

Regional Inspector General for Audit
Tegucigalpa, Honduras

Audit of USAID/El Salvador's
Health and Jobs for Displaced Families Project
Managed by World Relief
July 1, 1988 to February 28, 1990

Audit Report No. 1-519-92-34-N
June 15, 1992



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

**Audit of USAID/El Salvador's
Health and Jobs for Displaced Families Project
Managed by World Relief
July 1, 1988 to February 28, 1990**

**Audit Report No. 1-519-92-34-N
June 15, 1992**

AGENCY FOR INTERNATIONAL DEVELOPMENT

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June 15, 1992

MEMORANDUM

TO: D/USAID/El Salvador, John Sanbrailo



FROM: RIG/A/T, Reginald Howard

SUBJECT: Audit of USAID/El Salvador's Health and Jobs for Displaced Families Project, Managed by World Relief, July 1, 1988 to February 28, 1990

This report presents the results of a financial audit of the Health and Jobs for Displaced Families Project (Project), USAID/El Salvador Project No. 519-0281, managed by World Relief, for the period July 1, 1988 to February 28, 1990. The accounting firm of KPMG Peat Marwick prepared the report dated March 31, 1992.

On July 25, 1985 USAID/El Salvador and World Relief signed Cooperative Agreement No. 519-0281-A-00-5388-00 to fund the Project. The Agreement, as amended, provided for a total of \$9,276,134 through the February 28, 1990 completion date of the Project. The Project's purpose was to resettle at least 1,440 Salvadorans displaced by the civil war and to assist them in becoming financially self-sufficient. The audit coverage included A.I.D. funds of \$3.5 million provided to World Relief under the Project during the audit period.

The objectives of the audit were to determine whether: (1) World Relief's fund accountability statement presents fairly, in all material respects, the financial activities under the Project during the period audited, (2) World Relief's internal control structure was adequate to ensure appropriate control over Project activities, and (3) World Relief had complied, in all material respects, with the terms of the Cooperative Agreement and applicable laws and regulations. The audit scope included an examination of World Relief activities and transactions to the extent considered necessary to issue a report thereon for the period under audit.

World Relief was unable to provide the auditors with adequate documentation to support the delivery of basic grains to the beneficiaries of the Project. Furthermore in a special report dated September 2, 1991, the auditors disclosed significant problems identified in the period under audit. Because of these scope limitations the auditors were unable to render an opinion on the Project's fund accountability statement. In addition, the



auditors questioned \$1,062,671 of funding provided to World Relief by USAID/El Salvador during the audit period.

With respect to World Relief's internal control structure, the auditors identified seven material weaknesses. These weaknesses concerned an inadequate procurement system and a lack of accounting procedures that properly support expenditures and effectively manage cash.

In its review of World Relief's compliance with Agreement terms and applicable laws and regulations, KPMG identified seven instances of material noncompliance concerning procurement, travel and transportation, and noncompliance with Government of El Salvador tax laws.

The report was discussed with World Relief management officials and they provided written comments which the auditors considered in preparing the final report. World Relief management generally disagreed with the report's contents. World Relief's comments are presented in their entirety as an annex to the report.

Since the Project has ended and, according to Mission officials, USAID/El Salvador has no existing agreements with World Relief, 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 World Relief, we strongly recommend that USAID/El Salvador 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.

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/El Salvador resolve the questionable costs of \$1,062,671 (\$11,647 questioned and \$1,051,024 unsupported) identified in the KPMG audit report dated March 31, 1992, and recover from World Relief 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 recommendations.

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AUDIT OF THE
HEALTH AND JOBS FOR
DISPLACED FAMILIES PROJECT
USAID/EL SALVADOR'S PROJECT No. 519-0281
MANAGED BY WORLD RELIEF IN EL SALVADOR, FOR THE
PERIOD JULY 1, 1988 THROUGH FEBRUARY 28, 1990

AUDIT OF THE
HEALTH AND JOBS FOR
DISPLACED FAMILIES PROJECT
USAID/EL SALVADOR'S PROJECT No. 519-0281
MANAGED BY WORLD RELIEF IN EL SALVADOR, FOR THE
PERIOD JULY 1, 1988 THROUGH FEBRUARY 28, 1990

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KPMG Peat Marwick

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March 31, 1992

Mr. Reginald Howard
Regional Inspector General for Audit
Agency for International Development
Tegucigalpa, Honduras

Dear Mr. Howard:

This report presents the results of our audit of the Health and Jobs for Displaced Families Project, USAID/El Salvador Project No. 519-0281, managed by World Relief in El Salvador, for the period from July 1, 1988 through February 28, 1990.

BACKGROUND

On July 25, 1985, World Relief in El Salvador signed Cooperative Agreement No. 519-0281-A-00-5388-00 for US\$1,061,335 with the U. S. Agency for International Development in El Salvador (USAID/El Salvador) to fund the Health and Jobs for Displaced Families Project, USAID/El Salvador Project No. 519-0281, from July 1, 1985 through September 10, 1987. Through subsequent amendments the completion date of the project was extended to February 28, 1990 and the agreement amount was increased to US\$9,276,134. The audited funds for the period from July 1, 1988 through February 28, 1990 amount to the quantity of ¢20,349,734 (equivalent to US\$3,496,000).

The project's purpose was to resettle at least 1,440 Salvadorans displaced by the civil war and to assist them in becoming financially self-sufficient. This was accomplished by identifying displaced families for resettlement, locating and purchasing land for new communities, and returning the displaced persons to minimum living standards.

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The project had two major components:

- a) Displaced Persons. Since the project was initiated, it accomplished the resettlement of displaced families in three communities. It currently focuses on the resettlement of families in new areas or in their homes of origin and helped these families to become financially self-sufficient.
- b) Basic Grains. World Relief purchased agricultural materials to help resettled families plant their own crops and become productive again.

World Relief in El Salvador is a branch of World Relief Corporation in Wheaton, Illinois, a religious nonprofit organization founded on February 6, 1964. Its main objectives are to:

- Provide emergency relief and rehabilitation.
- Promote self-help development through training, technical assistance, and funding projects.
- Initiate and implement refugee assistance programs and resettlement of refugees at home and abroad.
- Provide aid and assistance programs for health, housing, education and food.

In order to attain these objectives, World Relief obtains external funds in cooperation with governmental institutions and other humanitarian organizations.

AUDIT OBJECTIVES AND SCOPE

The overall objective of the examination was to perform a financial audit of the fund accountability statement of the Health and Jobs for Displaced Families Project, USAID/El Salvador Project No. 519-0281, managed by World Relief, for the period from July 1, 1988 through February 28, 1990.

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Our audit was performed in accordance with generally accepted auditing standards and the United States Comptroller General's "Government Auditing Standards" (1988 Revision), and consequently, included the examination of accounting records and other auditing procedures which we considered necessary in the circumstances to determine whether:

- The fund accountability statement for the project fairly presents in all material aspects the project's receipts and expenditures in accordance with the terms of the agreement, for the period from July 1, 1988 to February 28, 1990.
- World Relief's internal control structure was adequate for USAID/EI Salvador purposes;
- World Relief complied with agreement terms and applicable laws and regulations; and
- The revised financial statements prepared by World Relief for the period from July 1, 1985 to June 30, 1988, reconcile with World Relief's accounting records, and USAID/EI Salvador information and adjustments, if any, are reasonable and duly supported.

The scope of the work consisted of the following:

- Fund Accountability Statement of the Project

To perform an examination of the fund accountability statement of the program prepared by the recipient from July 1, 1988 to February 28, 1990, including among others, the following matters:

- a. To determine whether costs incurred in carrying out the purpose of the project were reasonable, allocable and allowable in accordance with the agreement, the standard provisions, and negotiated advance understandings on a particular cost or item, as applicable.

