

Acquisition

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

**Audit of USAID/Peru's PL 480 Title II Program Activities
Managed by Caritas of Peru
October 1, 1989 to June 30, 1991
and Pre-Award Survey of Caritas' Capability to
Manage Future Title II Program Activities**

**Audit Report No. 1-527-92-28-N
March 17, 1992**



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AGENCY FOR INTERNATIONAL DEVELOPMENT

OFFICE OF THE REGIONAL INSPECTOR GENERAL
AMERICAN EMBASSY
TEGUCIGALPA - HONDURAS

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March 17, 1992

MEMORANDUM

TO: D/USAID/Peru, Craig G. Buck

FROM: RIG/A/T Acting, Lou Mundy



SUBJECT: Audit of USAID/Peru's PL 480 Title II Program Activities, Managed by Caritas of Peru, October 1, 1989 to June 30, 1991, and Pre-Award Survey of Caritas' Capability to Manage Future Title II Program Activities

This report presents the results of a financial audit of USAID/Peru's PL 480 Title II Program activities managed by Caritas of Peru (Caritas) for the period October 1, 1989 to June 30, 1991, and a pre-award survey of Caritas' capability to manage future Title II Program activities. The audit firm of Price Waterhouse prepared the report dated February 17, 1992.

The purpose of the PL 480 Title II Program (Program) is to provide emergency and non-emergency food aid from the U.S. Government through a number of programs, usually managed through private voluntary or inter-governmental organizations. The agricultural commodities received from the U.S. are sold under the PL 480 Title II monetization program to generate local currency funds to finance projects or to pay the costs of the distribution of commodities donated by the U.S. under the food-aid program of PL 480 Title II. Caritas is one of several private voluntary organizations in Peru participating in the PL 480 Title II Program. The budget for Caritas during the audit period was \$6.0 million. The audit coverage included \$2.5 million of Program funds received by Caritas during the audit period.

The objectives of the audit were to determine whether: (1) Caritas' fund accountability statement presents fairly, in all material respects, the financial activities of the Program for the period audited, (2) Caritas' internal control structure was adequate to manage Program operations, (3) Caritas had complied with the terms of the Program Agreement and applicable laws and regulations, and (4) Caritas has adequate management and financial capabilities to effectively administer the PL 480 Title II program. The scope of the audit included an examination of Caritas' activities and transactions to the extent considered necessary to issue a report thereon for the period under audit.

The auditors concluded that the fund accountability statement presents fairly, in all material respects, the cash receipts and disbursements of the Program activities managed by Caritas for the period audited. Additionally the auditors found no material weaknesses in the Caritas' internal control structure and, with respect to compliance, reported no instances of material noncompliance with Agreement terms and applicable laws and regulations. Finally, the auditors concluded that Caritas has adequate management and financial capabilities to administer future PL 480 Title II program activities.

The report was discussed with Caritas' management which expressed agreement with the auditors' report. Management's comments are presented as an exhibit to the audit report.

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

**AUDIT OF THE MONETIZATION PROGRAM
ACTIVITIES MANAGED BY CARITAS OF
PERU FOR THE PERIOD OCTOBER 1,
1989 TO JUNE 30, 1991 AND PRE-AWARD
SURVEY OF CARITAS OF PERU IN REGARD
TO PL 480 TITLE II PROGRAM**

**AUDIT OF THE MONETIZATION PROGRAM
ACTIVITIES MANAGED BY CARITAS OF
PERU FOR THE PERIOD OCTOBER 1,
1989 TO JUNE 30, 1991 AND PRE-AWARD
SURVEY OF CARITAS OF PERU IN REGARD
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Price Waterhouse

February 17, 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 monetization program activities, managed by *Cáritas of Peru* for the period October 1, 1989 to June 30, 1991 and of the Pre-Award Survey of *Cáritas of Peru* in regard to PL 480 Title II Program.

BACKGROUND

General program description -

The monetization program consists of agricultural commodities donated by the United States Government through its Agency for International Development under the Public Law (PL) 480 Title II to Private Voluntary Organizations (PVO's). The commodities are then sold to generate funds to finance specific mutually agreed-upon projects or to pay the costs of the distribution of commodities donated by the United States Government under the food-aid program of the PL 480 Title II.

