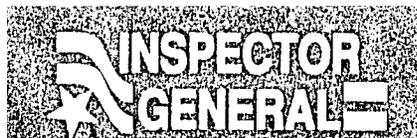


**Regional Inspector General for Audit
Tegucigalpa, Honduras**

**Audit of USAID/Dominican Republic's
Energy Conservation and Resources Development Project
Managed by the
National Energy Policy Commission
April 22, 1982 to March 22, 1989**

**Audit Report No. 1-517-92-23-N
March 12, 1992**

Contractor information contained in this report may be privileged. The restrictions of 18 USC 1905 should be considered before any information is released to the public.



AGENCY FOR INTERNATIONAL DEVELOPMENT

U. S. MAILING ADDRESS:
RIG/T
APO. MIAMI 34022

OFFICE OF THE REGIONAL INSPECTOR GENERAL
AMERICAN EMBASSY
TEGUCIGALPA - HONDURAS

TELEPHONES:
32-9987 - 32-3120
FAX No. (504) 31-4465

March 12, 1992

MEMORANDUM

TO: D/USAID/Dominican Republic, Raymond F. Rifenburg



FROM: RIG/A/T, Reginald Howard

SUBJECT: Audit of USAID/Dominican Republic's Energy Conservation and Resources Development Project, Managed by the National Energy Policy Commission, April 22, 1982 to March 22, 1989

This report presents the results of a financial audit of the Energy Conservation and Resources Development Project (Project), USAID/Dominican Republic Project No. 517-0144 managed by the Government of the Dominican Republic's National Energy Policy Commission (Commission) for the period April 22, 1982 to March 22, 1989. This was one of three audits performed of organizations which received A.I.D. funds under the Project. The audit firm of Deloitte & Touche prepared the report dated January 10, 1992.

The purpose of the Project was to upgrade the Dominican Republic's institutional energy capability to help reduce the country's dependence on imported petroleum and to increase the availability of affordable energy to all Dominicans. The Project budget provided for a total of \$22.2 million, of which USAID/Dominican Republic was to provide grant and loan funds of \$15.9 million and the Government of the Dominican Republic, \$6.3 million as counterpart contributions.

The audit coverage included USAID/Dominican Republic funds of \$5.8 million provided to the Commission during the audit period. Although responsible for the coordination and supervision of all Project activities, the Commission transferred approximately \$4.0 million of the A.I.D. funds to two other organizations--the Investment Fund for Economic Development and the Agricultural Superior Institute. Separate financial audits of these entities were performed and the results will be reported under Regional Inspector General for Audit/Tegucigalpa Audit Report Nos. 1-517-92-24-N and 1-517-92-25-N.

The objectives of the audit were to determine whether: (1) the Commission's fund accountability statement presents fairly, in all material respects, the financial activities of the Project for the period audited, (2) the Commission's internal control structure was

adequate to manage Project operations, and (3) the Commission had complied with the terms of the Project Agreement and applicable laws and regulations. The scope of the audit included an examination of the Commission's activities and transactions to the extent considered necessary to issue a report thereon for the period under audit.

The Commission was unable to provide the auditors with a fund accountability statement for the audit period because they had not developed and implemented an accounting system to properly accumulate and periodically report on the revenues and expenditures for the Project. Further, the auditors were not provided with supporting documentation for accounting transactions nor were they provided with bank statements or other reliable subsidiary accounting records for their use in determining whether costs reimbursed by USAID/Dominican Republic were allowable, allocable, and reasonable in accordance with agreement terms and applicable laws and regulations. Because of these scope limitations the auditors were unable to render an opinion on the Project's fund accountability statement for the period audited and considered questionable the \$5,808,208 of funding provided to the Commission by USAID/Dominican Republic during the period of the audit.

With respect to the Commission's internal control structure for Project activities, the auditors identified three material weaknesses. The auditors reported that the Commission did not have: (1) an appropriate accounting system for Project purposes, (2) adequate controls over Project equipment purchased directly by USAID/Dominican Republic, and (3) adequate Project budgetary controls.

