT
NATIONAL ECONOMIC DEVELOPMENT AUTHORITY
AID Project Number 492-0358

Statement of Contract Expenditures

Independent Auditors' Report

We were engaged to audit the accompanying Statement of Contract Expenditures for the Technical Assistance and Community Project Funds of the Local Resource Management Project of Visayas Cooperative Development Center, Inc. (VICTO), AID Project number 492-0358, for the period November 6, 1989 to May 31, 1991. The Statement of Contract Expenditures is the responsibility of VICTO's management.

As described in the accompanying Schedules of Findings and Questioned Costs, we were unable to apply other auditing procedures to satisfy ourselves as to the allowability of the total expenditures charged to the Technical Assistance. In addition, our audit disclosed questioned costs amounting to P310,161.17 (US\$12,334.90), of which P295,343.71 (US\$11,745.62) are unsupported costs. USAID will make a final determination as to whether the total expenditures under the Technical Assistance Fund and the related questioned costs are allowable under the terms of the contract.

Based on the nature and extent of the above questioned costs, we were unable to determine whether VICTO maintained adequate accounting records and sufficient documentation to support the allowability of expenditures charged to the Technical Assistance during the period November 6, 1989 to May 31, 1991 and were unable to apply other auditing procedures to satisfy ourselves as to the allowability of these expenditures. Accordingly, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the Statement of Contract Expenditures.

This report is intended solely for the use of the United States Agency for International Development, VICTO, the National Economic Development Authority, and others within the organization. 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.

Hernandez, Santos & Lopez

June 8, 1991

VISAYAS COOPERATIVE DEVELOPMENT CENTER, INC.
 TECHNICAL ASSISTANCE AND COMMUNITY PROJECT FUND OF THE
 LOCAL RESOURCE MANAGEMENT PROJECT
 NATIONAL ECONOMIC DEVELOPMENT AUTHORITY
 AID PROJECT NO. 492-0358

Statement of Contract Expenditures

For the Period November 6, 1989 to May 31, 1991

I. TECHNICAL ASSISTANCE

A. PERSONNEL SERVICES

	<u>APPROVED BUDGET</u>		<u>CUMULATIVE ADVANCES</u>		<u>ACTUAL EXPENDITURES</u>	
	<u>Peso</u>	<u>US Dollar</u>	<u>Peso</u>	<u>US Dollar</u>	<u>Peso</u>	<u>US Dollar</u>
Salaries and wages	993,035.96	23,664.19	546,398.28	21,729.90	613,848.05	24,412.33
Employee benefits	56,754.29	2,257.08	52,168.17	2,074.69	54,710.54	2,175.80
Accident and health insurance	10,726.07	426.57	14,534.08	578.01	6,181.86	245.85
Honorarium	<u>9,000.00</u>	<u>357.92</u>	<u>0.00</u>	<u>0.00</u>	<u>9,000.00</u>	<u>357.92</u>
	<u>671,316.32</u>	<u>26,705.76</u>	<u>613,100.53</u>	<u>24,382.60</u>	<u>683,740.45</u>	<u>27,191.90</u>

B. MAINTENANCE AND OTHER OPERATING EXPENSES

Travel and per diem	180,698.84	7,186.27	120,042.10	4,773.99	196,727.44	7,823.72
Rent	54,000.00	2,147.54	61,800.00	2,457.75	54,000.00	2,147.54
Office Supplies	10,526.80	418.64	11,049.80	439.44	11,885.60	472.68
Light and water	17,314.43	688.58	17,058.20	678.39	18,247.00	725.67
Communications	5,043.35	200.56	6,530.20	259.70	5,604.00	222.87
Repairs and maintenance	32,637.12	1,297.95	26,736.85	1,063.31	42,355.00	1,684.43
Gasoline and oil	<u>5,467.47</u>	<u>217.47</u>	<u>9,483.22</u>	<u>385.10</u>	<u>5,869.00</u>	<u>233.41</u>
	<u>305,688.01</u>	<u>12,157.01</u>	<u>252,900.37</u>	<u>10,057.68</u>	<u>334,688.04</u>	<u>13,310.32</u>

C. OTHER RELEVANT EXPENSES

(Board, lodging, supplies and materials for LCU and CBO Trainings)

	<u>209,000.30</u>	<u>8,311.80</u>	<u>163,185.45</u>	<u>6,489.78</u>	<u>85,990.60</u>	<u>3,419.79</u>
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D. CONTINGENCIES

	<u>17,500.00</u>	<u>693.96</u>	<u>(3,928.50)</u>	<u>(156.24)</u>	<u>320.00</u>	<u>12.73</u>
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E. ADMINISTRATIVE SUPPORT

	<u>7,000.00</u>	<u>278.38</u>	<u>0.00</u>	<u>0.00</u>	<u>38,500.00</u>	<u>1,531.12</u>
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TOTAL

	<u>1,210,704.638</u>	<u>48,148.91</u>	<u>1,025,257.85</u>	<u>40,773.83</u>	<u>1,143,239.09</u>	<u>45,465.86</u>
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II. COMMUNITY PROJECT FUND

	<u>Peso</u>	<u>US Dollar</u>
Advances from USAID	1,000,000.00	39,769.34
Fund releases	(20,000.00)	(795.39)
Bank charges	(400.00)	(15.91)
Fund balance	<u>979,600.00</u>	<u>38,958.04</u>

VISAYAS COOPERATIVE DEVELOPMENT CENTER, INC.
TECHNICAL ASSISTANCE AND COMMUNITY PROJECT FUND OF THE
LOCAL RESOURCE MANAGEMENT PROJECT
NATIONAL ECONOMIC DEVELOPMENT AUTHORITY
AID PROJECT NO. 492-0358

Note to Statement of Contract Expenditures

Nature of Operations and Summary of Significant Accounting Policies

- a. VICTO was organized in 1971 and registered with the Securities and Exchange Commission as a non-stock, non-profit organization. It was also registered with the Department of Agriculture as a Cooperative Federation on September 28, 1988.

On October 27, 1989, the Philippine government, through the National Economic and Development Authority (NEDA), contracted VICTO to participate in the USAID-funded Local Resource Management Project (LRM) to be conducted in the province of Negros Occidental. This project consisted of two Phases: Phase I consisted of the Technical Assistance (TA) and Phase II consisted of the administration and management of the Community Project Fund (CPF) with a contract cost of P1,190,632.00 (US\$47,350.65) and P1 million (US\$39,769.34), respectively. The period of the contract was originally from November 6, 1989 through May 6, 1991 but was extended up to August 6, 1991 and the contract cost for the technical assistance fund was increased to P1,364,575 (US\$54,268.24). Said increase will cover the additional training costs for capability building for Negros Occidental LRM implementors which VICTO proposed to undertake.

The Technical Assistance shall be made available to the local poverty groups in the twelve (12) pilot barangays in the municipalities of Calatrava and Cauayan, Negros Occidental, in the form of project technical or technology assessment, design and development of livelihood system and installation of accounting and internal control systems.

Under the contract, VICTO, as administrator of the CPF, has the responsibility of determining the readiness and capability of the barangays to undertake and implement livelihood projects to be funded from the CPF.

- b. Expenditures are related to the disbursing of funds provided by USAID to accomplish the objectives of the projects discussed above. Expenditures are recognized as incurred, in accordance with generally accepted accounting principles.

For the purpose of quantifying Philippine Pesos into US Dollars, the exchange rate of P25.145 to US\$1.00 was used which represents the average monthly exchange rates from November to May 1991.

VISAYAS COOPERATIVE DEVELOPMENT CENTER, INC.
TECHNICAL ASSISTANCE AND COMMUNITY PROJECT FUND OF THE
LOCAL RESOURCE MANAGEMENT PROJECT
NATIONAL ECONOMIC DEVELOPMENT AUTHORITY
AID PROJECT NO. 492-0358

Compliance with the Terms of the Contract and Applicable
Laws and Regulations

Independent Auditors' Report

We were engaged to audit the Statement of Contract Expenditures of Visayas Cooperative Development Center, Inc. (VICTO) for the period November 6, 1989 to May 31, 1991, and have issued our report thereon dated June 8, 1991, on which we disclaimed an opinion due to limitations in the scope of our work.

Compliance with the terms of the contract and the laws, regulations, grants, and binding policies and procedures applicable to VICTO is the responsibility of VICTO's management. As part of our audit, we performed tests of VICTO's compliance with certain provisions of the contract and laws, regulations, grants, and binding policies and procedures. However, it should be noted that we performed those tests of compliance as part of obtaining reasonable assurance as to whether the financial statements are free of material misstatement; our objective was not to provide an opinion on compliance with such provisions.