In Peru, the PVO's participating in the monetization and food-aid programs are: Catholic Relief Services (CRS), Cooperative of America Relief Everywhere (CARE), *Cáritas of Peru*, ADRA/OFASA and PRISMA. Presently, the PVO in charge of the monetization program and of the distribution of funds to each participating PVO, is CARE.

Additionally, in the food-aid program, CRS imported to Peru commodities donated by the United States Government, under the PL 480 Title II, those commodities were stored and distributed to the beneficiaries by *Cáritas of Peru*. Presently, USAID/Peru in coordination with *Cáritas of Peru* are in charge of all activities related to storage and distribution of these commodities.

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General description of the strengthening of Cáritas -

On July 26, 1989 CRS and USAID/Peru signed operational program grant agreements to develop and strengthen Cáritas of Peru in its administrative, managerial and technical capability in order to plan, implement, monitor and evaluate a development-oriented food-aid program.

Program budget -

The approved budget for the periods October 1989 - September 1990 and October 1990 - September 1991 amounts to US\$7,222,519. The following is the program budget for the period being audited October 1, 1989 to June 30, 1991.

	US\$
Food transportation and handling costs	3,416,777
Cáritas central office costs	1,068,348
Diocesan Cáritas costs	1,068,014
Supply of local food in Selva	<u>494,000</u>
	<u>6,047,139</u>

Food transportation and handling costs -

Includes mainly the food transportation and handling costs of the donated food and its distribution to diocesan Cáritas of Peru.

Cáritas central office costs -

Includes mainly the disbursements for salaries, local travel and vehicle maintenance.

Diocesan Cáritas costs -

Includes funds that Cáritas of Peru gave to its diocesan offices for their local expenses (local travel, office supplies, etc.).

Supply of local food in Selva -

The activities covered by this budget line were not carried out.

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OBJECTIVES AND SCOPE

We were engaged to perform a financial audit of the Monetization Program activities, managed by *Cáritas* of Peru for the period October 1, 1989 to June 30, 1991 and a Pre-Award Survey of *Cáritas* of Peru in regard to PL 480 Title II Program.

Our audit and evaluation were performed in accordance with generally accepted auditing standards and the United States Comptroller General's "Government Auditing Standards" (1988 Revision) and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary to determine whether:

- The fund accountability statement for the period October 1, 1989 to June 30, 1991 presents fairly, in all material respects, the financial activities of the Monetization Program Activities managed by *Cáritas* of Peru and costs reported as incurred and reimbursed by USAID/PERU during the period ended June 30, 1991 are allowable, allocable and reasonable in accordance with Program terms and applicable laws and regulations.
- The internal control structure of *Cáritas* of Peru is adequate to manage the Project's operations.
- *Cáritas* of Peru has complied with agreement terms and applicable laws and regulations which may affect the Projects' goals and incurred costs.
- *Cáritas* of Peru has the adequate administrative and financial capability to effectively carry out the Program of the PL 480 Title II.

The scope of our work consisted of:

1 Monitoring *Cáritas* del Peru's utilization of funds, commodities and supplies provided under the Program agreement. Monitoring activities included:

- Performing selective review of Program related documentation, accounting records and internal control structure.
 - Reviewing the Program's procurement procedures used to determine that sound commercial practices were used, including competition, reasonable prices and adequate qualities as agreed in the Program's agreement.
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- Reviewing the procedures used to control the Program's funds and donated food.

2 Examination of the fund accountability statement for the implementing agency and for each major component of the Program taken as a whole, through June 30, 1991. Reviewing any costs which were not fully supported with adequate records or which were not allowable or not reasonable under the terms of the Program. This work included:

- a) Determining whether advances of Program's funds were justified with documentation, including reconciliations of funds advanced, disbursed and available.
- b) Reviewing costs billed to USAID/PERU identifying and quantifying any questionable costs.
- c) Review of the bank accounts and related controls. Obtaining confirmation of balances.