Deloitte & Touche, because of the scope limitations described above, was unable to provide any assurance regarding the Commission's compliance with Agreement terms and applicable laws and regulations, but the auditors did identify one material instance of noncompliance. The Government of the Dominican Republic had not provided the level of counterpart contributions required by the Project Agreement.

The report was discussed with the Commission's management who expressed disagreement with the auditors' findings and conclusions but did not provide documentation to demonstrate their assertions or refute the auditors' conclusions. Management's comments are presented as an annex to the audit report.

Since the Project has ended and, according to Mission officials, USAID/Dominican Republic has no existing agreements with the Commission, we are not including the auditors' recommendations related to internal controls and compliance in the Office of the Inspector General's recommendation follow-up system. However, in considering any future projects with the Commission, we strongly recommend that USAID/Dominican Republic management obtain assurance, as a part of the evaluation process, that these problems have been corrected prior to the release of A.I.D. funds to the Commission.

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

Recommendation No. 1

We recommend that USAID/Dominican Republic resolve the questionable (unsupported) costs of \$5,808,208 identified in the Deloitte & Touche audit report dated January 10, 1992 and recover from the Government of the Dominican Republic all amounts determined to be unallowable.

This final audit report is being transmitted to you for your action. Please advise this office within 30 days of actions planned or taken to resolve and close the recommendation.

Gómez, Santos & Asociados



Deloitte & Touche

Edificio The Bank of Nova Scotia 4to. Piso
John F. Kennedy Esq. Lope de Vega
Apartado Postal 1120
Santo Domingo, D. N., República Dominicana
Tels.: (809) 565-4451/54

**AUDIT OF THE
ENERGY CONSERVATION AND RESOURCES DEVELOPMENT PROJECT
USAID/DOMINICAN REPUBLIC PROJECT NO.517-0144
MANAGED BY THE NATIONAL ENERGY POLICY COMMISSION (COENER)
FOR THE PERIOD APRIL 22, 1982 TO MARCH 22, 1989**

AUDIT OF THE
ENERGY CONSERVATION AND RESOURCES DEVELOPMENT PROJECT
USAID/DOMINICAN REPUBLIC PROJECT NO. 517-0144
MANAGED BY THE NATIONAL ENERGY POLICY COMMISSION (COENER)
FOR THE PERIOD APRIL 22, 1982 TO MARCH 22, 1989

TABLE OF CONTENTS

	PAGE
TRANSMITTAL LETTER	
Background	1- 4
Audit Objectives and Scope	3- 4
Results of Audit	4
Management Comments	6
FUND ACCOUNTABILITY STATEMENT	
Independent Auditor's Report	7- 8
INTERNAL CONTROL STRUCTURE	
Independent Auditor's Report	9-11
Findings	12-14
COMPLIANCE WITH AGREEMENT TERMS AND APPLICABLE LAWS AND REGULATIONS	
Independent Auditor's Report	15
Findings	16
LIST OF REPORT RECOMMENDATIONS	17
ANNEX 1 - MANAGEMENT COMMENTS	

5



January 10, 1992

Mr. Reginald Howard
Regional Inspector General for Audit
U. S. Agency for International Development
Tegucigalpa, Honduras, C. A.

Dear Mr. Howard:

This report presents the results of our financial audit of the activities of the energy Conservation and Resource Development Project, USAID/Dominican Republic project No.517-0144, Managed by the National Energy Policy Commission (Comision Nacional de Política Energética-COENER) for the period April 22, 1982 to March 22, 1989.

BACKGROUND

On April 22, 1982, the government of the Dominican Republic (GODR) and the United States Agency for International Development in Dominican Republic (USAID/Dominican Republic) signed a loan and a grant agreements to fund the Energy Conservation and Resources Development Project, USAID/Dominican Republic Project No.517-0144. The purpose of the project was to upgrade the institucional capability in the energy area to carry out programs in energy conservation and development of non-petroleum energy resources.