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- b. To identify any costs not considered appropriate for reimbursement under the agreement or not properly supported.
- c. To review salary charges to determine whether (a) salary rates were in accordance with those approved by USAID/ES; (b) salaries were supported by time records; and (c) salaries included consultant fees, lump-sum leave payments, post differential compensation to U.S. and Third Country Nationals, overtime premium, and fringe benefits, as applicable.
- d. To determine if any required matching funds and technical assistance were obtained opportunely, according to agreements and to the project needs.
- e. To evaluate, in general terms, the reasonableness and timeliness of information reported by World Relief to USAID/ES.
- f. To reconcile the grant funds recorded in the recipients' records with those confirmed as disbursed by USAID/ES.
- g. To determine whether the overhead charged to the project was in accordance with the agreement.
- h. To determine that no indirect costs, other than the overhead established in the agreement, were charged to the project.

- Internal Control Structure

The evaluation of internal control structure included the following relevant matters:

- a. An evaluation whether the recommendations contained in the audit report No. 1-519-90-11-N corresponding from period July 1, 1985 through June 30, 1988 were implemented.

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- b. An evaluation of the procurement system, in order to determine, if the material, supplies, and services were purchased according to the USAID/ES procurement regulations.
- c. An evaluation of warehouse controls over materials and supplies including shipping and receiving procedures.
- d. A review and evaluation to see if World Relief had adequate controls on the use of vehicles, spare parts, fuel and lubricants.
- e. An evaluation of the adequacy of the recipient's control over USAID/ES furnished equipment by determining whether (a) a record was maintained on each piece of equipment showing the identification number, location, date of purchase, and cost; (b) equipment records were periodically reconciled to the general ledger equipment account; (c) periodic physical inventories were taken of the equipment; and (d) items of equipment were tagged in some manner so that they can be readily identified as being USAID/ES furnished.
- f. An evaluation of whether the Institution established procedures that control and evidence the delivery of goods and services to the project beneficiaries.
- g. An evaluation to see if World Relief adequately monitored and supervised the program implementation progress of the project to the extent required by the agreement.
- h. An evaluation of whether the accounting system in place was adequate to record project transactions.

- Compliance with Agreement Terms and Applicable Laws and Regulations

To determine whether World Relief complied with applicable terms and conditions of the grant agreement, implementation letters, amendments, contracts, applicable laws and regulations, as follows:

- a. To determine if funds provided under the agreement were expended for purposes not authorized or not in accordance with the terms of the agreement.
- b. Review contracts and subcontracts between World Relief and third parties, if any. Each of these contracts should contain a provision stating how the allowability of costs will be determined. Allowable or unallowable costs may be listed in the document itself or incorporated by reference to the standard provision entitled, "Procurement of Goods and Services".
- c. Explain any failure to submit required reports or the submission of any inaccurate financial reports, making appropriate recommendations to correct these conditions.
- d. Determine other areas where there may be noncompliance with the agreements or standard provision that had a significant detrimental effect on program progress or achievement and program objectives or goals, making appropriate recommendations to correct these conditions.
- e. Perform such other tests as deemed necessary to issue an auditor's opinion on the project's fund accountability statement, internal control structure and compliance with applicable laws, regulations, and agreement terms.

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- Revised Financial Statements
 - a. Determine whether the revised financial statements prepared by World Relief, for the period from July 1, 1985 to June 30, 1988 were reconciled with the accounting records, the reports submitted to A.I.D., and with A.I.D. information.
 - b. Review whether the adjustments, if any, were reasonable, and allowable when applicable, fully documented, and approved by responsible officials.

RESULTS OF AUDIT

Fund Accountability Statement

Because of limitations in the scope of our examination due to the lack of adequate documentation that supports the delivery of basic grains to the beneficiaries of the project for ¢4,177,363 (equivalent to US\$718,000) and questionable costs in the amount of ¢2,009,608 (¢1,941,531 equivalent to US\$333,024 in unsupported costs and ¢68,077 equivalent to US\$11,647 in questioned costs) we are unable to express, and we do not express an opinion on the fund accountability statement of the Health and Jobs for Displaced Families Project, USAID/El Salvador Project No. 519-0281, managed by World Relief for the period from July 1, 1988 to February 28, 1990.

Internal Control Structure

Our study and evaluation of the internal control structure established for the Health and Jobs for Displaced Families Project managed by World Relief revealed the reportable conditions described below. We believe that reportable conditions Nos. 1 to 7 are material weaknesses that result in more than a relatively low risk that errors or irregularities in amounts that would be material in relation to the fund accountability statement may occur and not be detected within a timely period. The reportable conditions are the following:

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- 1) Inadequate supporting documentation for delivery of basic grains to beneficiaries.
- 2) There was lack of evidence that purchases of goods and services were delivered to project beneficiaries.
- 3) Disbursements are not supported by their respective documentation.
- 4) Lack of price quotations from suppliers of goods and services.
- 5) There was lack of evidence that goods were received by World Relief.
- 6) Checks cashed by World Relief employees.
- 7) Checks endorsed by persons other than the payee.

Compliance with Agreement Terms and Applicable Laws and Regulations

The scope limitations described in the report on the fund accountability statement, the material internal control weaknesses noted in our report on the internal control structure, and the findings described below prevent us from expressing and we do not express, a positive assurance on the entries examined for compliance with the agreement terms and applicable laws and regulations, or a negative assurance on the entries not examined.

- 1) Purchases were not in compliance with the agreement terms
- 2) Purchases were incurred without written approval from A.I.D.
- 3) International air travel and transportation expenses were incurred without written approval from A.I.D. and inadequate supporting documentation
- 4) Payroll documents lacked tax stamps

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- 5) Income tax was not withheld on danger pay
- 6) Non compliance with fiscal requirements
- 7) Labor contracts are not signed by the organization representative

MANAGEMENT COMMENTS

A copy of this report was provided to World Relief and A. I. D. and discussed with them on February 25, 1992. World Relief prepared written comments included as Annex I. Based upon World Relief comments we made appropriate modifications to this final report.

KPMG Peat Marwick

KPMG Peat Marwick

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AUDIT OF THE
HEALTH AND JOBS FOR
DISPLACED FAMILIES PROJECT
USAID/EL SALVADOR'S PROJECT No. 519-0281
MANAGED BY WORLD RELIEF IN EL SALVADOR, FOR THE PERIOD JULY
1, 1988 THROUGH FEBRUARY 28, 1990
REPORT ON THE FUND ACCOUNTABILITY STATEMENT
INDEPENDENT AUDITORS' REPORT

We were engaged to audit the accompanying fund accountability statement of the Health and Jobs for Displaced Families Project, USAID/El Salvador Project No. 519-0281, managed by World Relief for the period from July 1, 1988 to February 28, 1990. The fund accountability statement is the responsibility of World Relief's management.

As described in Note 1, 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.

Due to the inadequate documentation supporting the delivery of basic grains to the beneficiaries of the project for an amount of ¢4,177,363 (equivalent to US\$718,000), we were not able to verify that such beneficiaries received the basic grains (See finding N^o 1 of our report on the internal control structure).

As mentioned in Note 5 to the fund accountability statement, we identified certain transactions in the amount of ¢2,009,608 (¢1,941,531 equivalent to US\$333,024 in unsupported costs and ¢68,077 equivalent to US\$11,647 in questioned costs), which are considered to be questionable costs due to insufficient documentation or because they were not in compliance with agreement terms.