Material instances of non-compliance are violations of the contract, laws, regulations, grants, or binding policies and procedures that cause us to conclude that the aggregation of misstatements resulting from those violations is material to the Statement of Contract Expenditures. The results of our tests of compliance disclosed material instances of non-compliance described as findings 1 to 5 in the accompanying Schedule of Findings.

We considered these material instances of non-compliance in preparing our report on VICTO's Statement of Contract Expenditures.

Our testing of transactions and records disclosed instances of non-compliance with the terms of the contract and applicable laws and regulations. All instances of non-compliance that we found are identified in the accompanying Schedule of Findings. All questioned costs relating to these findings are summarized in the accompanying Schedule of Questioned costs.

Except as described above, the results of our tests of compliance indicate that, with respect to the items tested VICTO complied with the provisions referred to in the second paragraph of this report. With respect to the items not tested, the extent of non-compliance noted in our testing indicates that there is more than a relatively low risk that VICTO may have violated the terms of the contract or applicable laws and regulations.

This report is intended solely for the use of the U.S. Agency for International Development, VICTO, the National Economic Development Authority, and others within the Organization. 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.

June 8, 1991

Gerrantley, Santos & Lopez

VISAYAS COOPERATIVE DEVELOPMENT CENTER, INC.
AID PROJECT NUMBER 492-0358

Compliance with the Terms of the Contract and Applicable
Laws and Regulations

Schedule of Findings

MATERIAL FINDINGS

TECHNICAL ASSISTANCE

1. It may be improbable that the desired training activities under Technical Assistance will be successfully carried out by VICTO by the end of the contract period.

As called for in the contract, VICTO shall make available 16 training activities and seminars for each of the 12 CBO's Technical Assistance in the form of project technical or technology assessment, design and development of livelihood system, and installation of an accounting and internal control system. All in all, VICTO shall conduct a total of 192 seminars under the following stages and schedule of activities:

<u>Stage</u>	<u>Schedule of Implementation</u>
1. Pre-organizational stage	First Quarter
2. Organizational building stage	Second and Third Quarter
3. Project Development/CPF implementation	Fourth and Fifth Quarter
4. Phase-out	Sixth Quarter

A closer look at the financial activities of VICTO showed that as of May 31, 1991, it disbursed 83% or P1,134,523.00 of the total funds committed by USAID under Technical Assistance and yet it was only able to make available to the local poverty groups in the 12 CBOs the following:

- o Only sixteen seminars were conducted and at most given to 9 CBO's (instead of targeted 12 CBO's)
- o For almost 19 months the project conducted only 8% of the total number of seminars it committed to USAID.
- o VICTO has only two months to conduct the remaining 92% or 176 seminars for the 12 CBOs.

(Please see Exhibit I for the details.)

We were able to establish that only sixteen seminars were conducted by VICTO after performing the following:

We requested all the folders of the 12 CBO's and other related documents pertaining to the training activities conducted/given to the CBOs'. However, we were given only 6 folders, one each for the 6 CBOs located in Calatrava, Negros Occidental. The respective folders of the 6 CBOs contain the following:

1. Nature of seminars conducted, numbering ten (10) seminars
2. Date, time and venue of the seminars
3. No. of participants with attendance sheet duly signed by CBO members
4. Reactions/questions raised by CBO members

Thereafter, we confirmed with some participants whether the training seminars as contained in the folders were actually given to them for which we got positive replies. From the summary of training seminars as noted above, we performed also validation work by reviewing the liquidation reports of the trainors and matching the information relative to the training seminars conducted, the venue, date and time against those shown in the CBO folders. We also matched the training expense materials per supporting documents with that of the disbursement vouchers.

We asked for the respective folders of the other 6 CBOs and we were told that the custodian of the said CBO folders was no longer connected with VICTO. The Training Officer who was employed in January 1991 gave us instead the summary of the six (6) seminars conducted from January to April 1991 which we did not substantiate anymore. The summary showed the following information:

1. Nature of the training programs conducted
2. Place/venue of the training
3. No. of participants with attendance sheet
4. Date conducted

(Please see Exhibit I-A for the details.)

Furthermore, we wish to point out that as of May 31, 1991, VICTO's actual expenditures for lodging, supplies and training materials for LGU and CBO trainings amounted only to P85,990.60 which was way below the budget by P123,099.30 (US\$4,892.00). This would reinforce our above findings that there were only few trainings conducted to the CBO's. Another indication was the fact that only one (1) out of the twelve (12) designated barangays was granted the CPF loan of P83,333.00, of which the amount of P20,000.00 was released on May 15, 1991 from the P1 million CPF. (Please see finding no. 5 on pages 17 and 18 for the details.)

RECOMMENDATION

We suggest that VICTO make the necessary evaluation and review of the schedule of the training activities and seminars and the manner by which these are to be conducted based on the contract. This should be discussed and communicated with USAID and NEDA in order that an appropriate plan of action will be developed and agreed among USAID, NEDA and VICTO.

2. As of May 31, 1991, total cash advance requested by VICTO amounted to P1,364,575.00 of which P1,025,257.85 was received from USAID. However, as of said period, VICTO disbursed more than what it had received. Total disbursement amounted to P1,143,239.09 exceeding by P117,981.24. Details are as follows:

<u>Budget Line Items</u>	<u>Budget Received</u>	<u>Actual Expenses</u>	<u>Difference of Expenses Over Request</u>
A. Personnel services	613,100.53	683,740.45	70,639.92
B. Maintenance and other Operating expenses	252,900.37	334,688.04	81,787.67
C. Training program and Seminars	163,185.45	85,991.00	(77,194.85)
D. Contingencies	(3,928.50)	320.00	4,248.50
E. Administrative Support	<u>0.00</u>	<u>38,500.00</u>	<u>38,500.00</u>
	<u>1,025,257.85</u>	<u>1,143,239.09</u>	<u>117,981.24</u>

(Please refer to Exhibit II for the details)

VICTO resorted to borrowings from its other project to cover the above fund shortage. Funds borrowed as of May 31, 1991 totalled P152,810.00, as a result of VICTO's failure to submit on time the expenditure disbursement report and the cash advance request to NEDA.

Specifically, the cash advance request of P124,010.73 for the third quarter which was due on April 1, 1990 was submitted only on June 5, 1990 and the request of P339,317.15 for the 6th quarter which was due on January 1, 1991 was submitted only on April 4, 1991.

The amount of P124,010.73 for the 3rd quarter request was received from USAID only on July 31, 1990. VICTO borrowed funds from VICTO-NOCBP (Negros Occidental Capability Building Project) as it had to pay the expenses in relation to its planned activities. Details of the borrowings follow:

<u>Date Borrowed</u>	<u>Amount</u>
June 26, 1990	P 50,000.00
July 30, 1990	<u>50,000.00</u>
	<u>P 100,000.00</u>

With respect to the 6th quarter request, VICTO did not receive the funds from USAID as of June 8, 1991.

This practice of disbursing funds over and above the amount received from USAID is not in consonance with Section 5.03 - Term of Payment of the Contract for the Technical Assistance. Specifically, VICTO is required under the agreement to submit quarterly requests for advance of funds at least one month prior to the date funds are required or if funds are disbursed faster than projected, it may request an interim advance prior to the regularly scheduled quarterly installment to ensure that funds will be available to finance contract activities.

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RECOMMENDATION

We suggest that VICTO strictly comply with USAID's funding procedures and the reportorial requirements as contained in Section 3.03 of the contract to ensure receipt of funds from USAID on a timely basis and to preclude borrowings from other organizations/projects, and avoid unnecessary delays in the implementation of the Project's planned activities.

3. Salaries paid to certain employees involved under the VICTO-LRM Project in the amount of P247,290.54 were not supported by daily time records. (Please refer to Exhibit III for the details.)

The project cashier informed us that field employees' time records are submitted upon liquidation of the cash advances for per diem and transportation expense. Likewise, these employees are required to prepare a monthly planner. However, VICTO does not require its administrative personnel to prepare daily time records since they report daily to the VICTO office. The project cashier says that it can easily monitor who are reporting or not.

We test-examined the field employees' liquidation reports on their cash advances and we noted, however, that these were not supported by daily time records.

RECOMMENDATION

We suggest that payment for salaries be supported by daily time records upon which the computation of the payroll will be based to ascertain the accuracy and legitimacy of the salaries paid.