The loan agreement provided US\$11,818,000 and the grant agreement provided US\$4,114,000. In addition to the loan and grant funds, the government of the Dominican Republic agreed to contribute an equivalent of US\$6,290,000 in counterpart funds. The project completion date was March 22, 1989.

The goal of this project was to help reduce the dependence of the Dominican Republic on imported petroleum and to increase the availability of affordable energy to all Dominicans. The purposes of the project were to:

- a) Develop a national energy investment planning capability;
- b) Inicie a continuing program of industrial energy conservation;
- c) Develop small scale hydro and wood fuels and alternative sources of energy; and
- d) Upgrade the technical, financial and planning capabilities of the Dominican Electricity Corporation (Corporación Dominicana de Electricidad CDE).

(COENER) was responsible for the coordination and supervision of all activities of the project which had five (5) major components:

National Energy Planning. (COENER) was assisted in evaluating alternative investments in energy conservation, resource development, and centralized and decentralized electricity generation on the basis of economic, social and technical criteria. The budget for this component was US\$300,000.

Industrial Energy Conservation Program. The project supported government efforts, through COENER to: 1) conduct energy analyses and identify opportunities for increasing the energy efficiency of the industrial sector, 2) to provide direct assistance to industries for this purpose, and 3) to encourage a broader based effort on part of the private sector industrial conservation. Under this component an industrial conservation credit fund of US\$4,000,000 within FIDE was established. The budget for this component was US\$13,436,000.

Development of mini hydro-electrical facilities Program. The purposes of this component were to: 1) develop the institutional capability for selection, design, construction and operation of mini-hydroelectrical facilities, and 2) test and demonstrate the economic, social, and technical feasibility of mini-hydroelectrical plants in different communities. This component involved two phases: a) phase I implemented by the Nacional Institute of Hydraulic Resources (Instituto Nacional de Recursos Hidráulicos-INDRHI) consisting of site selection and design ; and b) phase II implemented by the Dominican Electric Company (Corporación Dominicana de Electricidad-CDE) consisting of construction, installation and operation of mini hydroelectrical facilities.

Wood Fuel Development Program. This component included research and demonstration programs to be carried out by the Agricultural Superior Institute (Instituto superior de Agricultura-ISA) in collaboration with COENER in the following areas: 1) tree production for energy; and 2) technologies for converting wood in energy. The budget for this component was US\$2,068,000.

CDE Technical Assistance Program. The project financed technical assistance to CDE in: coal procurement, energy strategy and handling of materials, engineering of transmission and distribution, safety planning, protection of the system and maintenance of the electric conducting lines and financial reporting. The budget for this component was US\$750,000.

AUDIT OBJECTIVES AND SCOPE

The objectives of our audit were to determine whether:

- A. The fund accountability statements present fairly the financial situation of the project activities managed by COENER from April 22, 1982 to March 22, 1989, and costs reimbursed by USAID/Dominican Republic are allowable, allocable and reasonable in accordance with agreement terms and applicable laws and regulations.
- B. The internal control structure of the National Energy Policy Commission (COENER) is adequate to manage the project.
- C. COENER complied with agreement terms, project implementation letters, and applicable laws and regulations which may affect the project's goals and incurred costs.

The accounting records of the National Energy Policy Commission (COENER) did not provide periodic financial information nor allow for the preparation of a fund accountability statement for the period April 22, 1982, to March 22, 1989.

We were not provided with the supporting documentation of the financial activities of the project; and the subsidiary records prepared by COENER were inaccurate because we found several wrong transactions recorded and valid transactions unrecorded.

Additionally we were not provided with copies of the bank statements from Banco de Reservas de la República Dominicana, the banking institution in which COENER supposedly deposited the project funding.

The problems explained in the preceding paragraphs limited our work to:

1. Obtain confirmations from USAID/Dominican Republic and presidency's Technical Secretariat on the project loan , grant and counterpart funds provided to COENER.
2. Evaluating the internal control structure of COENER in the following key areas:

- Cash receipts and disbursements
- Procurement
- Payrolls
- Fixed Assets
- Record Keeping
- Financial reporting and budgetary control

3. Evaluating COENER'S compliance with agreement terms, project implementation letters, and applicable laws and regulations.