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Because of the matters described in paragraphs three to four above, 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 of the Health and Jobs for Displaced Families Project, USAID/El Salvador Project No. 519-0281, managed by World Relief for the period July 1, 1988 to February 28, 1990.

This report is intended solely for the use of World Relief 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.

KPMG Robert Marwick

September 30, 1990, with the exception of note 6 of the fund accountability statement emmited September 30, 1991.

AUDIT OF THE
HEALTH AND JOBS FOR
DISPLACED FAMILIES PROJECT
USAID/EL SALVADOR'S PROJECT No. 519-0281
MANAGED BY WORLD RELIEF IN EL SALVADOR, FOR THE PERIOD
JULY 1, 1988 THROUGH FEBRUARY 28, 1990
FUND ACCOUNTABILITY STATEMENT
(Expressed in salvadorean colones - Note 7)

	<u>Total Project</u> <u>Budget</u> <u>(7/25/85 to 2/28/90)</u>	<u>Project</u> <u>Execution</u> <u>(7/1/85 to 6/30/88)</u>	<u>Adjustments</u> <u>at June 30,</u> <u>1988</u>	<u>Project</u> <u>Actual</u> <u>Execution</u> <u>(7/1/88 to 2/28/90)</u>	<u>Total for</u> <u>the period</u>	<u>Questionable Costs</u> <u>(7/1/88 to 2/28/90)</u> <u>(Note 5)</u> <u>Questioned Unsupported</u>	
INCOME (Note 4)							
Funds provided by USAID/El Salvador	¢ 46,380,671	24,014,314	1,189,546	19,542,746	44,746,606		
DISBURSEMENTS (Note 4)							
Personnel	7,273,855	2,786,557	69,235	4,418,551	7,274,343		26,428 (e)
Operational expenses	5,463,300	2,298,480	(117,104)	2,603,913	4,785,289	36,727 (i,j,k)	55,332 (f,g,h)
Project expenses	26,403,060	15,176,186	15,803	9,903,701	25,095,690	31,350 (l,m,n)	6,037,134 (a,b,c,d)
Contingency costs	822,136	458,269	(16,757)	113,748	555,260		
Indirect costs	<u>6,418,320</u>	<u>2,660,176</u>	<u>1,015,665</u>	<u>3,309,821</u>	<u>6,985,662</u>		
Total disbursements	¢ <u>46,380,671</u>	¢ <u>23,379,668</u>	¢ <u>966,842</u>	¢ <u>20,349,734</u>	¢ <u>44,696,244</u>	¢ <u>68,077</u>	¢ <u>6,118,894</u>
Outstanding balance		¢ <u>634,646</u>	<u>222,704</u>	<u>(806,988)</u>	<u>50,362</u>		

See notes accompanying fund accountability statement.

AUDIT OF THE
HEALTH AND JOBS FOR
DISPLACED FAMILIES PROJECT
USAID/EL SALVADOR'S PROJECT No. 519-0281
MANAGED BY WORLD RELIEF IN EL SALVADOR, FOR THE
PERIOD JULY 1, 1988 THROUGH FEBRUARY 28, 1990
NOTES TO THE FUND ACCOUNTABILITY STATEMENT

Note 1 - Summary of Accounting Policies

The significant accounting practices and policies followed by World Relief are as summarized below:

Accounting Basis - The fund accountability statement of the project was prepared on the basis of cash receipts and disbursements in which certain revenues and the related assets are recognized when received rather when earned and certain expenditures are recognized when paid rather when the obligation is incurred. Therefore, the fund accountability statement does not present the financial information in accordance with generally accepted accounting principles.

Accounting Period - The income and expenditures included in the fund accountability statement cover the period from July 1, 1988 to February 28, 1990.

Note 2 - The Cooperative Grant Agreement

On July 25, 1985, World Relief in El Salvador signed Cooperative Grant Agreement No. 519-0281-A-00-5388-00 for US\$1,061,335 with the U.S. Agency for International Development in El Salvador (USAID/El Salvador) to fund the Health and Jobs for Displaced Families Project, USAID/El Salvador Project No. 519-0281. The original amount of the agreement was increased up to the amount of US\$9,276,134

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The project's purpose was to resettle at least 1,440 Salvadorans displaced by the civil war and to assist them in becoming financially self-sufficient. This was accomplished by identifying displaced families for resettlement, locating and purchasing land for new communities, and returning the displaced persons to minimum living standards.

Note 3 -Equipment and Materials

According to the terms of the agreement, at the finalization of the project, the equipment and materials acquired with project funds should be distributed among other displaced family projects managed by other institutions.

The disposition of World Relief assets was be done in accordance with these terms.

Note 4 - Financial Information

Disbursements

The following is an expense reconciliation for the period July 1, 1985, to February 28, 1990.

	July 1, 1985 to June 30, 1988 According to <u>Audit Report</u>	Adjustments at June 30, <u>1988</u>	July 1, 1988 to February 28, <u>1990</u>	Total for <u>the period</u>
Personnel	¢ 2,786,557	¢ 69,235	¢ 4,418,551	¢ 7,274,343
Operational expenses	2,298,480	(117,104)	2,603,913	4,785,289
Project expenses	15,176,186	15,803	9,903,701	25,095,690
Contingency costs	458,269	(16,757)	113,748	555,260
Indirect costs	<u>2,660,176</u>	<u>1,015,665</u>	<u>3,309,821</u>	<u>6,985,662</u>
Total	¢ <u>23,379,668</u>	¢ <u>966,842</u>	¢ <u>20,349,734</u>	¢ <u>44,696,244</u>

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According to the records of USAID/El Salvador, total expenses for the period amount to ¢44,638,167. There is a difference of ¢58,077 between USAID/El Salvador and World Relief's records.

Incomes

The following is an income reconciliation for the period July 1, 1985 to February 28, 1990.

	July 1, 1985 to June 30, 1988 According to <u>Audit Report</u>	Adjustments at June 30, <u>1988</u>	July 1, 1988 to February 28, <u>1990</u>	Total for <u>the period</u>
Funds Provided by USAID/El Salvador	¢ 24,014,314	1,189,546	19,542,746	44,746,606

According to the records of USAID/El Salvador, total incomes for the period amount to ¢44,638,167. There is a difference of ¢108,439 between USAID/El Salvador and World Relief's records, which is the result of exchange rate fluctuations

Note 5 - Questionable Costs

A summary of questionable costs identified during the audit is detailed below.

Unsupported Cost:

Project Expenses

- a) Inadequate Supporting Documentation for Delivery of Basic Grains to Beneficiaries.

We could not obtain written documentations assuring that the total of basic grains purchased were distributed to the respective beneficiaries. (See finding No.1 on the report on internal control structure).

¢ 4,177,363

b) Purchases were Split to Avoid the Agreement Requirement for AID Approval

As evidenced by multiple purchases from the same supplier on the same day purchases above ₺25,000 (US\$5,000) were broken down to avoid the requirement to obtain AID approval. Some of these purchases were made at prices higher than those quoted in the market.

(See finding N^o1 of the report on compliance with agreement terms and applicable laws and regulations).

₺ 1,178,476

c) There was Lack of Evidence that Purchases of Goods and Services were Delivered to Project Beneficiaries

Additionally, the majority of these purchases were split to avoid AID approval. (See finding No.2 on the report on the internal control structure).

₺ 635,294

d) Purchases Without Evidence the Products Were Received by World Relief

There is no evidence that the products paid for were actually received by World Relief employees. (See finding No.5 on the report on internal control structure).

₺ 46,001

Total Unsupported Costs-Project Expenses

₺ 6,037,134

h) Purchases were Incurred Without Written Approval from A.I.D.