3 Review and evaluation of the implementing agency's internal control structure to manage the Program. The performance of preliminary and compliance tests to determine the extent to which established procedures and controls are functioning as intended.

4 The scope of our audit work included verification of receipts of funds from CARE and ensuring the proper accounting treatment and banking of those receipts. We examined supporting documentation for payments on a test basis as considered appropriate in the circumstances.

5 Review and evaluation of Cáritas of Peru administrative and financial capability to effectively carry out the program of the PL 480 Title II. This work included:

- a) Evaluation of the organization structure.
- b) Evaluation of the personnel work responsibilities.
- c) Evaluation of Cáritas of Peru's financial situation.
- d) Review of the internal administrative - financial and accounting control systems.
- e) Critical reading of financial reports of executed projects and related budgets.

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Mr. Reginald Howard
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f) Critical reading of audited financial statements.

g) Review of the adequacy of the management information system.

We have been alert to situations or transactions that could be indicative of fraud, abuse and illegal expenditures and acts.

RESULTS OF AUDIT

Fund accountability statement -

The fund accountability statement was prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles. Based on work performed, as summarized above, in our opinion, the fund accountability statement for the period October 1, 1989 to June 30, 1991 presents fairly the financial activities of the Monetization Program managed by Cáritas of Peru at that date and costs reported as incurred and reimbursed during the period ended June 30, 1991 are allowable, allocable and reasonable in accordance with Program terms and applicable laws and regulations which may affect the Project's goals and incurred costs.

Internal control structure -

In planning and performing our audit of the fund accountability statement we considered the internal control structure implemented by the General Secretary's office of Cáritas of Peru in order to determine our auditing procedures for the purpose of expressing an opinion on the fund accountability statement.

Our evaluation of the internal control structure included the systems of internal control surrounding:

- General aspects
- Laws and regulations aspects
- Accounting and financial aspects
- Foods (receipts and delivery)
- Treasury (receipts and custody of funds)
- Liquidations (includes procurement and payment for goods and services)
- Salaries
- Fixed assets

February 17, 1992
Mr. Reginald Howard
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We noted no matters involving *Cáritas* of Peru's internal control structure that we believe to be material weaknesses. However, we reported other minor matters involving their internal control structure in a separated letter to the General Secretary's office of *Cáritas* of Peru.

Compliance with agreement terms and applicable laws and regulations -

As a part of obtaining reasonable assurance about whether the fund accountability statement is free of material misstatement and in order to render an opinion on compliance with agreement terms and applicable laws and regulations, we performed tests to ensure that *Cáritas* of Peru complied with the agreement terms and applicable laws and regulations which may affect Program's goals and incurred costs.

The results of our tests of compliance indicate that, with respect to items tested *Cáritas* of Peru has complied, in all material respects, with agreement terms and applicable laws and regulations which may affect the Project's goals and incurred costs. With respect to items not tested, nothing came to our attention that caused us to believe that *Cáritas* of Peru had not complied, in all material respects, with the terms of the agreement and applicable laws and regulations which may affect the Project's goals and incurred costs.

Management and financial capability -

Based on our evaluation of the management and financial capability of *Cáritas* of Peru we believe that *Cáritas* of Peru does have adequate management and financial capability to carry out the program of the PL 480 Title II.

MANAGEMENT COMMENTS

This report has been discussed with the General Secretary of *Cáritas* of Peru, who is in general agreement with the contents. Specific comments are reproduced in Annex 1.

Pricewaterhouse
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AUDIT OF THE MONETIZATION PROGRAM ACTIVITIES MANAGED BY CARITAS OF PERU FOR THE PERIOD OCTOBER 1, 1989 TO JUNE 30, 1991

FUND ACCOUNTABILITY STATEMENT

INDEPENDENT AUDITORS' REPORT

October 21, 1992

We have audited the accompanying fund accountability statement of the Monetization Program Activities managed by Cáritas of Peru for the period October 1, 1989 to June 30, 1991. This fund accountability statement is the responsibility of Cáritas of Peru. Our responsibility is to express an opinion on this fund accountability statement based on our audit.