In performing our audit we were alert to situations of transactions that could be indicative of fraud, abuse, or illegal expenditures and acts.

RESULTS OF AUDIT

Fund Accountability Statement

The accounting system maintained by the National Energy Policy Commission (COENER) did not allow for the preparation of a fund accountability statement for the period April 22, 1982 to March 22, 1989, and consequently we were not able to determine the reasonableness and allocation of the project disbursement accumulated during the mentioned period. Also COENER did not reconcile the amount reported by USAID/Dominican Republic and the Presidency's Technical Secretariat as allocated to the project.

Due to the lack of accountability over project funding we question all project funding provided by USAID/Dominican Republic to COENER during the period April 22, 1982 to March 22, 1989. Although we were not able to verify the exact amount of funds provided by USAID/Dominican Republic during this period, USAID/Dominican Republic reported the disbursement of RD\$ 15,032,461, equivalent to US\$5,808,208 of which RD\$14,366,090 were provided as loan funds and RD\$666,371 as grant funds.

As a result of the limitations mentioned above, the scope of our work was not sufficient to enable us to express, and we do not express an opinion on the project's fund accountability statement for the period April 22, 1982 to March 22, 1989.

The funds of the project managed by FIDE and ISA are accounted for in separate reports.

INDRHI and CDE reported that they participated in the project but didn't manage funds.

Internal Control Structure

Our study and evaluation of the National Energy Policy Commission's internal control structure disclosed the following material deficiencies which in our opinion significantly affect COENER'S ability to record, process, summarize and report financial information on the project's execution:

1. COENER did not have an appropriate accounting system for the project.
2. There were deficient supervision and segregation of functions over the records keeping.
3. There were not adequate records and controls over equipment.
4. There was not an adequate budgetary control system.
5. There was a lack of review and controls over operations of the project.
6. The project lack adequate supporting documentation over the cash disbursements.

Compliance with Agreement Terms, and Applicable Laws and Regulations

Due to significant scope limitations in performing our auditing, as explained before, we are not in a position to provide assurances in regard to COENER'S compliance with tested and untested items.

However our audit disclosed the following noncompliances with agreement terms and applicable laws and regulations:

1. Counterpart funds were not provided according to the agreement.

MANAGEMENT COMMENTS:

Comments from Ing. Oscar Lamarche Executive Secretary of COENER:

We must set out that one of the conditions of the agreement was, to present to AID, project's monthly financial statements, including bank evaluations and copies of the bank statements of the accounts, ten days after the closing day of every month, which was accomplished.

We must set out that COENER as implementing unit is responsible for the custody of the supporting documents (of the project's operations), but as lender, AID audited the project three times between 1984 and 1986 and in these audits the internal control weaknesses and lack of documentation reported by Gómez, Santos & Asociados were not revealed.

Contrary to the assertion of Gómez, Santos & Asociados "COENER did not provide for an appropriate accounting system, documented in handbooks; the draft of such system was submitted to the controller of AID and approved in February 1984.

COENER'S internal control and budget control structures met AID standards, but changes occurred in the last stage of the project did not allow us to keep it functioning when the auditing was performed, nevertheless such structures functioned during the period in which most important payments of the project were made.

Auditors Response To Management Comments:

Even though management of COENER assures that they had implemented an appropriate accounting system documented in handbooks they were unable to demonstrate their assertion during our auditing.

They were also unable to prepare a fund accountability statement, and to provide with all supporting documentation of project activities.

Deloitte & Touche



ENERGY CONSERVATION AND RESOURCES DEVELOPMENT PROJECT
USAID/DOMINICAN REPUBLIC PROJECT NO. 517-0144
MANAGED BY THE NATIONAL ENERGY POLICY COMMISSION (COENER)

FUND ACCOUNTABILITY STATEMENT

FOR THE PERIOD APRIL 22, 1982 TO MARCH 22, 1989

INDEPENDENT AUDITOR'S REPORT

We were engaged to audit the fund accountability statement of the Energy Conservation and Resources Development Project, USAID/Dominican Republic Project No. 517-0144, managed by the National Energy Policy Commission (Comisión Nacional de Política Energética-COENER), for the period April 22, 1982 to March 22, 1989. The fund accountability statement containing financial information of the project is the responsibility of COENER.