4. Our comparison of the approved budget as against actual expenses of the Technical Assistance fund as of May 31, 1991 disclosed the following:
 - a. Actual expenses for administrative support exceeded the budget by P31,500.00, and the excess was greater than the allowed variance of 15%.
 - b. Actual maintenance and other operating expenses exceeded the budget by P28,999.99; and the excess fell within the allowed variance of 15%.
 - c. Actual expenses for personnel services exceeded the budget by P3,507.68;

(Please refer to Exhibit IV for the details)

Per LRM revised budget for February to August 6, 1991, as contained in the amendment contract between NEDA and VICTO (and approved by USAID), budget for the administrative support is P3,500.00 a month for the months of April and May 1991 (or a total of P7,000.00). However, the following payments were made by VICTO:

Approved budget as of 5-31-91 P 7,000.00

Actual Expenses

<u>Date</u>	<u>Payee</u>	<u>Particulars</u>	<u>Amount</u>
12-00-90	VICTO	Adm. Support	P 7,000.00
01-28-91	VICTO	Adm. Support-1st Qtr.	10,500.00
04-08-91	- do -	Adm. Support-2nd Qtr	10,500.00
05-07-91	- do -	Adm. Support-2nd Qtr	<u>10,500.00</u>
			<u>38,500.00</u>

Over spent amount P 31,500.00

The maximum amount that can be disbursed by the project, based on allowable variance of 15% is P8,050.00 (Art. V, Section 5.01 of the Contract). Consequently, there was unauthorized overspending of P30,450.00 (P38,500.00 - P8,050.00).

The excess of expenses over the budgeted amount for maintenance and other operating expenses was within the 15% budget variance.

RECOMMENDATION

We suggest that VICTO carefully review the allocated budget for each line item prior to approving disbursements to ascertain that expenses are within approved budget.

COMMUNITY PROJECT FUND

On October 30, 1990, VICTO (under the LRM Project) requested thru NEDA a cash advance of P1 million for CPF requirements of LRM beneficiaries in Negros Occidental. Contained in said request are the listing of projects for the twelve (12) pilot barangays in Negros Occidental with the corresponding budget for each barangay and the date needed. From the request, it appeared that the pilot barangays needed the funds on November 19, 1990 at the earliest and February 1991 at the latest.

(Please refer to Exhibit V for the details.)

5. Based on the CPF books of accounts, P1.0 million CPF was received on December 18, 1990. As of May 31, 1991, only barangay Lipat-On, Calatrava, Negros Occidental, was granted a loan of P83,333.33 of which only P20,000.00 was released on May 15, 1991.

Our review of the loan documents of Lipat-On disclosed that the loan application for P83,333.33 was approved on March 19, 1991. This is the maximum amount a Community Based Organization (CBO) can avail per LRM Operations Manual on CPF.

We discussed this matter with the project consultant, who informed us that it was the decision of the Board of Directors of Lipat-On to just draw an initial amount of P20,000.00 from the approved loan of P83,333.33 to avoid paying interest on the whole amount of the loan since Lipat-On needed only P20,000.00 for the initial phase of its approved Pamalo-Balo fishing project. The CBO will just draw the remaining balance of the loan as the need arises.

We conducted field visit of the Lipat-On project and confirmed the loan release. The organization's chairman confirmed the receipt of the loan and informed us that such loan was disbursed in accordance with Lipat-On's approved project proposal and that it was disbursed as planned.

Our further review of the loan application of Lipat-On disclosed that while the initial evaluation of the loan application was approved by the loan officer, it was without the written approval of the Visayas Central Fund (VCF) manager. VCF is a division of VICTO responsible for the operation of the CPF. Nevertheless, the loan committee approved the loan of P83,333.00 in a meeting held on March 18, 1991.

Moreover, our review of the status of the eleven (11) out of the twelve (12) CBO CPF loan beneficiaries who have not yet been granted the CPF loan disclosed the following:

1. One (1) CBO project was approved on March 18, 1991 and the loan is ready for release.
2. Eight (8) CBO projects are ready for finalization; target date of release is July 1991.
3. One (1) CBO project proposal is subject to certain revisions; target date of release is July 31, 1991.
4. One (1) is currently in process.

(Please refer to Schedule VI for the details.)

We gathered all the documents related to the CPF loan application of the remaining CBOs to determine if the CBO's submitted complete CPF loan documentation requirements and if such documents were submitted promptly to properly establish the reason behind the delay of the CPF fund releases to CBOs. However, we noted no documentation as to the date such documents were received by VICTO.

RECOMMENDATION

We recommend that VICTO properly maintain files of the CBO CPF loan beneficiaries which should include among other things, the status of the CBO loan application, the date when the CBO loan requirements were received, the requirements of the CBO's which have not been complied with, the reasons for the delay in granting loans and other matters necessary in determining the status of CBO loan applications.

OTHER FINDINGS

TECHNICAL ASSISTANCE

6. VICTO-LRM personnel who were supposed to render full-time services to VICTO-LRM project conducted training activities/seminars for other sponsors and outside of the 12 CBOs agreed upon with USAID.

Details are as follows:

<u>Venue</u>	<u>Employee's Name</u>	<u>Training Reviewed</u>	<u>Date</u>	<u>Applicable Salary</u>	<u>Transportation per Diems</u>		
SM ISCI Sipalay	Fe B. Catadman	HRD-I for Officers & Staff	Feb. 16-17, 1991	P 2,306.54	P 423.00		
Balay Kalayaan Bacolod	Fe B. Catadman	ET-1	Feb. 21-22, 1991				
- do -	✓	Credit Management 3	Mar. 23-24, 1991				
- do -	✓	Bookkeeping I	April 22-24, 1991				
Balay Kalayaan Bacolod	Carmen Baugbog	ET-1	Feb. 21-23, 1991				
						<u>869.55</u>	<u>747.48</u>
						<u>P 3,176.09</u>	<u>P 1,170.48</u>

We noted that HRD-I for officers and staff and Bookkeeping I seminars were sponsored by SMISCI Sipalay and the Department of Trade and Industry (DTI).

Some seminars were also conducted by VICTO-LRM personnel but were sponsored by the DTI and DENR-ISFP. Details are as follows:

<u>Venue</u>	<u>Employee's Name</u>	<u>Training Reviewed</u>	<u>Date</u>	<u>Applicable Salary</u>	<u>Transportation per Diems</u>
Brgy. Lacadan Cauayan	Samson Soriano	PMES	March 18-19, 1991	P 684.15	P 232.00
- do -	✓	Credit Management I	March 21-22, 1991		
Calatrava	Olive Dequinto	Bookkeeping I	April 22-24, 1991	<u>491.19</u>	<u>348.00</u>
				<u>1,175.34</u>	<u>580.00</u>
Total				<u>P 4,351.43</u>	<u>P 1,750.48</u>

The salaries of said trainors were paid in full by VICTO including the applicable salaries amounting to P4,351.43 as noted above, together with the corresponding expenses amounting P1,750.48. Such payments were charged to Technical Assistance.

RECOMMENDATION

We suggest that in cases where employees render services both to USAID-funded projects and those funded by other agencies, the salaries, per diems and other expenses incurred in relation to the services rendered should be properly allocated to the USAID Grant Project and the other projects in accordance with the proportion of relative benefits received.

- 7. Our review of reports submitted by VICTO to NEDA disclosed that as of audit date, VICTO has not submitted even a single Process Documentation Report (PDR) which is due every twenty (20) calendar days after the end of every month.

The PDR serves as the main source document in the management of the learning process in the LRM project. It covers the updating of the poverty study of pilot barangays and documentation of project operations for one week or one month depending upon whether the activities are conducted in the barangay, municipal or provincial level. It is submitted to the Provincial Planning Development Office (PPDO) and the NEDA Regional Office-LRM (NRO-LRM) to act upon problems documented therein.

We discussed this matter during our preliminary exit discussion with some project officers, representatives from the Provincial Planning and Development Office and NEDA-LRM Iloilo City. This was confirmed by the representative from NEDA-LRM Iloilo City and informed us that VICTO promised to submit said report starting either March or June 1990.

RECOMMENDATION

Section 3.03 of the contract between NEDA and VICTO provides for the submission of reports with the corresponding schedule of submission to administer the conduct of the Technical Assistance and the management of the Community Project Fund (CPF)

In compliance with the provisions of Section 3.03 of the contract, we suggest that VICTO submit promptly the process documentation reports.