Some purchases exceeding US\$5,000 and US\$2,000 which were not approved in writing by A.I.D.

(See finding N^o 2 of the report on compliance with agreement terms and applicable laws and regulations).

	¢	<u>41,651</u>
Total Unsupported Costs - Operational Expenses	¢	<u>55,332</u>
Total Unsupported Costs	¢	<u>6,118,894</u>

Questioned Costs:

OPERATIONAL EXPENSES

i) Checks Endorsed by Persons other than the Payee.

The signature of the beneficiary appearing on the invoice and/or the receipt differs from that on the backside of the check. (See finding No.7 on the report on internal control structure).

¢ 35,057

j) Checks Cashed by World Relief Employees

Some checks were cashed by World Relief employees. (See finding No.6 on the report on internal control structure)

¢ 1,670

Total Questioned Costs - Operational Expenses ¢ 36,727

Note 7 - Monetary Unit and Exchange System

The fund accountability statement of the project is expressed in Salvadorean colones (¢) the currency of El Salvador.

By agreement JM-18/89 of July 11, 1989 the Monetary Board of El Salvador adopted exchanging measures, applicable since July 25, 1989 for both foreign exchange markets officially recognized; the fixed exchange market and the banking market. In the first one the exchange is kept in ¢5.00 colones for US\$1.00 and in the second one, the exchange is flexible and should reflect the conditions of supply and demand of foreign exchange of that market. As of February 28, 1990 the actual exchange rate in the banking market is ¢6.50 for US\$1.00.

KPMG Peat Marwick

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AUDIT OF THE
HEALTH AND JOBS FOR
DISPLACED FAMILIES PROJECT
USAID/EL SALVADOR'S PROJECT No. 519-0281
MANAGED BY WORLD RELIEF IN EL SALVADOR, FOR THE PERIOD JULY
1, 1988 THROUGH FEBRUARY 28, 1990
INTERNAL CONTROL STRUCTURE
INDEPENDENT AUDITORS' REPORT

We were engaged to audit the fund accountability statement of the Health and Jobs for Displaced Families Project, USAID/El Salvador Project No. 519-0281, managed by World Relief for the period from July 1, 1988 to February 28, 1990, and have issued our report dated September 30, 1990, in which we disclaimed our opinion.

In planning and performing our audit of the fund accountability statement for the Health and Jobs for Displaced Families Project (the Project), we considered their internal control structure to determine our auditing procedures for the purpose of expressing our opinion on the fund accountability statement and not to provide assurance on the internal control structure.

The management of World Relief is responsible for establishing and maintaining an adequate internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the related 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 authorizations and recorded properly to permit the preparation of the fund accountability statement in accordance with generally accepted accounting principles or any other comprehensive accounting base. 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 purposes of this report, we have classified and evaluated the significant internal control structure policies and procedures in the following categories:

- Cash receipts
- Cash disbursements
- Payroll
- Inventory control
- Purchasing and receiving

For all 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 as described in findings No.1 to 7 attached, which involve the internal control structure and its operation, that we considered 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.

A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the fund accountability statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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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. We believe that the conditions described in the accompanying findings Nos. 1 to 7 are material weaknesses.

We also noted other matters involving the internal control structure and its operation that we have reported to the management of World Relief in a separate letter dated March 27, 1992.

This report is intended solely for the use of World Relief 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.

KPMG Heat Marwick

September 30, 1990, with the exception of note 6 of the fund accountability statement emmitted September 30, 1991.

AUDIT OF THE
HEALTH AND JOBS FOR
DISPLACED FAMILIES PROJECT
USAID/EL SALVADOR'S PROJECT No. 519-0281
MANAGED BY WORLD RELIEF IN EL SALVADOR, FOR THE
PERIOD JULY 1, 1988 THROUGH FEBRUARY 28, 1990
REPORT ON THE INTERNAL CONTROL STRUCTURE
FINDINGS

1) **Inadequate Supporting Documentation for Delivery of Basic Grains to Beneficiaries**

Condition

During our examination we could not obtain written documentation assuring that the total of basic grains purchased for ¢4,177,363 were distributed to the respective beneficiaries.

The situations that did not allow us to conclude on the adequate distribution of basic grains were the following:

- a) The majority of documents supporting the issue to beneficiaries correspond to notices over the suspension of the benefits of the project, not supporting consequently the amount and type of product delivered by World Relief.
- b) Shipments of agricultural packages are supported by cards which contain products different from those authorized for each agricultural package.
- c) Shipments of agricultural packages are not totally supported with documents that give evidence of having delivered the products to the beneficiaries of the project.

A detail of the shipments to which we refer to, are the following:

<u>DEPARTMENT</u>	<u>COMMUNITY</u>	<u>SHIPMENTS N°</u>
Cuscatlán	Suchitoto	594
		595
		596
		600
		601
		771
La Paz	Santa Emilia	585

- d) Cards that support the delivery of products are not signed in acknowledgement of receipt by the beneficiaries.

A detail of the shipments where we detected some of these cards are the following:

<u>COMMUNITY</u>	<u>SHIPMENT N°</u>
Hacienda Bolívar	920
	921
	1165

- e) Some of the cards for delivery of products that support the following shipments have been altered.

<u>COMMUNITY</u>	<u>TYPE OF CROP</u>	<u>SHIPMENT N°</u>
El Tablón	Sesame	1053
		1054
		1389
		1169
El Portillo	Red Bean	1074
		1076
		1095
		1132
		1180

Furthermore and with respect to the delivery of basic grains handled by "CONADES", "Fé y Trabajo", "Comité Internacional de Rescate" y Fedecredito", we could not verify if the persons that acknowledged receipt by signing the shipment forms are those authorized by the institutions mentioned. (See note 5a to the fund accountability statement).

On the other hand, CONADES confirmed not having received agricultural goods from World Relief during the period July 1, 1988 to February 28, 1990.

Criteria

An adequate internal control structure should include procedures that evidence in writing that goods and services purchased are received by project beneficiaries as intended.

Cause

World Relief, did not establish the procedures necessary to track and document the distribution of basic grains.

Effect

It was not feasible to verify whether all basic grains acquired with project funds were actually received by the project beneficiaries.

Recommendations

World Relief should:

- a) Implement control procedures to ensure that the distribution of basic grains to the project's beneficiaries is adequately documented.
- b) Provide supporting documents giving adequate evidence of the delivery of basic grains for ø4,177,363 (equivalent to US\$718,000 in unsupported costs) to the beneficiaries of the project.

2) There was Lack of Evidence that Purchases of Goods and Services were Delivered to Project Beneficiaries

Condition

World Relief does not have adequate and sufficient documentation that supports if all goods and services acquired with project funds were delivered to the respective beneficiaries. (See note 5c to the fund accountability statement).