The records of COENER did not allow for the preparation of a fund accountability statement or for the reconciliation of amounts confirmed by USAID//Dominican Republic nor we were provided with all supporting documentation of project activities.

Due to the lack of overall accountability for project funding all of the unaccounted for funds provided by USAID/Dominican Republic to COENER during the period April 22, 1982 to March 22, 1989 are considered questionable costs. While we were not able to verify the exact amount provided by USAID/Dominican Republic during this period, USAID/Dominican Republic confirmed that it allocated RD\$15,032,461, equivalent to US\$5,808,208 of which RD\$14,366,090 were provided as loan funds and RD\$666,371 as grant funds.

Since the National Energy Policy Commission did not prepare a fund accountability statement for the period from April 22, 1982 to April 22, 1989 and because of the limitations imposed by the lack of adequate accounting records, as explained in the preceding paragraphs, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the fund accountability statement for the project during the period April 22, 1982 to March 22, 1989.

This report is intended solely for the use of the national Energy Policy commission and the United States Agency for International Development. This restriction is not intended to limit the distribution of this report which, upon acceptance by the office of the Inspector General is a matter of public record.

Deloitte & Touche

March 19, 1991



ENERGY CONSERVATION AND RESOURCES DEVELOPMENT PROJECT
USAID/DOMINICAN REPUBLIC PROJECT NO.517-0144
MANAGED BY THE NATIONAL ENERGY POLICY COMMISSION (COENER)

REPORT ON INTERNAL CONTROL STRUCTURE

INDEPENDENT AUDITOR'S REPORT

We were engaged to audit the fund accountability statement of the Energy Conservation and Resources Development project, USAID/Dominican Republic Project No.517-0144, managed by the National Energy Policy Commission (Comisión Nacional de Política Energética-COENER) for the period April 22, 1982 to March 22,1989, and have issued our report dated March 19, 1991, in which we have disclaimed our opinion because significant audit scope limitations.

In planning and performing our audit we considered COENER'S internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the fund accountability statement and not to provide assurance on the COENER'S internal control structure.

The National Energy Policy Commission 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 objectives of an internal control structure are to provide management with reasonable but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the 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 period is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report we have classified the significant internal control structure policies and procedures in the following categories: 1) accounting system; 2) cash receipt; 3) cash disbursements; 4) procurement practices; 5) fixed assets controls; 6) payrolls; and 7) financial reporting and budgetary controls.

For all the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design and operation of the internal control structure that in our judgement, could adversely affect the COENER'S ability to record, process, summarize, and report financial data consistent with the assertions of COENER'S management.

Reportable conditions noted include: lack of appropriate accounting system for project purposes inadequate controls over assets paid for directly by USAID/Dominican Republic and inadequate controls over budgets

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. We consider that all reportable conditions included in the following pages are material weaknesses.

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 to be material weaknesses as defined above.

This report is intended solely for the use of the National Energy Policy Commission and the United States Agency for International Development. This restriction is not intended to limit the distribution of this report which, upon acceptance by the Office of the Inspector General is a matter of public record.

W. Little & Touche

March 19, 1991

ENERGY CONSERVATION AND RESOURCES DEVELOPMENT PROJECT
USAID/DOMINICAN REPUBLIC PROJECT NO. 517-0144
MANAGED BY THE NATIONAL ENERGY POLICY COMMISSION (COENER)

REPORT ON INTERNAL CONTROL STRUCTURE
FINDINGS

1. The National Energy Policy Commission (COENER) did not maintain adequate accounting records for project purposes

Condition:

The National Energy Policy Commission did not have an appropriate accounting system to capture and record project financial data in accordance with generally accepted accounting principles. The originally existing general ledger was abandoned and could not be found, a result a fund accountability statement could not be prepared.