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

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

In our opinion, the fund accountability statement audited by us presents fairly, in all material respects, the fund position of the Monetization Program Activities managed by Cáritas of Peru at June 30, 1991 and the fund activity for the period October 1, 1989 to June 30, 1991, on the basis of accounting described in Note 2.

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

Pricewaterhouse

**AUDIT OF THE MONETIZATION PROGRAM
ACTIVITIES MANAGED BY CARITAS OF
PERU FOR THE PERIOD OCTOBER 1,
1989 TO JUNE 30, 1991**

FUND ACCOUNTABILITY STATEMENT

	<u>Budget</u> US\$	<u>Actual</u> US\$	<u>Available</u> US\$
INCOME			
Funds received	6,047,139	2,543,770 (a)	3,503,369
	<u>6,047,139</u>	<u>2,543,770</u>	<u>3,503,369</u>
EXPENSES			
Food transportation on handling costs	3,416,777	1,261,394	2,155,383
Cáritas central office costs	1,068,348	518,064	550,284
Diocesan Cáritas costs	1,068,014	778,104	289,910
Supply of local food in Selva	494,000	-	494,000
	<u>6,047,139</u>	<u>2,557,562</u> (a)	<u>3,489,577</u>
EXCESS OF EXPENSES OVER INCOME		<u>(13,792)</u> (b)	

(a) Includes US\$26,430 of interests generated with Program funds.

(b) Consisted of:

Debit balance in current account No.6783870.92	14
Credit balance in current account No.6730950.38	(13,806)
	<u>(13,792)</u>

Notes 1 to 4 form an integral part of this fund accountability statement.

**AUDIT OF THE MONETIZATION PROGRAM
ACTIVITIES MANAGED BY CARITAS OF
PERU FOR THE PERIOD OCTOBER 1,
1989 TO JUNE 30, 1991**

NOTES TO THE FUND ACCOUNTABILITY STATEMENT

1 NATURE OF ACTIVITIES

Cáritas of Peru is one of the Private Voluntary Organizations (PVOs) in charge of the food-aid program in Peru, in relation to storage and distribution of commodities donated by the United States Government. The funds managed by Cáritas of Peru come from CARE transference, PVO in charge of the monetization program in regard to PL 480 Title II.

The approved budget for the period October 1, 1989 to June 30, 1991 amounts to US\$6,047,139 and covers the following categories:

Food transportation and handling costs -

Includes mainly the food transportation and handling cost of the donated food and its distribution to diocesan Cáritas of Peru.

Cáritas central office costs -

Includes mainly the disbursements for salaries, local travel and vehicle maintenance.

Diocesan Cáritas costs -

Includes funds that Cáritas of Peru gave to its diocesan offices for their local expenses (local travel, office supplies, etc.).

Supply of local food in Selva -

The activities covered by this budget line were not carried out.

2 ACCOUNTING PRACTICES

The following accounting practices have been used in the preparation of the fund accountability statement:

a) Basis of cash -

The fund accountability statement is prepared on the basis of cash receipts and disbursements. Likewise, transfers made by Cáritas of Perú to the Diocese in the country are considered as disbursements when the funds are transferred.

b) Translation into U.S. dollars -

In accordance with current Peruvian legislation, the accounting operations are recorded in local currency. The amounts in U.S. dollars shown in the fund accountability statement are translated applying the average exchange rate of transference of U.S. dollars done during a month. The bank balances in local currency are translated applying the net exchange rate at the end of the month.

The above mentioned translation system has produced a difference for the period October 1, 1989 to June 30, 1991 amounting to US\$33,113. This amount has been proportionally distributed within the budget categories as follows:

<u>Expense categories</u>	<u>Expenses</u>		
	<u>Before allocation</u> US\$	<u>Allocation</u> US\$	<u>After allocation</u> US\$
Food transportation on handling costs	1,277,719	16,325	1,261,394
Cáritas central office costs	524,786	6,722	518,064
Diocesan Cáritas costs	<u>788,170</u>	<u>10,066</u>	<u>778,104</u>
	<u>2,590,675</u>	<u>33,113</u>	<u>2,557,562</u>

3 EXCHANGE RATES

The average exchange rates applied to translate the amounts shown in the fund accountability statement are the following:

<u>Year</u>	<u>Exchange rate</u> S/.
1989	0.013
1990	0.52
1991 (June 30)	0.84

4 TAX SITUATION

Cáritas of Peru has received official recognition from the Peruvian tax authorities that it is a non-taxable organization.