- 8. Amendment No. 1 to the original contract between VICTO and NEDA, dated June 1990 provides that effective July 1990, the salary of the cashier shall be shouldered by VICTO-VCF in exchange for the salary of the utility clerk which shall be charged to the TA from July to May 1991. For the months of July to May, 1991, the corresponding salaries of the utility clerk were charged to the Technical Assistance (TA). However, we noted that the cashier's salary for the payroll period August 1, to October 30, 1990 was charged also to TA , as follows:

Cashier's salary charged to the TA	P	2,711.00
Multiply by the number of months (August to October 1990)		<u> x 3</u>
		8,133.00
Employee's benefits		<u> 582.55</u>
 Total amount charged to the TA	 P	 <u><u> 8,715.55</u></u>

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RECOMMENDATION

We suggest that VICTO strictly comply with the provision on "salaries and benefits" of Amendment No. 1 to ascertain that expenditures from the Technical Assistance were indeed allocable and to properly reflect actual expenses under the AID Grant Project.

9. Our review of the salaries paid for the period November 6, 1989 to January 31, 1990 per CDV#390015 of the following employees were lower than what was provided for in the contract between VICTO and NEDA as follows:

<u>Name of Employee</u>	<u>Position</u>		<u>Monthly salary received</u>	<u>Monthly salary per contract</u>	<u>Difference</u>
Casas, Alberto	Comm. Organizer	P	3,937.90	P 4,636.00	P 698.10
Francisco, Ma. Esther	Cashier		3,361.00	3,814.00	453.00
Jusa, Carlito	Comm. Organizer		3,937.90	4,636.00	698.10
Naranjo, Teresita	Bookkeeper		<u>3,639.00</u>	<u>4,005.00</u>	<u>366.00</u>
			14,875.80	17,091.00	2,215.20
Multiply by no. of months			<u>x 3</u>	<u>x 3</u>	<u>x 3</u>
			<u><u>P 44,627.40</u></u>	<u><u>P 51,273.00</u></u>	<u><u>P 6,645.60</u></u>

Our further review of the above disclosed that VICTO had paid salary adjustments in February, 1990 in compliance with the approved contract between NEDA and VICTO. However, we noted that the salaries paid to Fe Catadman, trainor III, from January to May 1991, exceeded the budget by P750.00, to wit:

Actual monthly salary received	P 5,997.00
Per budget amendment No. 3	<u>5,847.00</u>
Difference	150.00
Multiply by no. of months (January to May 1991)	<u>x 5</u>
	<u><u>P 750.00</u></u>

RECOMMENDATION

We suggest that VICTO pay the employees under the LRM Project in consonance with what was approved by USAID (as provided for in the Contract between NEDA and VICTO) to ascertain that the budget allocated for every budget line items (as allocated) were properly disbursed.

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COMMUNITY PROJECT FUND

10. USAID remitted the P1 million CPF fund to VICTO's Visayas Central Fund (VCF) interest-bearing bank account because of its failure to submit on a timely basis the bank account number opened for the CPF fund. Interest earned up to date of transfer to CPF fund amounted to P970.22.

We noted that the bank account for the VICTO LRM-CPF was opened on November 23, 1990 with PCIB Goldenfield Branch, Bacolod City under C/A No. 3262-00279-3. However, the P1 million CPF was credited via telegraphic transfer to VICTO'S regular account (Not a VICTO-LRM account) with Far East Bank and Trust Co. (FEBTC) under savings account No. 0152-086358 (an interest earning bank account) on December 18, 1990 in lieu of the bank account opened for said purpose. Further review disclosed that said amount was transferred to the VICTO-LRM-CPF bank account only on January 14, 1991 and was recorded on same date in the books of accounts maintained separately for the technical assistance fund. This was subsequently recorded in the CPF books of accounts only on May 31, 1991.

Although the CPF fund was recorded in the TA books of accounts, this was not reflected in the Project's Statement of Financial Expenditures for the quarter ended April 30, 1991.

Our discussion with the project officials disclosed that the bank account given by the project to USAID sometime in September 1990 which will serve as the temporary depository bank for the CPF funds was VICTO'S regular bank account for the reason that CPF regular fund bank account was not yet available on said date pending a board resolution from VICTO'S board of directors. However, the opening of the VICTO-LRM-CPF account on November 23, 1990 was not promptly relayed to USAID (the account was opened 27 days earlier than the date the remittance was to be credited to VICTO'S regular bank account.).

RECOMMENDATION

We suggest that the interest earned on the P1 million CPF of P970.25 be remitted to USAID or be deducted from the total cost of the contract. Interest should be computed from the time it was credited to VICTO'S regular bank account up to the time it was transferred to the TA bank account .

11. VICTO failed to submit the CPF status report showing the amount of funds received from USAID, the amount released to the fund conduit, and the expenditures against such releases. This report should have been prepared and submitted to NEDA on May 10, 1991.

RECOMMENDATION

In compliance with the reportorial requirements of the contract, VICTO should promptly submit the CPF status report even if funds had not been released to the fund conduits.

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VISAYAS COOPERATIVE DEVELOPMENT CENTER, INC.
LOCAL RESOURCE MANAGEMENT PROJECT
AID PROJECT NO. 492-0358

Compliance with the Terms of the Contract and Applicable
Laws and Regulations

Schedule of Questioned Costs

For the Period November 6, 1989 to May 31, 1991

According to AID applicable regulations, costs charged to a project must meet the following general criteria:

- a. Be reasonable for the performance of the project. A cost is reasonable if, its nature or amount, it does not exceed that which would be incurred by a prudent person under the same circumstances.
- b. Be allocable to the project. A cost is allocable in accordance with the relative benefits received.
- c. Conform to any limitations or exclusions set forth in the agreement in which the project is based.
- d. Be adequately documented.

Ineligible costs are all those costs unallocable and or unallowable in accordance with the terms of the contract, applicable laws and regulations. Unsupported costs are costs not properly supported by the recipient, in excess of the budgeted amount per line item including allowable variances, and costs considered unreasonable under the circumstances.

VICTO did not maintain adequate records and sufficient evidential documents supporting the training seminars it conducted to the twelve (12) CBO's. VICTO agreed to undertake 16 training seminars to be conducted for each of the 12 CBO's or a total of 192 training seminars as contemplated under the provisions of Art. III, Section 3.01 of the Contract for Technical Assistance and as a result of which USAID committed the total amount of P1,364,575.00 as Technical Assistance Fund. Per available records provided to us, only 16 (or 8%) seminars were conducted as of May 31, 1991 to 9 CBO's instead of the targetted 12 CBOs.

We were unable to apply other auditing procedures to satisfy ourselves as to the allowability of the total expenditures charged to Technical Assistance. In addition, our audit disclosed the following questioned costs because they were not adequately supported nor were in compliance with the contract, applicable laws or regulations.

<u>Budget Line Items</u>	<u>Ineligible Cost</u>	<u>Unsupported Cost</u>	<u>Total</u>	<u>Remarks</u>
A. Personnel Services				
Salaries and wages	P	P 247,290.54	P 247,290.54	not supported by daily time records paid to VICTO-LRM personnel who conducted training seminars for other sponsors and outside of the 12 CBO's as agreed with USAID. salaries paid to project cashier which is not in accordance with the provision on "Salaries and wages" of Amendment 1 Salaries paid to Trainor III in excess of the approved budget.
	4,351.43		4,351.43	
	8,715.55		8,715.55	
		750.00	750.00	
	<u>13,066.98</u>	<u>248,040.54</u>	<u>261,107.52</u>	
B. Maintenance and Other Operating Expenses				
	1,750.48		1,750.48	Paid to VICTO-LRM Personnel who conducted training seminars for other sponsors and outside of the 12 CBO's as agreed with USAID. in excess of budget including the 15% allowable variance.
		16,853.17	16,853.17	
	<u>1,750.48</u>	<u>16,853.17</u>	<u>18,603.65</u>	
C. Administrative Support				
	0.00	30,450.00	30,450.00	in excess of budget including the 15% allowable variance
Total Questioned Cost	P <u>14,817.46</u>	P <u>295,343.71</u>	P <u>310,161.17</u>	

These costs were previously described in the Schedule of Findings.

VISAYAS COOPERATIVE DEVELOPMENT, INC.
TECHNICAL ASSISTANCE AND COMMUNITY PROJECT FUND OF THE
LOCAL RESOURCE MANAGEMENT PROJECT
NATIONAL ECONOMIC DEVELOPMENT AUTHORITY
AID PROJECT NUMBER 492-0358

Internal Controls

Independent Auditors' Report

We were engaged to audit the Statement of Contract Expenditures for the Technical Assistance and Community Project Funds of the Local Resource Management Project of Visayas Cooperative Development Center, Inc. (VICTO), AID Project number 492-358 for the period November 16, 1989 to May 31, 1991, and have issued our report thereon dated June 8, 1991, on which we disclaimed an opinion due to limitations in the scope of our work.