The cases found are the following:

<u>Check N°</u>	<u>Date</u>	<u>Beneficiary</u>	<u>Amount</u>
4489	July 21, 1988	CECOSA de C. V.	¢ 8,280
4399	July 8, 1988	Adrián Vidal	20,000
4400	July 8, 1988	Adrián Vidal	20,000
4401	July 8, 1988	Adrián Vidal	20,000
0662	December 14, 1988	Almacenes Surissa	20,525
0131	September 1, 1988	El Pinito	22,100
0132	September 1, 1988	El Pinito	23,400
0023	August 19, 1988	El Pinito	12,060
0027	August 12, 1988	El Pinito	22,750
4466	July 21, 1988	El Pinito	17,405
4469	July 21, 1988	El Pinito	17,550
4470	July 21, 1988	El Pinito	16,575
4471	July 21, 1988	El Pinito	18,090
703	December 22, 1988	Cecosa de C. V.	19,228
680	December 14, 1988	Cecosa de C. V.	17,480
4364	July 1, 1988	El Pinito	17,550
4365	July 1, 1988	El Pinito	16,575
4366	July 1, 1988	El Pinito	18,090
0128	September 1, 1988	El Pinito	22,100
0129	September 1, 1988	El Pinito	23,400
4415	July 8, 1988	El Pinito	17,550
4416	July 8, 1988	El Pinito	16,575
4417	July 8, 1988	El Pinito	18,090
4402	July 8, 1988	El Pinito	17,550

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<u>Check N°</u>	<u>Date</u>	<u>Beneficiary</u>	<u>Amount</u>
4405	July 8, 1988	El Pinito	¢ 16,575
4410	July 8, 1988	El Pinito	18,090
4359	July 1, 1988	El Pinito	12,710
4360	July 1, 1988	El Pinito	22,100
4362	July 1, 1988	El Pinito	12,710
4363	July 1, 1988	El Pinito	22,100
4462	July 21, 1988	El Pinito	9,045
4463	July 21, 1988	El Pinito	17,063
4455	July 21, 1988	El Pinito	9,045
4456	July 21, 1988	El Pinito	17,063
1975	October 9, 1989	Fabio Chávez	24,096
2118	November 10, 1989	Almacenes Surissa	<u>11,774</u>
			¢ <u>635,294</u>

Each one of these construction material purchases belong to specific projects.

Criteria

An adequate internal control structure should include procedures that ensure that goods and services purchased are received by project beneficiaries as intended.

Cause

World Relief did not establish the procedures necessary to track and document the distribution of the goods and services.

Effect

It was not feasible to verify whether all the goods and services acquired with project funds were actually received by the project beneficiaries

Recommendation

World Relief should provide adequate and sufficient documentation to support that goods and services for ø635,294 (equivalent to US\$108,970 in unsupported costs) acquired with project funds were delivered to the intended beneficiaries.

3) Disbursements are not Supported by their Respective Documentation

Condition

During our examination we found that the following payments are not supported by their respective documentation. (See note 5f to the fund accountability statement).

<u>CHECK Nº</u>	<u>DATE</u>	<u>BENEFICIARY</u>	<u>CONCEPT</u>	<u>AMOUNT</u>
4503	July 20, 1988	Auto Repuestos Racing	Spare parts	ø 955
4434	July 15, 1988	Project Hope	Insurance premiums	1,780
0074	August 25, 1988	Repuestos Didea, S. A.	2 tires	1,430
0006	August 12, 1988	Auto Respuestos Racing	4 shock absorbers	<u>1,080</u>
				ø <u>5,245</u>

Criteria

Every organization should establish procedures that assure the adequate documentation of payments made.

Cause

World Relief has not given attention to the consistent compliance of the established procedures.

Effect

By not documenting payments made by the organization it is not possible to exercise an adequate control over the same, existing the possibility of generating payments for activities not related directly with the program.

Recommendation

World Relief should provide adequate and sufficient documentation to support project expenditures for ¢5,245 (equivalent to US\$1,049 in unsupported costs) as indicated in this finding.

4) Lack of Price Quotations from Suppliers of Goods and ServicesCondition

During our examination we found that for the majority of purchases of goods and services no price quotations were obtained from the suppliers.

Some of the cases found are the following:

<u>CHECK N°</u>	<u>DATE</u>	<u>BENEFICIARY</u>	<u>CONCEPT</u>	<u>AMOUNT</u>
5896124	August 12, 1988	José Infantozi	Sorghum seeds	¢ 27,600
0987	March 16, 1989	Compañía General de Seguros	Insurance premium	25,560
4394	July, 1988	Harris/3M	Fax	17,500
4334	July 15, 1988	Tecniservicios	Computer paper	1,333
4449	July 15, 1988	Harris/3M	Voltage regulator	1,320
4575	August 12, 1988	Librería para Todos	Stationery	1,258
4524	August 1, 1988	Didea Industrial	Hoses	4,475
0199	September, 1988	Maquinsal, S. A.	Typewriter	6,507

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<u>CHECK N°</u>	<u>DATE</u>	<u>BENEFICIARY</u>	<u>CONCEPT</u>	<u>AMOUNT</u>
0309	October 7, 1988	Jotapé	Helmets and Visors	1,435
0395	October 28, 198	Ricardo Himene	Spareparts	2,300
0711	December 22, 1988	Editorial Ahora	Stationery	3,213
0710	December 22, 1988	Kismet	Computer monitor	8,121
0788	January 18, 1989	Comercial López Batista	Fax	8,000
2366	February 23, 1990	Morrison Méndez	Spareparts	7,590
4,399	July 8, 1988	Adrián Vidal	Mezcal	20,000

Criteria

Purchases must be supported by at least three quotations.

Cause

During the majority of the period examined, World Relief did not have definite written procedures for the purchase of goods and services.

Effect

Purchases may not have been made at competitive prices resulting in either waste or misuse of project funds.

Recommendation

World Relief must assure itself that all purchases of goods and services are supported by at least three quotations.

5) There Was Lack of Evidence that Goods Were Received by World Relief

Condition

During our audit, we found that World Relief lacks procedures for documenting the receipt of goods and services acquired with project funds. (See notes 5d and 5g to the fund accountability statement).

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Some of the cases detected are the following:

OPERATIONAL EXPENSES

<u>CHECK N°</u>	<u>DATE</u>	<u>BENEFICIARY</u>	<u>CONCEPT</u>	<u>AMOUNT</u>
4371	July 1, 1988	Auto Repuestos Racing	Spareparts	¢ 3,545
737	January 4, 1989	Casa Castro	Reparation electrical generator	375
395	October 28, 1988	Ricardo Himene	Pump for vehicle	2,300
012	August 16, 1988	Auto Sprint	Spareparts	497
100	August 30, 1988	Autosal	Spareparts	679
762	January 6, 1989	Omnimotores	Spareparts	<u>1,040</u>
				¢ <u>8,436</u>

PROJECT EXPENSES

<u>CHECK N°</u>	<u>DATE</u>	<u>BENEFICIARY</u>	<u>CONCEPT</u>	<u>AMOUNT</u>
4406	July 8, 1988	Autosal, S. A.	Spareparts	¢ 2,541
1135	May 5, 1989	El Porvenir	Construction materials	24,576
1062	April 13, 1989	Maderas Flores Ortíz	Purchase of sheet metal	8,855
1337	June 16, 1989	El Pórvenir	Construction materials	9,228
432	November 1, 1988	Ferrocetro	Construction materials	<u>801</u>
				¢ <u>46,001</u>

Criteria

Sound management practices require that all organizations should establish procedures which require adequate controls over the custody of goods and services acquired including supporting documentation evidencing the delivery of goods to beneficiaries.

Cause

World Relief did not give high priority to the establishment of controls over the receipt and issue of goods and services acquired with project funds.

Effect

The lack of use of receipt and issue forms to control materials and supplies acquired by World Relief with project funds does not permit determination of whether the materials and supplies were actually received by World Relief. Losses or unauthorized disposals could occur without being detected.

Recommendation

World Relief should provide adequate and sufficient documentation evidencing that questioned goods and services for ¢54,437 (¢46,001 equivalent to US\$7,890 in unsupported costs and ¢8,436 equivalent to US\$1,443 in questioned costs) were received by the intended end user.