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AUDIT OF THE MONETIZATION PROGRAM ACTIVITIES MANAGED BY CARITAS OF PERU FOR THE PERIOD OCTOBER 1, 1989 TO JUNE 30, 1991

INTERNAL CONTROL STRUCTURE

INDEPENDENT AUDITORS' REPORT

We have audited the fund accountability statement of the Monetization Program activities managed by Caritas of Peru for the period October 1, 1989 to June 30, 1991 and have issued our report thereon dated October 21, 1991.

We conducted our audit in accordance with generally accepted auditing standards and the United States Comptroller General's "Government Auditing Standards" (1988 Revision). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statement is free of material misstatement.

In planning and performing our audit of the fund accountability statement for the Monetization Program activities managed by Caritas of Peru for the period ended June 30, 1991, we considered Caritas of Peru's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on such statement and not to provide assurance on the internal control structure.

The management of Caritas of Peru is responsible for establishing and maintaining an internal control structure to manage the Project's operations. 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 the fund accountability statement in accordance with the basis of accounting described in Note 2 to the fund accountability statement. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless

occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

For the purpose of this report we have classified significant internal control structure policies and procedures into the following categories: i) general aspects; ii) laws and regulations aspects; iii) accounting and financial aspects; iv) food (receipts and delivery); v) treasury (receipts and custody of funds); vi) liquidations (includes procurement and payment for goods and services); vii) salaries and viii) fixed assets.

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

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

The reportable condition involving the internal control structure of Caritas of Peru is described in the following pages (finding No.1).

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 error or irregularities in amounts that would be material in relation to the fund accountability statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we do not believe the reportable condition described above is a material weakness.

We also noted other matters involving the internal control structure and operation that we have reported to Cáritas of Peru's General Secretary's Office in a separate communication dated October 21, 1991.

This report is intended solely for the information and use of the United States Agency for International Development and Cáritas of Peru. 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.

October 21, 1991

Price Waterhouse

**AUDIT OF THE MONETIZATION PROGRAM
ACTIVITIES MANAGED BY CARITAS OF
PERU FOR THE PERIOD OCTOBER 1,
1989 TO JUNE 30, 1991**

INTERNAL CONTROL STRUCTURE

AUDIT FINDING

There are no procedures that allow a detailed identification of the hours incurred by the executive officers of Caritas of Peru in the Monetization Program. Consequently, it is impossible to reasonably allocate the executive officers salaries.

Condition -

During our audit we observed that the internal control system of Caritas of Peru for the Monetization Program does not have a system and/or procedures to allow a detailed identification of the hours incurred in this Program. The personnel involved are the General Secretary, Administrative and Financial Director, Purchase Director, Food Director, and Health and Projects Director, and their salaries are totally paid with funds of the Monetization Program.

Criteria -

Caritas of Peru should have a system and/or procedures to allow a detailed control of the hours incurred by the executive officers in the Monetization Program. This control would allow a reasonable allocation of the salaries paid to these executive officers.

Cause -

Presently, Caritas of Peru is improving its internal control system, but to date, this deficiency was still not solved.

Effect -

The total salaries paid to executive officers during the period under evaluation is approximately US\$61,000. The effect for the Monetization Program is a percentage of this amount, which is difficult to determine due to the lack of adequate procedures.

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However, we consider that this amount is immaterial in relation to the total amount of disbursement paid during the period under evaluation, and does not affect our opinion of the fund accountability statement.

Reccommendation -

We recommend Cáritas design and implement a control system to allow a detailed identification of the hours incurred by Cáritas of Peru's executive officers in the Monetization Program in order to correctly allocate their corresponding salaries to the Program.