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

In planning and performing our audit of Visayas Cooperative Development Center, Inc., we considered its internal control structure in order to determine our auditing procedures for the purpose of attempting to express our opinion on the financial statements and not to provide assurance on the internal control structure.

The management of VICTO is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objective 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 financial statements 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 of VICTO applicable to the AID Project No. 492-0358 for the period November 6, 1989 to May 31, 1991 in the following accounting applications.

- a. Cash receipts; and
- b. Cash disbursements.

For 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.

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We noted the matters described in findings nos. 1 to 8 on the Schedule of Findings 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 judgement, could adversely affect the entity's ability to record, process, summarize and report financial data consistent with the assertions of management in the Statement of Contract Expenditures

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 financial statements 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 the matter described in findings no. 1 and no. 2 on the Schedule of Findings represents a material weakness.

This report is intended solely for the use of VICTO, United States Agency for International Development, the National Economic Development Authority, and others within the organization. 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.

Fernandez, Santos & Lopez

June 8, 1991

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VISAYAS COOPERATIVE DEVELOPMENT CENTER, INC.
AID PROJECT NUMBER 492-0358

Internal Controls

Schedule of Findings

MATERIAL FINDINGS

1. We noted that VICTO had no accounting manual. The project bookkeeper confirmed the absence of a manual and said that VICTO's accounting manual was undergoing revisions at its head office in Cebu City.

RECOMMENDATION

We suggest that VICTO prepare and make available an accounting manual clearly defining VICTO's significant accounting practices and procedures. The existence of said manual would facilitate monitoring of the application of practices and procedures employed by VICTO sufficient to reflect all transactions under or in connection with the terms and conditions of the contract between NEDA and VICTO.

2. Salaries paid to employees were not adequately supported with Daily time records or other appropriate records.

Our review of payroll transactions disclosed that 19 semi-monthly payrolls were not supported with daily time records. VICTO pays its employees based on their approved monthly salary rates. (See exhibit III for details.)

RECOMMENDATION

We suggest that daily time records or any appropriate records be properly maintained by VICTO upon which the computation of the payroll will be based to ascertain the accuracy and legitimacy of the salaries paid.

OTHER FINDINGS

3. Our review of cash advance transactions disclosed that the present system on cash advances allows granting of cash advances to staff members even if they have not liquidated their cash advances. The present system also allows partial liquidation of cash advances.

(Please refer to Exhibit VII for the details.)

RECOMMENDATION

We recommend that management review its present policy especially in the areas of granting and liquidation of cash advances. The present practice nullifies the accounting principle on "proper matching of cost and revenues" should the cash advance be liquidated after the cut-off date required by USAID (which could be considered as one accounting period). Expenses that should have been included in said report would not be included. Moreover, it opens an opportunity for the staff to use the money for purposes which do not serve the best interest of the project.

We suggest that cash advances be liquidated in full and immediately after an activity has been completed to properly monitor cash advances and facilitate recording of and accounting for expenses.

4. The itinerary sheet which serves as the cash advance request, detailing the nature and purpose of the cash advance is prepared by the employee requesting a cash advance. We noted that space is properly provided for to show any outstanding/unliquidated cash advance. Our review disclosed that this space was not filled out and that the itinerary sheet was neither reviewed nor approved in writing by a responsible Project official prior to the issuance of a check disbursement voucher.

RECOMMENDATION

We suggest that the itinerary sheet which serves as the cash advance request, be properly accomplished, and duly reviewed and approved by a responsible Project official to ascertain that cash advances are within the approved budget.

5. Our review disclosed that the time of departure and/or arrival at each location was not indicated in the expense reports covering the liquidation of cash advances for travel expenses.

RECOMMENDATION

We recommend that travel expenses include the time of arrival in and departure from each location to facilitate monitoring of travel expenses and per diems.

Moreover, the audit procedures provided by USAID on travel charges require that travel and transportation expenses show the time of departure and arrival at each location, locations visited, details of costs incurred, supported by documentation, purpose of the trip and signature of a responsible official.

6. We noted that official receipts were issued to cover excess cash from the liquidation of cash advances and other cash collections. However, we noted the following entries in recording cash collections:

Upon issuance of official receipts

DR : Cash on hand
CR : Accounts receivable/advances programs or other
appropriate accounts

Upon deposit of collections

DR : Cash in bank
CR : Cash on hand

The present practice would entail more time and additional clerical work such as:

- Maintaining general ledger account for cash on hand
- Additional time in recording the transactions
- Reconciliation or analysis of the cash on hand account

RECOMMENDATION

Since all collections are deposited intact and are not used to finance daily disbursements, we suggest that VICTO simplify its recording procedures regarding cash transactions by directly charging cash in bank account for collections received to save on clerical work, thus, save time and facilitate the reconciliation of the cash account.

7. Our review of the personnel files involved in the VICTO-LRM project disclosed the following:
1. two (2) employees had no available personnel file
 2. one (1) employee has no employment contract on file
 3. the salary rates of two (2) employees per employment contract were left blank (amount not typed or written)
 4. the salary rates of five (5) employees per contract were written in pencil
 5. the project had not updated the file of one (1) employee

(Please refer to Exhibit VIII for the details)

The salaries that were received by the five (5) employees whose salary rates were written in pencil agree with what was provided for in the contract between VICTO and NEDA.

RECOMMENDATION

We suggest that VICTO keep and properly maintain an updated file of employees involved in the LRM-Project which should include among others things, an employment contract. Said contract shall serve as basis in determining the propriety and validity of salaries paid to the employees.

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8. We noted that the purchases of office supplies and training materials was not in accordance with the usual practice of requiring canvassing procedures for purchases over P300.00.

The project bookkeeper confirmed to us that it had been the project's practice to require canvassing procedure for purchases over P300.00 to enable the Project to obtain the best quality items at the most reasonable prices. (Please refer to Exhibit IX for the details.)

Our discussion with the project cashier disclosed that no canvassing procedures were undertaken for said purchases because these were purchased from suppliers where the project had a credit line. She added that the prices were much lower than those in other suppliers within the area.

RECOMMENDATION

In compliance with the management's usual practice on procurement system, we suggest that purchases of over P300.00 be supported by canvass sheets regardless of the terms of the purchase. This would also serve as an appropriate documentation that VICTO paid the most reasonable price for all items bought using the USAID funds.

* * *

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VISAYAS COOPERATIVE DEVELOPMENT CENTER, INC.
LOCAL RESOURCE MANAGEMENT PROJECT

LIST OF EXHIBITS

	Exhibit No.
Comparison of training/seminars to be conducted vs. training/seminars conducted.....	I
List of training/seminars conducted.....	I-A
Comparison of Cumulative Advances vs. Actual Expenses.....	II
Salaries paid not supported by daily time records.....	III
Comparison of budget vs. actual expenses	IV
Listing of projects with corresponding budget	V
Status of CBO's under the Community Project Fund.....	VI
Partial liquidation of cash advances and cash advances granted even if the staff have outstanding cash advance/s	VII
List of personnel files not properly maintained.....	VIII
Purchases over P300.00 without canvass sheet.....	IX

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**VISAYAS COOPERATIVE DEVELOPMENT CENTER, INC.
LOCAL RESOURCE MANAGEMENT PROJECT
COMPARISON OF TRAINING/SEMINARS TO BE CONDUCTED VS.
TRAININGS/SEMINARS CONDUCTED**

<u>Training/Seminars Title</u>	<u>Participants</u>	<u>No. of Trainings Conducted</u>	<u>No. of Training Still to be Conducted</u>
PRE-ORGANIZATION STAGE			
1 First Consultation-Meeting with Beneficiaries	General Membership	1	11
2 Basic Organization Chart	- do -	6	6
ORGANIZATIONAL BUILDING STAGE			
3 Formulation of CBO Constitution and By-Laws	- do -	-	12
4 Leadership Seminar	- do -	1	11
5 Community Information and Planning Services	Officers	-	12
6	General Membership	4	8
7 Officers Training	Officers	-	12
8 Organization Development Plan Formulation	-	-	12
9 Bookkeeping Seminar	Officers	-	12
PROJECT DEVELOPMENT/ CPF IMPLEMENTATION			
10 Credit Awareness Seminar	General Membership	2	10
11 Audit and Inventory Committee Seminar	Officers	-	12
12 Loan Processing Seminar	- do -	-	12
13 Business Development Formulation	General Membership	-	12
14 Management Competence Building (Basic Management Seminar)	Officers	-	12
15 Store Management		1	11
16 Fund Management		1	11
		<u>16</u>	<u>176</u>
12 CBO x 16 seminars = 192 =		<u>16</u>	<u>176</u>