6) Checks Cashed by World Relief Employees

Condition

When reviewing the endorsements of the checks, we found that some were cashed by World Relief employees. (See notes 5j and 5l to the fund accountability statement)

The cases found are the following:

OPERATIONAL EXPENSES

<u>Check Nº</u>	<u>Date</u>	<u>Beneficiary</u>	<u>Description</u>	<u>Amount</u>
0094	August 25, 1988	Guadalupe Gallardo	Purchase of office equipment	¢ <u>1,670</u> ¢ <u>1,670</u>

PROJECT EXPENSES

<u>Check Nº</u>	<u>Date</u>	<u>Beneficiary</u>	<u>Description</u>	<u>Amount</u>
0112	Sep. 1, 1988	Adrián Vidal	Carpentry work	¢ <u>17,600</u> ¢ <u>17,600</u>

Criteria

An adequate internal control structure requires that the issued checks be charged or endorsed by the indicated beneficiaries.

Cause

Apparently World Relief is not aware of internal control procedures for payment to suppliers.

Effect

This situation could result in that project funds could be used for non authorized activities.

Recommendation

World Relief should reimburse ¢19,270 (equivalent to US\$3,854 in questioned costs) or provide adequate and sufficient documentation to demonstrate that the funds were received by the indicated beneficiary.

7) Checks Endorsed by Persons Other Than the Payee

Condition

The signature of the beneficiary appearing on the invoice and/or the receipt differs from that on the backside on the check. (See notes 5i and 5k to the fund accountability statement)

The cases found are the following:

OPERATIONAL EXPENSES

<u>Check N°</u>	<u>Date</u>	<u>Beneficiary</u>	<u>Amount</u>
1632	August 11, 1989	Elena de Mejía	¢ 10,200
1801	September 7, 1989	Elena de Mejía	10,200
1211	May 9, 1989	María Oviedo de Escobar	500
1955	October 6, 1989	Elena de Mejía	10,200
320	October 10, 1988	Rodolfo Ventura	1,390
379	October 20, 1988	Jesús García	<u>2,567</u> ¢ <u>35,057</u>

PROJECT EXPENSES

<u>Check N°</u>	<u>Date</u>	<u>Beneficiary</u>	<u>Amount</u>
1424	June 28, 1989	Luis Alfredo Campos	¢ 2,500
1528	July 20, 1989	Mariano Alfaro	3,750
1557	July 27, 1989	José de la Paz Gómez	3,500
1527	July 20, 1989	Juan Bautista Beltrán	450
1759	August 29, 1989	Adelio A. Orellana	450
1761	August 29, 1989	Francisco Antonio Cabezas	300
1819	September 14, 1989	Francisco Antonio Cabezas	300
1398	June 22, 1989	José O. Baires Vigil	<u>2,500</u> ¢ <u>13,750</u>

Criteria

An adequate internal control structure requires that the issued checks be endorsed by the indicated beneficiaries.

Cause

Apparently World Relief is not aware of internal control procedures for payment to suppliers.

Effect

This situation could result in that project funds could be used for non authorized activities.

Recommendation

World Relief should reimburse ₱48,807 (equivalent to US\$8,608 in questioned costs) or provide adequate and sufficient documentation to demonstrate that the funds were received by the indicated beneficiary.

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AUDIT OF THE
HEALTH AND JOBS FOR
DISPLACED FAMILIES PROJECT
USAID/EL SALVADOR'S PROJECT No. 519-0281
MANAGED BY WORLD RELIEF IN EL SALVADOR, FOR THE PERIOD JULY
1, 1988 THROUGH FEBRUARY 28, 1990
COMPLIANCE WITH AGREEMENT TERMS
AND APPLICABLE LAWS AND REGULATIONS
INDEPENDENT AUDITORS' REPORT

We were engaged to audit the fund accountability statement of the Health and Jobs for Displaced Families Project, USAID/El Salvador Project N° 519-0281, managed by World Relief for the period from July 1, 1988 to February 28, 1990, and we have issued our report dated September 30, 1990 in which we disclaimed our opinion due the limitations imposed to the scope of our work.

The administration of the World Relief is responsible for compliance with the agreement terms and with applicable laws and regulations.

During our work we noted what:

- a) Due to the inadequate documentation supporting the delivery of basic grains to the beneficiaries of the project for an amount of ¢4,177,363, we were not able to verify that such beneficiaries received the basic grains (See finding N° 1 of our report on the internal control structure).
- b) As mentioned in Note 5 to the fund accountability statement, we identified certain transactions in the amount of ¢2,009,608 (¢1,941,531 equivalent to US\$333,024 in unsupported costs and ¢68,077 equivalent to US\$11,647 in questioned costs) which are considered to be questionable costs due to insufficient documentation or because they were not in compliance with agreement terms.

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c) Findings N^o 1 to 7 herein included are considered as material weaknesses.

Because of the matters mentioned in a, b, and c of the preceding paragraph, the scope of our audit work was not sufficient to enable us to express and we do not express, positive assurance on items tested for compliance with the terms of agreements and applicable laws and regulations, or a negative assurance on items not tested.

This report is intended solely for the use of World Relief 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.

KPMG Peat Marwick

September 30, 1990, with the exception of note 6 of the fund accountability statement emmitted September 30, 1991.

AUDIT OF THE
HEALTH AND JOBS FOR
DISPLACED FAMILIES PROJECT
USAID/EL SALVADOR'S PROJECT No. 519-0281
MANAGED BY WORLD RELIEF IN EL SALVADOR, FOR THE
PERIOD JULY 1, 1988 THROUGH FEBRUARY 28, 1990

COMPLIANCE WITH AGREEMENT TERMS
AND APPLICABLE LAWS AND REGULATIONS

FINDINGS

1) Purchases Were Not in Compliance With the Agreement Terms

Condition

Purchases of ¢1,178,476 were apparently split in order to circumvent the agreement requirements to obtain A.I.D. approval for purchases greater than ¢25,000 (equivalent to US\$5,000).

Additionally, World Relief purchased rafters and beams from "El Pinito" at unit prices of ¢9 and ¢18, respectively although it had received lower price quotations. It is important mentioning that "El Pinito" did not present a price quotation. (See note 5b to the fund accountability statement).

The quotations referred to above are the following:

<u>SUPPLIER</u>	<u>UNIT PRICE FOR</u> <u>RAFTERS</u>	<u>UNIT PRICE FOR</u> <u>BEAMS</u>
Las Colinas	¢ 7.40	¢ 15.60
	8.00	16.00
	8.60	17.20
CEFESA	8.00	16.00
Los Abetos	8.00	16.00

Additionally, World Relief purchased corrugated and smooth sheet metal from "El Pinito" at a unit price of ¢32.50 although it had received a quotation of ¢29.40 from "Negocios Internacionales". As a result, ¢40,002 were paid in excess, equivalent to the purchase of 12,900 steel sheets.