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Price Waterhouse

AUDIT OF THE MONETIZATION PROGRAM ACTIVITIES MANAGED BY CÁRITAS OF PERU FOR THE PERIOD OCTOBER 1, 1989 TO JUNE 30, 1991

COMPLIANCE WITH AGREEMENT TERMS AND APPLICABLE LAWS AND REGULATIONS

INDEPENDENT AUDITORS' REPORT

We have audited the fund accountability statement of the Monetization Program activities managed by Cáritas of Peru for the period October 1, 1989 to June 30, 1991 and have issued our report thereon dated October 21, 1991.

We conducted our audit in accordance with generally accepted auditing standards and the United States Comptroller General's Government Auditing Standards" (1988 Revision). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statement is free of material misstatement.

Cáritas of Peru is responsible for compliance with the terms of the agreement and applicable laws and regulations. In obtaining reasonable assurance about whether the fund accountability statement is free of material misstatement, we performed tests of compliance by Cáritas of Peru with agreement terms and applicable laws and regulations which may affect the Project's goals and incurred costs. However, our objective was not to provide an opinion on overall compliance with such provisions.

The result of our tests indicate that, with respect to the items tested, Cáritas of Peru complied, in all material respects, with the terms of the agreement and with applicable laws and regulations which may affect the Project's goals and incurred costs. With respect to items not tested nothing came to our attention that caused us to believe that Cáritas of Peru had not complied, in all material respects, with the terms of the agreement and with applicable laws and regulations which may affect the Project's goals and incurred costs.

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

October 21, 1991

Price Waterhouse

Price Waterhouse

PRE-AWARD SURVEY OF CARITAS OF PERU IN REGARD TO PL 480 TITLE II PROGRAM

MANAGEMENT AND FINANCIAL CAPABILITY

INDEPENDENT AUDITORS' REPORT

October 21, 1991

We have evaluated the organization of *Cáritas* of Peru in order to express an opinion on whether *Cáritas* of Peru it has sufficient management and financial capability to administer appropriately the funds in regard to PL 480 Title II Program. Our work was performed in accordance with the United States Comptroller General's "Government Auditing Standards".

In performing our evaluation we have performed the procedures as established by USAID/Peru in the statement of work for this evaluation including the following procedure :

- i) Evaluation of the structure organization of *Cáritas* of Peru.
- ii) Evaluation of the personnel work responsibilities.
- iii) Evaluation of financial statement, of *Cáritas* of Peru's.
- iv) Review of the internal administrative-financial and accounting control systems.
- v) Critical reading of financial reports of executed projects and related budgets.
- vi) Critical reading of audited financial statements.
- vii) Review of the adequacy of the management information systems.

Based on our evaluation as described above we believe that *Cáritas* of Peru has adequate management and financial capability to appropriately administer the USAID/Peru funds in regard to the PL 480 Title II Program.

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

Exhibit 1

**AUDIT OF THE MONETIZATION PROGRAM
ACTIVITIES MANAGED BY CARITAS OF
PERU FOR THE PERIOD OCTOBER 1, 1989
TO JUNE 30, 1991 AND PRE-AWARD
SURVEY OF CARITAS OF PERU IN REGARD
TO PL 480 TITLE II PROGRAM**

MANAGEMENT COMMENTS

The General Secretary of Cáritas of Peru have provided the following comment:

We are pleased to received your final draft with regard to the concurrent audit of this project. We have read the report thoroughly and agreed with its contents. However, we would like to mention that the recommendation related to the design and implementation of a system of control to allow detailed identification of hours incurred by the management team of Cáritas of Peru in the Monetization Program, has been recently implemented by means of a computer program specially designed for this purposes.

APPENDIX

REPORT DISTRIBUTION

U.S. Ambassador to Peru	1
D/USAID/Peru	5
AA/LAC	2
LAC/SAM	1
XA/PR	1
LEG	1
GC	1
AA/OPS	1
AA/FA	1
FA/FM	1
POL/CDIE/DI	1
FA/MCS	1
FHA/FFP	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