VISAYAS COOPERATIVE DEVELOPMENT CENTER, INC
LIST OF TRAINING/SEMINARS CONDUCTED

1990

<u>CBO/Venue</u>	<u>Training/Seminar Title</u>	<u>Date</u>	<u>Number of Participants</u>	<u>Trainer</u>
Suba	Basic Organization Seminar	Feb. 17-18, 1990	88	Hugo Lamorin
√	Leadership Training Seminars	Mar. 10-11, 1990	-	-
√	Basic Cooperative Seminar	Mar. 16-18, 1990	-	-
Calampisawan	Basic Organization Seminar	Feb. 21-22, 1990	78	Hugo Lamorin
Lipat-On	Halfday Consultation Meeting	Jan. 13, 1990	60	Hugo Lamorin
√	Basic Organization Seminar	Jan. 21-22, 1990	40	- do -
San Benito	Basic Organization Seminar	Feb. 23-25, 1990	37	Hugo Lamorin
San Isidro	Basic Cooperative Seminar	Mar. 23-25, 1990	43	-
- do -	Basic Organization Seminar	Feb 3-4, 1990	44	Hugo Lamorin
Macasilao	Basic Organization Seminar	Feb. 20-21, 1990	40	Hugo Lamorin

Total no. of trainings/seminars conducted
in 1990

10January 1, 1991

Brgy. Lumbia Primary School Cauayan	Credit Management I	Jan 28-29	28	Samson Soriano
Araca Elem. School	- do -	Jan 30-31	29	- do -
Calatrava, Negros Occidental	Store Management I	Feb. 7-9	43	Fe Catadman Emerson Hontoria Hugo Lamorin Olive Dequinto
- do -	Coop Management I	Mar. 11-13	23	Fe Catadman Emerson Hontoria Hugo Lamorin Olive Dequinto
Cauayan, Negros Occidental	- do -	April 14-16	13	Samson Soriano Olive Dequinto Hugo Lamorin
Bulata-Brgy. Cauayan, Negros Occidental	Funds Management I	April 18-19	30	Fe Catadman Olive Dequinto Samson Soriano

Total no. of training conducted

6

Grand Total

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VISAYAS COOPERATIVE DEVELOPMENT CENTER, INC.
 TECHNICAL ASSISTANCE AND COMMUNITY PROJECT FUND OF THE
 LOCAL RESOURCE MANAGEMENT PROJECT
 AID PROJECT NO. 492-0358
 COMPARISON OF CUMMULATIVE ADVANCES VS. ACTUAL EXPENDITURES
 FOR THE PERIOD NOVEMBER 6, 1989 TO MAY 31, 1991

Budget Line Items	Cummulative Advances		Actual Expenditures		Excess (under) of Actual Expenditures Over Cummulative Advances	
	Philippine Peso	US Dollar	Philippine Peso	US Dollar	Philippine Peso	US Dollar
A. PERSONNEL SERVICES						
Salaries and wages	546,398.28	21,729.90	613,848.05	24,412.33	67,449.77	2,682.43
Employee benefits	52,168.17	2,074.69	54,710.54	2,175.80	2,542.37	101.11
Accident and health insurance	14,534.08	578.01	6,181.86	245.85	(8,352.22)	(332.16)
Honorarium	0.00	0.00	9,000.00	357.92	9,000.00	357.92
	<u>613,100.53</u>	<u>24,382.60</u>	<u>683,740.45</u>	<u>27,191.90</u>	<u>70,639.92</u>	<u>2,809.30</u>
B. MAINTENANCE AND OTHER OPERATING EXPENSES						
Travel and per diems	120,042.10	4,773.99	196,727.44	7,823.72	76,685.34	3,049.73
Rent	61,800.00	2,457.75	54,000.00	2,147.54	(7,800.00)	(310.21)
Office supplies	11,049.80	439.44	11,885.60	472.68	835.80	33.24
Light and water	17,058.20	678.39	18,247.00	725.67	1,188.80	47.28
Communications	6,530.20	259.70	5,604.00	222.87	(926.20)	(36.83)
Repairs and maintenance	26,736.85	1,063.31	42,355.00	1,684.43	15,618.15	621.12
Gasolin and oil	9,683.22	385.10	5,869.00	233.41	(3,814.22)	(151.69)
	<u>252,900.37</u>	<u>10,057.68</u>	<u>334,688.04</u>	<u>13,310.32</u>	<u>81,787.67</u>	<u>3,252.64</u>
C. OTHER RELEVANT EXPENSES (Board, lodging, supplie and materials for LGU and CBO Trainings)						
	<u>163,185.45</u>	<u>6,489.78</u>	<u>85,990.60</u>	<u>3,419.79</u>	<u>(77,194.85)</u>	<u>(3,069.99)</u>
D. CONTINGENCIES	<u>(3,928.50)</u>	<u>(156.24)</u>	<u>320.00</u>	<u>12.73</u>	<u>4,248.50</u>	<u>168.97</u>
E. ADMINISTRATIVE SUPPORT	<u>0.00</u>	<u>0.00</u>	<u>38,500.00</u>	<u>1,531.12</u>	<u>38,500.00</u>	<u>1,531.12</u>
TOTAL	<u>1,025,257.85</u>	<u>40,773.82</u>	<u>1,143,239.09</u>	<u>45,465.86</u>	<u>117,981.24</u>	<u>4,692.04</u>

**VISAYAS COOPERATIVE DEVELOPMENT CENTER, INC.
LOCAL RESOURCE MANAGEMENT PROJECT
SCHEDULE OF SALARIES PAID NOT SUPPORTED
BY DAILY TIME RECORDS**

<u>Date</u>	<u>Particulars</u>	<u>CV#</u>	<u>Amount</u>
02-27-90	Salaries and wages for Feb. 16-28, 1990	011090	P 8,733.99
04-10-90	Salaries and wages for April 1-16, 1990	490014	6,980.12
07-10-90	Salaries for July 10 to 15, 1990	790013	10,176.52
07-24-90	VICTO-Cebu/Payments for JE Pacturan salary	790023	14,821.92
07-30-90	Salaries for July 16-31, 1990	790028	11,629.29
08-15-90	Salaries and wages for Aug. 1-15, 1990	890016	10,100.73
08-31-90	Salaries and wages for Aug. 16-31, 1990	890024	10,535.83
10-30-90	Salaries and wages for Oct. 16-31, 1990	109028	10,813.83
12-20-90	Salaries and wages for Dec. 16-31, 1990	1290024	11,584.08
12-20-90	Salaries and wages for Dec. 1-15, 1990	129005	12,173.78
01-16-91	Salaries and wages for Jan. 1-15, 1991	019119	14,152.83
01-29-91	Salaries and wages for Jan. 16-31, 1991	019133	16,125.78
12-06-90	Salaries and wages for Nov. 1990	1290001	6,851.00
02-13-91	Salaries and wages for Feb. 1-15, 1991	029127	16,060.62
02-28-91	Salaries and wages for Feb. 16-28, 1991	029136	15,990.79
03-11-91	Salaries and wages for Mar. 1-15, 1991	039121	15,171.91
03-26-91	Salaries and wages for Mar. 16-31, 1991	039129	14,658.60
04-15-91	Salaries and wages for April 1-15, 1991	049120	14,155.61
04-30-91	Salaries and wages for April 16-17, 1991	049133	12,571.84
05-07-91	Salaries and wages for May 1-15, 1991	059115	14,001.47
			<u>P 247,290.54</u>

VISAYAS COOPERATIVE DEVELOPMENT CENTER, INC.
 LOCAL RESOURCE MANAGEMENT PROJECT
 COMPARISON OF BUDGET VS. ACTUAL EXPENSES
 FOR THE PERIOD NOVEMBER 6, 1989 TO MAY 31, 1991