The cases detected are the following:

<u>Check N°</u>		<u>Date</u>	<u>Beneficiary</u>	<u>Amount</u>
<u>From</u>	<u>To</u>			
4579	4589	August 12, 1988	Miguel A. Pérez	¢ 210,250
4591	4594	August 12, 1988	Miguel A. Pérez	66,700
4540	4545	August 1, 1989	José E. Alemán	128,325
4596	4597	August 12, 1988	José E. Alemán	43,500
554	556	November 23, 1988	Almacenes Surissa	62,549
659	661	December 14, 1988	Almacenes Surissa	50,763
	663	December 8, 1988	Almacenes Surissa	19,185
	0022	August 19, 1988	El Pinito	10,350
	0025	August 12, 1988	El Pinito	11,252
	0026	August 19, 1988	El Pinito	13,311
0028	0031	August 18, 1988	El Pinito	72,570
	4361	July 1, 1988	El Pinito	22,100
	4367	July 1, 1988	El Pinito	2,489
4411	4414	July 8, 1988	El Pinito	65,105
	4418	July 8, 1988	El Pinito	635
4451	4454	July 21, 1988	El Pinito	69,620
4457	4461	July 21, 1988	El Pinito	78,322
4464	4465	July 21, 1988	El Pinito	46,526
4467	4468	July 21, 1988	El Pinito	34,810
4472	4473	July 21, 1988	El Pinito	28,510
	0127	September 1, 1988	El Pinito	22,750
	0130	September 1, 1988	El Pinito	23,334
	753	January 5, 1989	José Angel Valle	12,250
	757	January 5, 1989	José Angel Valle	21,304
758	759	January 6, 1989	Almacenes Surissa	41,112
	761	January 6, 1989	Almacenes Surissa	<u>20,854</u>
				<u>¢1,178,476</u>

Criteria

According to the agreement terms, acquisitions for more than US\$5,000 should be approved by A.I.D.

Cause

Regarding the splitting of purchases to stay below the US\$5,000 approval limit, management apparently wilfully allowed this practice in order to circumvent the agreement requirements.

Effect

Acquisition procedures were not in compliance with the terms of the agreement.

Recommendation

World Relief should:

- a) Provide evidence (covering split purchases for ¢1,178,476 equivalent to US\$235,695 in unsupported costs) that procurement procedures used were previously approved by USAID/El Salvador, or that there were justifying causes for deviations from established procedures, and
 - b) Provide evidence that excess amounts paid ¢40,002 (equivalent to US\$8,000) were justifiable or reimburse the project the excess paid.
- 2) Purchases Were Incurred Without Written Approval from A.I.D.

Condition

During our examination we found that World Relief procured goods and services for the amount of ¢41,651 (equivalent to US\$7,158), without the written authorization from A.I.D. (See note 5h to the fund accountability statement).

The cases detected are the following:

<u>Check N°</u>	<u>Date</u>	<u>Beneficiary</u>	<u>Amount</u>
1462	July 6, 1989	Elena de Mejía	¢ 10,000
2151	June 8, 1989	Elena de Mejía	10,000
1072	April 13, 1989	Compañía General de Seguros	11,651
2281	January 31, 1990	Elena de Mejía	<u>10,000</u>
			¢ <u>41,651</u>

Criteria

According to the agreement terms, acquisitions for more than ¢25,000 (equivalent to US\$5,000) should be approved by A.I.D. from February 1989 this amount was reduced to ¢10,000 (equivalent to US\$2,000).

Cause

Apparently, World Relief did not follow the procedures established in the agreement.

Effect

Acquisition procedures were not in compliance with the terms of the agreement.

Recommendation

World Relief should provide adequate and sufficient documentation that these purchases for ¢41,651 (equivalent to US\$7,158 in unsupported costs), that circumvented the acquisition limit requirement were previously approved.

3) International Air Travel and Transportation Expenses Were Incurred Without Written Approval from A.I.D. and Inadequate Supporting Documentation

Condition

During our audit we detected that World Relief's personnel performed international travel which was charged to the project. However, written approval was not obtained from A.I.D. Additionally, some disbursements were not supported by invoices or any other documentation as proof that the expenses were incurred. (See note 5e to the fund accountability statement).

The expenses for this travel are the following:

<u>Journal Entry N°</u>	<u>Month</u>	<u>Concept</u>	<u>Amount</u>
001-600-01-01	October/88	Trip to Mexico-Guillermo Barrientos and visa for Guillermo Castro	¢ 2,660
001-600-04-03	January/89	Inter Co. Billing December/88	1,470
001-600-04-06	January/89	Travelling, hotel and visa-Salvador González	1,708
001-600-04-03	January/89	Intercompany billing December, 1988	51
001-600-12-09	September/89	Travelling expenses to Colombia	5,350
001-302-03-01	January/90	Trip to Guatemala-Otto Vidaurre	780
001-302-03-01	January/90	Trip to Guatemala-Ernesto Anaya	780
001-302-03-01	January/90	Trip to Guatemala-Otto Vidaurre	780
001-600-05-05	March/90	Inter Co. Billing December/89	5,732
001-600-05-06	March/90	Inter Co. Billing January/90	1,485

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<u>Journal Entry N°</u>	<u>Month</u>	<u>Concept</u>	<u>Amount</u>
001-600-05-07	March/90	Inter Co. Billing February/90	4,212
001-302-05-01	March/90	Hotel and meals- Ruth Ellison	<u>1,420</u>
			¢ <u>26,428</u>

Criteria

In accordance with the agreement standar provision - Air Travel and Transportation (November 1985), "the grantee is required to present to the project officer for written approval an itinerary for each planned international trip financed by this grant, which shows the name of the traveler, purpose of the trip, origin/destination and date of travel".

Cause

World Relief failed to follow agreement requirements.

Effect

The lack of written approvals from A.I.D. for air travel and transportation is in contravention to the agreement standard provisions. Failure to adhere to the agreement terms weakens control over the usage of funds appropriated for the project.

Recommendation

World Relief should provide evidence of written approvals from USAID/El Salvador for international air travel and transportation expenses for ¢26,428 (equivalent to US\$4,541 in unsupported costs) paid with project funds.

4) Payroll Documents Lacked Tax Stamps

Condition

When examining World Relief's personnel payroll documents corresponding to the period from April, 1989 throught December, 1989, we determined that they lacked the tax stamps required by law.

Criteria

The Tax Law (Ley de Impuesto de Papel Sellado y Timbres) dictates that all salaries paid be taxed.

Cause

World Relief failed to follow Tax Law.

Effect

The noncompliance with the Tax Law (Ley del Impuesto de Papel Sellado y Timbres) could result in sanctions and fines being imposed by the entities that enforce collection of these taxes.

Recommendation

World Relief should ensure that the payroll documents supporting the salaries paid to its employees have the required tax stamps in accordance with El Salvador's Tax Law (Ley de Impuesto de Papel Sellado y Timbres).

5) Income Tax was not Withheld on Danger Pay

Condition

When we proceeded to examine the salary amounts subject to legal deductions, we determined that World Relief does not consider danger pay as part of the salary affected by income tax withholding.

Criteria

According to the Work Code, Article 119 and Article 1 of Executive Decree number 12, published on the Official Diary number 45, of March 6, 1987, the amount paid for danger pay, must be considered as a remuneration subject to withholding tax.

Cause

World Relief considers that payment of danger pay is a remuneration not subject to withholding tax based on the Article 6 of the Agreement. However the persons who are exempt from taxes are the beneficiaries of the employment generation component of the overall project.

Effect

By not considering all the amounts which are by law subject to income tax withholding, the institution could be subjected to sanctions and fines for failing to observe applicable tax law.

Recommendation

World Relief should withhold income taxes on the amount of danger pay paid its employees.

6) Non Compliance with Fiscal Requirements

Condition

During our examination we found that the documents that support certain disbursements did not have the tax stamps required by law.

Some of those found were the following:

<u>CHECK N°</u>	<u>DATE</u>	<u>BENEFICIARY</u>	<u>AMOUNT</u>
4354	July 1, 1988	A & E Automotors	¢ 1,845
4407	July 8, 1988	Lorena Herrera	1,100
1169	July 6, 1988	Jhon Buchner	10,000
1187	September, 1988	Jhon Buchner	10,000
1184	September, 1988	Jhon Buchner	10,000
4349	July 1, 1988	Enrique Zaldivar	2,391
4490	July 21, 1988	Jorge Kafati	2,781
4400	July 8, 1988	Adrián Vidal	20,000

Criteria

The stamp tax law requires that on the documentation that supports disbursements for goods and services must be adhered the stamps.