Criteria:

The standard provisions of the agreements with USAID/Dominican Republic establish that COENER should maintain or cause to be maintained, in accordance with generally accepted accounting principles and practices, books and records related to the project adequate to show, without limitation, the receipt and use of goods and services acquired under the agreements. Such books and records would be maintained for three years after the project completion date.

Cause:

COENER did not provide for an appropriate accounting system, documented in handbooks nor was required to prepare the project's fund accountability statements to report projects costs.

Effect:

COENER was not able to prepare a fund accountability statement covering the project funding and was not in a position to determine the reasonableness and allocation of the project disbursements accumulated during the audit period. Consequently we question all of the unaccounted for funds provided by USAID/Dominican Republic during the period

April 22, 1982, to March 22, 1989 which according to the confirmation received from USAID/Dominican Republic amount to RD\$15,032,460.

Recommendation:

The National Energy Policy Commission (COENER), should adopt an accounting system adequate for recording all project activities and to prepare fund accountability statements in accordance with the terms of the agreements. Those statements should provide detailed evidence supporting the allowability, allocability and reasonableness of project expenditures during the period April 22, 1981 to March 22, 1989.

2. There were not adequate records and control over equipment purchased directly by USAID/Dominican Republic

Condition:

COENER did not maintain adequate records or controls over equipment and other assets paid for directly by USAID/Dominican Republic. No any record was maintained nor physical count of equipment was taken. Some of the equipment have been transferred to other government agencies without appropriate record.

Criteria:

The project's equipment should be adequately controlled through general ledger and subsidiary records, which should be kept current. Physical count of all equipment should be taken at least once a year.

Cause:

COENER lacked sufficient and capable staff to adequately control and register the equipment acquired with project funds.

COENER lacked an appropriate record and control system over the equipment.

Effect:

It was impossible establish from the records and files the amount, existence and location of the equipment acquired with project funds.

Recommendation:

COENER should update the general ledger, to establish and update subsidiary record of equipment, to perform a complete physical count of all equipment, and investigate the final destination of the equipment not found in the physical count so as to make possible their accountability.

3. There were not adequate budgetary control system

Condition:

COENER did not maintain an adequate budgetary control system.

Criteria:

An adequate budgetary control system allow for the control of the project implementation according to the plans, and provide for possibility of comparison of actual expenditures with the budgetary assignments.

Cause:

COENER lacked sufficient and capable staff to adequately keep records and have control over the expenditures according to the budget.

Effect:

There was a lack of record and control on the allocations and actual expenditures.

Recommendation:

COENER should hire capable staff for the records keeping and control over the expenditures according to the budget.



ENERGY CONSERVATION AND RESOURCES DEVELOPMENT PROJECT
USAID/DOMINICAN REPUBLIC PROJECT NO.517-0144
MANAGED BY THE NATIONAL ENERGY POLICY COMMISSION (COENER)

REPORT ON COMPLIANCE WITH THE TERMS OF THE AGREEMENT AND
APPLICABLE LAWS AND REGULATION

INDEPENDENT AUDITORS' OPINION

We were engaged to audit the fund accountability statement of the Energy Conservation and Resources Development Project, USAID/Dominican Republic Project No.517-0144, managed by the National Energy Policy Commission (Comisión Nacional de Política Energética-COENER), for the period April 22, 1982 to March 22, 1989, and have issued our report dated March 19, 1991, in which we have disclaimed an opinion because of significant audit scope limitations.

COENER is responsible for compliance with the terms of the agreements with USAID/Dominican Republic and with applicable laws and regulations. For purposes of this report we selected and tested transactions and records to determine COENER'S compliance with the terms of the agreements and applicable laws and regulations. However, our objective was not to provide an opinion on overall compliance with such provisions.

The results of our evaluation and testing disclosed the instances of noncompliance with the terms of the agreements explained under finding No.1 in the following page, of this report. Because of the significant audit scope limitations described in the fund accountability statement section of this report, we are not in a position to provide any assurance on compliance either with respect to items tested or to items not tested.