Budget Line Items	(a) Amended Budget For the period Nov. 6, 1989 Aug. 6, 1991		(b) Budget for the remaining Period of the Contract June 1991 - July-Aug. 6, 1991		(c)	(d) Total b + c	(e) Amended Budget As of May 1991 a - d		(f) Actual Expenses Nov. 1989 to May 1991		(g) Difference Over (Under) e - f	
	Peso	US Dollar	Peso	US Dollar	Peso	US Dollar	Peso	US Dollar	Peso	US Dollar	Peso	US Dollar
A. PERSONNEL SERVICES												
Salaries and wages	P 627,713.38		P 8,704.00	P 23,973.42	P 32,677.42	P 595,035.96	\$ 23,644.19	P 613,848.05	\$ 24,412.33	P 18,812.09	\$ 768.14	
Employee benefits	58,788.85		1,017.28	1,017.28	2,034.56	56,754.29	2,257.08	54,710.54	2,175.80	(2,043.75)	(81.28)	
Accident and health insurance	10,726.07		0.00	0.00	0.00	10,726.07	426.57	6,181.86	245.85	(4,544.21)	(180.72)	
Honorarium	27,000.00		9,000.00	9,000.00	18,000.00	9,000.00	357.92	9,000.00	357.92	0.00	0.00	
	<u>724,228.30</u>		<u>18,721.28</u>	<u>33,990.70</u>	<u>52,711.98</u>	<u>671,516.32</u>	<u>26,685.76</u>	<u>683,740.45</u>	<u>27,191.90</u>	<u>12,224.13</u>	<u>506.14</u>	
B. MAINTENANCE AND OTHER OPERATING EXPENSES												
Travel and per diems	194,898.84		7,100.00	7,100.00	14,200.00	180,698.84	7,186.27	196,727.44	7,823.72	16,028.60	637.45	
Rent	54,000.00		0.00	0.00	0.00	54,000.00	2,147.54	54,000.00	2,147.54	0.00	0.00	
Office supplies	11,026.80		250.00	250.00	500.00	10,526.80	418.64	11,885.60	472.68	1,358.80	54.04	
Light and water	18,169.82		500.00	355.39	855.39	17,314.43	688.58	18,247.00	757.67	932.57	69.09	
Communications	5,443.35		200.00	200.00	400.00	5,043.35	200.56	5,604.00	222.87	560.65	22.31	
Repairs and maintenance	34,297.12		830.00	830.00	1,660.00	32,637.12	1,297.95	42,355.00	1,684.43	9,717.88	386.48	
Gasoline and oil	5,967.47		250.00	250.00	500.00	5,467.47	217.47	5,869.00	233.41	401.53	15.94	
	<u>P 323,803.40</u>		<u>P 9,130.00</u>	<u>P 8,985.39</u>	<u>P 18,115.39</u>	<u>P 305,688.01</u>	<u>\$ 12,157.01</u>	<u>P 334,688.04</u>	<u>\$ 13,342.32</u>	<u>P 29,000.03</u>	<u>\$ 1,185.31</u>	

Budget Line Items	(a)	(b)	(c)	(d)	(e)		(f)		(g)	
	Amended Budget For the period Nov. 6, 1989 Aug. 6, 1991	Budget for the remaining Period of the Contract		Total b + c	Amended Budget As of May 1991 a - d		Actual Expenses Nov. 1989 to May 1991		Difference Over (Under) e - f	
		June 1991	July-Aug. 6, 1991		Peso	US Dollar	Peso	US Dollar	Peso	US Dollar
C. OTHER RELEVANT EXPENSES										
CBO General Membership Training)										
Board and lodging)										
Supplies and materials)										
CBO Officers Training)	P 269,230.30	P 52,230.00	P 8,000.00	P 60,230.00	P 209,000.30	\$ 8,311.80	P 85,990.60	\$ 3,419.79	(123,009.70)	(4,892.01)
Board and lodging)										
Supplies and materials)										
LGU Training)										
Board and lodging)										
Supplies and materials)										
D. CONTINGENCIES (1% of A, B, & C)	<u>33,313.00</u>	<u>15,813.00</u>	<u>0.00</u>	<u>15,813.00</u>	<u>17,500.00</u>	<u>695.96</u>	<u>320.00</u>	<u>12.73</u>	<u>(17,180.00)</u>	<u>(683.23)</u>
E. ADMINISTRATIVE SUPPORT	<u>14,000.00</u>	<u>3,500.00</u>	<u>3,500.00</u>	<u>7,000.00</u>	<u>7,000.00</u>	<u>278.38</u>	<u>38,500.00</u>	<u>1,531.12</u>	<u>31,500.00</u>	<u>1,252.74</u>
GRAND TOTAL	<u>P 1,364,575.00</u>	<u>P 99,394.28</u>	<u>P 54,476.09</u>	<u>P 153,870.37</u>	<u>P 1,210,704.63</u>	<u>\$ 48,128.91</u>	<u>P 1,143,239.09</u>	<u>\$ 45,497.86</u>	<u>(P 67,465.54)</u>	<u>\$ 2,631.05</u>

**VISAYAS COOPERATIVE DEVELOPMENT CENTER, INC.
LOCAL RESOURCE MANAGEMENT PROJECT
LISTING OF PROJECTS WITH CORRESPONDING BUDGET**

CALATRAVA PILOT BARANGAYS

Barangay	Name of Project	Budget	Date Needed by CBO's
1. SUBA	Individual Credit and Consumers Store	P 83,333.33	Nov. 19, 1990
2. CALAMPISAWAN	Collective Fish Shelter	83,333.33	Dec. 1990
3. LIPAT-ON	Individual Credit Fishing	83,333.33	Dec. 1990
4. SAN BENITO	Poultry	83,333.33	Dec. 1990
5. SAN ISIDRO	Individual Credit and Consumers Store	83,333.34	Nov. 30, 1990
6. MACASILAO	Consumers Coop	<u>83,333.34</u>	Dec. 1990
	Sub-total	<u>P 500,000.00</u>	

CAUAYAN PILOT BARANGAYS:

1. BULATA	Fishing	P 83,333.33	Nov. 30, 1990
2. ELIHAN	Fishing	83,333.33	Nov. 30, 1990
3. BACLAO	Marketing	83,333.33	Jan. 1991
4. ABACA	Marketing	83,333.33	Feb. 1991
5. TAMBAD	Marketing	83,333.34	Feb. 1991
6. LUMDIA	Individual Lending	<u>83,333.34</u>	Feb. 1991
	Sub-total	<u>P 500,000.00</u>	
	Grand Total	<u><u>P1,000,000.00</u></u>	

VISAYAS COOPERATIVE DEVELOPMENT CENTER, INC.
LOCAL RESOURCE MANAGEMENT PROJECT
STATUS OF CBO's UNDER THE COMMUNITY PROJECT FUND

Per Cash Advance Request Date October 30, 1990

Name of Project		Budget	Date Needed	Status as of May 31, 1991	Documents Submitted to VICTO	List of Seminars Given	Date	
Calatrava Pilot Barangays								
BARANGAY								
1)	Suba (PKBS)	Individual credit and consumers store	83,333.33	Nov. 19, 1990	for revision; maybe just one project; target release: July 1991	<ul style="list-style-type: none"> - FS from March 1990 to April 30, 1991 - Articles & By-Laws' - Registration with Bureau of Rural Workers; - Duly approved project projected individual lending program; - Board resolution signifying interest to become member of VICTO organization 	<ul style="list-style-type: none"> - Basic Organization Seminar - Basic Cooperative Seminar - Leadership Building Seminar 	<ul style="list-style-type: none"> Feb. 17-18, 1990 Mar. 16-18, 1990 Mar. 10-11, 1990
2)	Calampisawan (CAMSA)	Rice Trading	83,333.33	Dec. 1, 1990	for finalization; target: July 1991	<ul style="list-style-type: none"> - Project proposal (1 year) no date, approved by Ricardo Cordova - Chairman VCF and Mrs. Juliana Ledesma - Secretary and Perfecto Narzona without review and pre-approval by the In-house credit committee. - Cash flow statement - F/S for the period Feb. 28 - April 30, 1991 	<ul style="list-style-type: none"> - Basic Organization Seminar 	<ul style="list-style-type: none"> Feb. 21-22, 1990
3)	Lipat-On (LIKOM)	Individual credit/fishing	83,333.33	Dec. 1990	Approved loan of P83,333.33 and released; P20,000 May 15, 1991; minor revision in the project document	<ul style="list-style-type: none"> - Project proposal - (Pamalo Balo) approved completely but no date of approval was indicate - Projected income statement - Projected cash flows 	<ul style="list-style-type: none"> - Halfday consultation meeting - Basic organization seminar 	<ul style="list-style-type: none"> Jan. 13, 1990 Jan. 21-22, 1990
4)	San Benito (SABMUSO)	Poultry	83,333.33	Dec. 1990	for finalization; target: July 1991	<ul style="list-style-type: none"> - F/S April 30, 1991 	<ul style="list-style-type: none"> - Basic organization seminar 	<ul style="list-style-type: none"> Feb. 23-25, 1990
5)	San Isidro (SIMSA)	Individual Credit and Consumers Store	83,333.33	Nov. 1990	for finalization; target: July 1991	<ul style="list-style-type: none"> - F/S as of March 31, 1991 - Project Proposal - Credit Cooperative (not yet approved) - Cash Flow - Raw Data/Mode of Payment 	<ul style="list-style-type: none"> - Basic organization seminar - Basic cooperative seminar 	<ul style="list-style-type: none"> Feb. 3-4, 1990 Mar. 23-25, 1990
6)	Macasilao (MAFA)	Consumers Cooperative	83,333.33	Dec. 1990	corn mill; for finalization	<ul style="list-style-type: none"> - F/S as of April 30, 1991 	<ul style="list-style-type: none"> - Basic organization seminar 	<ul style="list-style-type: none"> Feb. 20-21, 1990