This report is intended solely for the use of COENER and the U. S. Agency for International Development. This restriction is not intended to limit the distribution of this report which, upon acceptance by the Office of the Inspector General, is a matter of public record.

Deloitte & Touche

March 19, 1991

DRT International

ENERGY CONSERVATION AND RESOURCES DEVELOPMENT PROJECT
USAID/DOMINICAN REPUBLIC NO.517-0144
MANAGED BY THE NATIONAL ENERGY POLICY COMMISSION (COENER)

REPORT ON COMPLIANCE WITH THE TERMS OF AGREEMENT AND
APPLICABLE LAWS AND REGULATIONS

FINDINGS

1. Counterpart funds were not provided according to the agreement

Condition:

The amount of the counterpart funds provided by the government of the Dominican Republic (GODR) was less than the amount agreed.

The GODR provided for RD\$10,000,000 equivalent to US\$3,364,967, as confirmed by the Presidency's Technical Secretariat, while the agreements establish that the amount to be provided should be US\$4,400,000.

Criteria:

To attain the goals, all project funding should be provided complete and in a timely manner. Section 3.2 of the loan agreement for the project establishes that the GODR should contribute no less than US\$4,400,000, as counterpart funding.

Cause:

GODR didn't provide the complete amount agreed.

Effect:

The project was not provided with all the funds needed to attain its goals..

Recommendation:

In future projects with USAID/Dominican Republic COENER should ensure the compliance of the Government with the counterpart funding allocation program.

ENERGY CONSERVATION AND RESOURCES DEVELOPMENT PROJECT
USAID/DOMINICAN REPUBLIC PROJECT NO. 517-0144
MANAGED BY THE NATIONAL ENERGY POLICY COMMISSION (COENER)

LIST OF REPORT RECOMMENDATIONS

INTERNAL CONTROL STRUCTURE:

Recommendation 1:

The National Energy Policy Commission (COENER), should adopt an accounting system adequate for recording all project activities and to prepare fund accountability statements in accordance with the terms of the agreements. Those statements should provide detailed evidence supporting the allowability, allocability and reasonableness of project expenditures during the period April 22, 1982 to March 22, 1989.

Recommendation 2:

COENER should update the general ledger, to establish and update subsidiary record of equipment, to perform a complete physical count of all equipment, and investigate the final destination of the equipment not found in the physical count so as to make possible their accountability.

Recommendation 3:

COENER should hire capable staff for the records keeping and control over the expenditures according to the budget.

COMPLIANCE WITH AGREEMENT TERMS AND APPLICABLE LAWS

Recommendation 1:

In future projects with USAID/Dominican Republic COENER should ensure the compliance of the Government with the counterpart funding allocation program.

ANNEX 1

MANAGEMENT COMMENTS



0407

1987

Sr. Reginal Howard
Inspector General Regional de Auditoría
Agencia de los Estados Unidos para el
Desarrollo Internacional (AID)
Tegucigalpa, Honduras, C. A.

Distinguido Señor:

En relación al informe de auditoría financiera de las actividades del Proyecto Conservación y Desarrollo de Recursos Energéticos (Proyecto USAID/República Dominicana No.517 - 0144) presentado por Gómez, Santos & Asociados, por disposición de la Agencia para el Desarrollo Internacional (AID), tenemos a bien expresarle algunas consideraciones al respecto:

En lo concerniente al párrafo No. 3, informe auditoría, página No. 4, en cuanto a que de acuerdo a Gómez Santos & Asociados, expresa que no se les suministraron copias de los estados del Banco de Reservas, entidad depositaria de los fondos del Proyecto. Debemos señalar que una de las condiciones del acuerdo era presentar mensualmente a la AID, estados financieros del Proyecto, incluyendo evaluaciones bancarias y copias de los estados de cuentas bancarias diez días después del cierre de cada mes lo cual fue cumplido fielmente y además, se realizaron auditorías por parte de la Oficina de Contraloría de AID, en ese tiempo, dirigido por el Señor Steve Liapis, no recibíéndose en consecuencia informes negativos sobre éstos y otros puntos señalados por la firma Gómez Santos & Asociados.

Debemos precisar que la responsabilidad de la custodia de los documentos de soporte, es de la entidad ejecutora es decir, la COENER, ahora bien como entidad prestataria la AID ejerció su derecho de fiscalización del Proyecto auditando en tres ocasiones desde el 1984 a 1986 por el personal del Departamento de Contraloría de la AID, a cargo de los Lics. Susana Camilo y Rafael Padilla, contando con la supervisión del Lic. Luis Aracenas asistente del Contralor AID, Sr. Steve Liapis; las dos primeras auditorías y la última fue en la gestión como Contralor AID del Sr. Tom F. Bobout, y en esas auditorías no se revelaron las debilidades de control interno y falta de documentación que señala la firma Gómez Santos & Asociados.

24



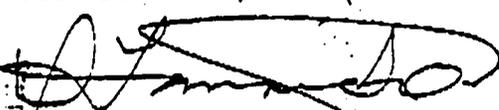
Por otra parte, resaltamos el hecho de que en contraposición a lo expresado por Gómez Santos & Asociados en torno a que " el diseño del sistema de contabilidad de COENER no era apropiado ni fue documentado en manuales", el borrador de dicho sistema contable fue sometido al Contralor AID para su aprobación y en efecto fue aprobado a principios de febrero del 1984, (lo cual se hace constar mediante comunicación enviada al respecto) por el Señor Steve Liapis, procediéndose en consecuencia a su implementación en COENER.

Este sistema contenía catálogo de cuentas con su correspondiente explicación, basado en partidas presupuestarias en el Acuerdo No. 517 - 0144 y los reportes a ser presentados a la AID, que eran mensualmente unos y trimestralmente otros, además de presentar presupuesto anual, con revisiones trimestrales y solicitud de desembolsos mensuales en base a las actividades presupuestarias.

Finalmente, debemos agregar que la persona encargada (que laboro los primeros dos meses en la AID, la Lic. Milena Ureña de Garrido) de Control y Seguimiento del Proyecto, dependiendo de la Oficina de Programación y Control de COENER, mientras dependía de la Oficina Administrativa como se puede notar, esa estructura de control interno y control presupuestario estaba acorde con los estándares y exigencias de la AID, pero los cambios realizados en la última etapa del Proyecto no le permitieron estar vigente al momento de la auditoria, pero si existió durante el periodo de mayor ejecución y desembolsos del Proyecto.

Esperamos, que estas observaciones puedan aportar mayor luz dentro del proceso de auditoria al Proyecto Conservación y Desarrollo de Recursos Energéticos realizado por la firma Gómez Santos & Asociados; estando la COENER en disposición de reestructurar dicho sistema contable de ser necesario y contando claro esta con los recursos necesarios para llevar a cabo una tarea de esta magnitud, de modo que se esclarezca a fondo y sin lugar a duda alguna la pulcritud con que fueron manejados dichos fondos.

Atentamente,


Ing. Oscar Lamarche
Secretario Ejecutivo.

cc. Gomez Santos & Asociados.

25

APPENDIX

REPORT DISTRIBUTION

U.S. Ambassador to the Dominican Republic	1
D/USAID/Dominican Republic	5
AA/LAC	2
LAC/CAR	1
XA/PR	1
LEG	1
GC	1
AA/OPS	1
AA/FA	1
FA/FM	1
POL/CDIE/DI	1
FA/MCS	1
IG	1
AIG/A	1
D/AIG/A	1
IG/A/PPO	2
IG/LC	1
IG/RM	5
IG/I	1
IG/A/FA	1
IG/A/PSA	1
RIG/A/EUR/W	1
RIG/A/Cairo	1
RIG/A/Dakar	1
RIG/A/Nairobi	1
RIG/A/Singapore	1
RIG/A/Vienna	1