VISAYAS COOPERATIVE DEVELOPMENT CENTER, INC.
LOCAL RESOURCE MANAGEMENT PROJECT
STATUS OF CBO's UNDER THE COMMUNITY PROJECT FUND

Per Cash Advance Request Date October 30, 1990

	<u>Name of Project</u>	<u>Budget</u>	<u>Date Needed</u>	<u>Status as of May 31, 1991</u>	<u>Documents Submitted to VICTO</u>	<u>List of Seminars Given</u>	<u>Date</u>
7)	Bulata (ASOTIBU) Fishing/Pamalo Balo Fishing	83,333.33	Nov. 30, 1990	approved; for release	<ul style="list-style-type: none"> - Project implementation plan - Project proposal approved - complete (loan of 83,333.33) - Financial Budget - Projected production - Projected Income Statement - Projected Cash Flow Statement - Action of credit committee not filed - F/S as of March 31, 1991 	none	
8)	Elihan (AMME) Fishing	83,333.33	Nov. 30, 1990	semi-kubkuban	<ul style="list-style-type: none"> - Certificate of registration with Department of Labor, February 21, 1991 - F/S as of December 31, 1990 - Application of registration with Department of Labor and Employment (no date) - Constitution and By-Laws 	none	
9)	Bacdad (B-D) Marketing	83,333.33	Jan., 1991	peace and order situation is worsening; individual lending PPD for finalization	<ul style="list-style-type: none"> - FS as of December 31, 1990 - Board Resolution to apply for affiliation with VICTO. 2-5-91 	none	
10)	Abaca (AMBA) Marketing	83,333.33	Feb. 1991	individual lending and consumers for finalization	<ul style="list-style-type: none"> - Board Resolution to apply for affiliation with VICTO dated 2-6-91 - Certification from the department of labor and employment as duly registered with DOLE under REg. No. BDO-093 with OR# 6662671 dated 2-1-91 - FS as of 1-31-91 - Constitution and by laws - Organizational structure - List of members 	none	
11)	Tambad (AMABATA) Marketing	83,333.34	Feb. 1991	Individual lending and consumers	<ul style="list-style-type: none"> - Certification from DOLE under REg. No. BDO-094 with OR# 6662669 dated 2-1-91 - Constitution and by laws - List of members and organizational chart - F/S as of 2-28-91 - Board resolution to apply with VICTO dated 2-6-91 	none	

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VISAYAS COOPERATIVE DEVELOPMENT CENTER, INC.
 LOCAL RESOURCE MANAGEMENT PROJECT
 STATUS OF CBO's UNDER THE COMMUNITY PROJECT FUND

Per Cash Advance Request Date October 30, 1990

	<u>Name of Project</u>	<u>Budget</u>	<u>Date Needed</u>	<u>Status as of May 31, 1991</u>	<u>Documents Submitted to VICTO</u>	<u>List of Seminars Given</u>	<u>Date</u>
12)	Lundia (BLUSFA)	83,333.34	Feb. 1991	Individual lending and consumers for finalization	<ul style="list-style-type: none"> - Projected income statement-(on worksheet) - Loan repayment schedule - Certificate from DOLE Reg. No. BDO-091 with OR# 6662668 dated 2-1-91 - Constitution and by-laws/list of members - F/S as of 12-31-90 	none	

VISAYAS COOPERATIVE DEVELOPMENT CENTER, INC.
 LOCAL RESOURCE MANAGEMENT PROJECT
 SCHEDULE OF PARTIAL LIQUIDATION OF CASH ADVANCES
 AND CASH ADVANCES GRANTED EVEN IF THE REQUESTING
 STAFF HAVE OUTSTANDING CASH ADVANCES

Exhibit VII

Date of Grant	Payee	CV#	Amount	LIQUIDATION			Unliquidated Excess Cash
				Date	JV#	Amount	
02-13-91	Samson Soriano	10293	500.00	-	-	-	500.00
02-23-90	Samson Soriano	10690	500.00 (2)	-	-	-	500.00
03-02-90	Samson Soriano	390001	1,100.00 (2)	03-30-90	903004	810.50	289.50 (1)
03-02-90	Samson Soriano	390002	2,000.00 (2)	03-30-90	903010	1,500.00	500.00 (1)
03-05-90	Alberto Casas	390003	2,300.00	03-30-90	903003	2,235.06	64.94 (1)
03-05-90	Alberto Casas	390009	4,000.00 (2)	04-30-90	900503	434.60	2,033.85 (1)
	Alberto Casas			04-30-90	504	496.00	
	Alberto Casas			04-30-90	505	499.50	
	Alberto Casas			04-30-90	506	536.05	
03-05-90	Julio Labayen	390005	3,750.00	03-30-90	903007	3,750.00	0.00
03-05-90	Julio Labayen	390006	3,750.00 (2)	05-30-90	900611	3,500.00	250.00 (1)
03-05-90	Julio Labayen	390008	1,600.00 (2)	03-30-90	390008	1,600.00	0.00
01-07-91	Carmen Baugbog	19101	2,900.00	01-31-91	19101	1,788.20	1,111.80 (1)
01-09-91	Carmen Baugbog	19111	2,000.00 (2)	01-28-91	910208	531.50	1,468.50 (1)
01-15-91	Carmen Baugbog	19117	3,909.50 (2)	01-28-91	910209	1,140.50	2,769.00 (1)
02-09-91	Carmen Baugbog	29123	8,654.50 (2)	03-31-91	910314	4,027.40	4,627.10 (1)

- (1) Cash advances which are partially liquidated.
 (2) Cash advances granted even if the staffmember has unliquidated cash advances.

Note: Outstanding Cash Advances - Programs as of May 31, 1991

Carmen Baugbog	237.06
Jerry Alson	223.35
Alberto Casas	851.90
Hugo Lamorin	1,059.63
Rudy Mapa	1,598.22
Samson Soriano	125.54
Emerson Hontaia	753.55
Carlito Jusa	(17.50)
Fe Catadman	1,075.80
Jimmy Tambasen	52.24
Elsie Ahay	(65.00)
Julio Labayen	94.75
Jerry Pacturan	299.97
Oliva Dequinto	(229.62)
Per SL	<u>6,059.89</u>

VISAYAS COOPERATIVE DEVELOPMENT CENTER, INC.
 LOCAL RESOURCE MANAGEMENT PROJECT
 SCHEDULE OF REPORTS NOT SUBMITTED PROMPTLY

	<u>Salary rate per month</u>
1. <u>Personnel file not updated</u>	
Ma. Ester Francisco	
2. <u>Amount of salaries per contract were written in pencil</u>	
Elsie Abay	4,005
Alberto Casas	4,416
Fel Angelie Tagle	4,637
Julio Labayen	5,367
Samson Soriano	4,005
3. <u>No stated salaries in the contract</u>	
Carlito Jusa	
Jose Ricardo Arro	
4. <u>No employment contract</u>	
Fe Catadman	
5. <u>No personnel file available for review.</u>	
Jerry Pactoran	
Carmen Baugbog	

**VISAYAS COOPERATIVE DEVELOPMENT CENTER, INC.
LOCAL RESOURCE MANAGEMENT PROJECT
SCHEDULE OF PURCHASES OVER P300.00 WITHOUT CANVASS SHEET**

<u>Date</u>	<u>Payee</u>	<u>Particulars</u>	<u>CV#</u>	<u>Amount</u>
06-20-90	Gold Aces Marketing	Training supplies	690019	1,459.35
07-16-90	√	Training supplies on acct.	790015	2,139.00
05-07-90	Bacolod Safety Marketing	Purchase of various parts of motorcycle	590002	1,460.00
11-20-90	Gold Aces Marketing	Training supplies	190015	998.55

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