Cause

World Relief did not assure itself of consistently complying with the applicable laws and regulations.

Effect

The noncompliance with the Stamp Tax Law (Ley del Impuesto de Papel Sellado y Timbres) could result in sanctions and fines being imposed by the entities that enforce collection of these taxes.

Recommendation

World Relief must assure itself that the documentation supporting disbursements for goods and services have the required stamps established by the Stamp Tax Law.

7) Labor Contracts are not Signed by the Organization Representative

Condition

During our examination we found that contracts with the employees for the period from March 1, 1989 to June 30, 1989 had not been signed by the representative of the organization.

Criteria

According to the Labor Code, working relations must be documented by labor contracts duly signed.

Cause

World Relief did not assure itself of complying with the regulations established with the Labor Code.

Effect

This situation implies, that existing labor relations in the organization are not duly legalized and therefore could be subject to fines and/or sanctions.

Recommendation

World Relief must make up sure that all labor contracts with the employees must be signed by the representative of the organization as well as by the employees.

AUDIT OF THE
HEALTH AND JOBS FOR
DISPLACED FAMILIES PROJECT
USAID/EL SALVADOR'S PROJECT No. 519-0281
MANAGED BY WORLD RELIEF IN EL SALVADOR, FOR THE
PERIOD JULY 1, 1988 THROUGH FEBRUARY 28, 1990

List of Report Recommendations

Internal Control Structure

Recommendation No. 1

World Relief should:

- a) Implement control procedures to ensure that the distribution of basic grains to the project's beneficiaries is adequately documented.
- b) Provide supporting documents giving adequate evidence of the delivery of basic grains for ¢4,177,363 to the beneficiaries of the project.

Recommendation No. 2

World Relief should provide adequate and sufficient documentation to support that goods and services for ¢635,294 (equivalent to US\$108,970 in unsupported costs) acquired with project funds were received by the intended beneficiaries.

Recommendation No. 3

World Relief should provide adequate and sufficient documentation to support project expenditures for ¢5,245 (equivalent to US\$1,049) as indicated in this finding.

Recommendation No.4

World Relief must assure itself that all purchases of goods and services are supported by at least three quotations.

Recommendation No.5

World Relief should provide adequate and sufficient documentation evidencing that questioned goods and services for ¢54,437 (¢46,001 equivalent to US\$7,890 in unsupported costs and ¢8,436 equivalent to US\$1,443 in questioned costs) were received by the intended end user.

Recommendation No. 6

World Relief should reimburse ¢19,270 (equivalent to US\$3,854 in questioned costs) or provide adequate and sufficient documentation to demonstrate that the funds were received by the indicated beneficiary.

Recommendation No.7

World Relief should reimburse ¢48,807 (equivalent to US\$8,608 in questioned costs) or provide adequate and sufficient documentation to demonstrate that the funds were received by the indicated beneficiary.

Compliance with Agreement terms and Applicable laws and Regulations

Recommendation No. 1

World Relief should:

- a) Provide evidence (covering split purchases for ¢1,178,476) that procurement procedures used were previously approved by USAID/El Salvador, or that there were justifying causes for desviations from established procedures, and
- b) Provide evidence that excess amounts paid ¢40,002 (equivalent to US\$8,000) were justifiable or reimburse the project the excess paid.

Recommendation No. 2

World Relief should provide adequate and sufficient documentation that these purchases for ¢41,651 (equivalent to US\$7,158 in unsupported costs), that circumvented the acquisition limit requirement were previously approved.

Recommendation No. 3

World Relief should provide evidence of written approvals from USAID/El Salvador for international air travel and transportation expenses for ¢26,428 (equivalent to US\$4,541 in unsupported costs) paid with project funds.

Recommendation No. 4

World Relief should ensure that the payroll documents supporting the salaries paid to its employees have the required tax stamps in accordance with El Salvador's Tax Law (Ley de Impuesto de Papel Sellado y Timbres).

Recommendation No. 5

World Relief should withhold income taxes on the amount of danger pay paid its employees.

Recommendation No. 6

World Relief must assure itself that the documentation supporting disbursements for goods and services have the required stamps established by the Stamp Tax Law.

Recommendation No. 7

World Relief must make up sure that all labor contracts with the employees must be signed by the representative of the organization as well as by the employees.



San Salvador, 16 March, 1992
dwb102

Mr. Wayne Watson
Manager for Financial Audits
Regional Inspector General's Office
United States Embassy
Tegucigalpa, Honduras

Dear Mr. Watson:

I am enclosing World Relief's response to the KPMG Peat Marwick draft audit of Cooperative Agreement No. 519-0281 for the period 1 July, 1988 to 28 February, 1990.

World Relief is pleased to have had the opportunity to carry out this program that provided multi-faceted assistance to persons displaced by the civil war. The program assisted 7,234 families from 1985 to 1990 and far surpassed the agreement goals of 3,440 families. The program was managed at a cost significantly under the approved budget. This was achieved while working in some of the most conflictive regions of El Salvador.

Although the draft audit is not intended to measure program compliance or results, we believe it is useful for USAID to review our financial compliance within the context of program outcomes that were accomplished. Furthermore, we believe that the draft audit report has not fairly reflected our financial compliance with USAID.

We cite the example of the entire Basic Grains Program costs which the auditors have questioned based on supposedly inadequate beneficiary documentation. This is surprising as KPMG Peat Marwick accepted similar documentation in a previous audit period and was aware of its existence as they refer to it in this draft audit.

73 Ave. Sur
Calle Nueva #2, Casa 300
Zon. Escalon, San Salvador, El Salvador

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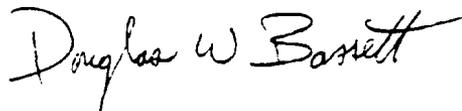
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World Relief has tabulated over 5,600 beneficiary receipt forms that we have for this period of the Basic Grains Program. As a result of this, we have a 493 page printout that indicates beneficiary name, project site, products received, and observations on the quality of each document. We believe that this information validates the project costs.

The incorrectness of the findings on the Basic Grains Program is systemic of what we have seen throughout this report. Therefore, we are requesting that the draft audit be revised prior to being released. We believe that it would be unfortunate if our comments did not result in changes in the draft audit.

We are willing to do all that is within our capabilities to substantiate each of the positions that we take in our response.

Sincerely,



Douglas W. Bassett
Country Director

cc: Ray Lynch, USAID
Laura McGhee, USAID
Pat Wexel, USAID
Geraldo González, KPMG Peat Marwick
Bas Vanderzalm, World Relief

**WORLD RELIEF RESPONSE
TO
KPMG PEAT MARWICK DRAFT AUDIT**

**USAID GRANT NO. 519-0281
FOR THE PERIOD 1 JULY, 1988 TO 28 FEBRUARY, 1990**

16 March, 1992

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3.00	Internal Control Structure	" 23
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List of Exhibits

- | | | |
|---------|----|---|
| Exhibit | 1 | Beneficiary Receipt Form #1 |
| " | 2 | Beneficiary Receipt Form #2 |
| " | 3 | Beneficiary Acknowledgement Form |
| " | 4 | WRC letter requesting waiver of purchasing authorizations |
| " | 5 | Shipping Document #0089 |
| " | 6 | WRC letter requesting S.Gonzalez travel authorization |
| " | 7 | USAID letter authorizing S.Gonzalez travel |
| " | 8 | USAID letter authorizing M.Beza travel |
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| " | 10 | WRC letter requesting warehouse disbursement authorization |
| " | 11 | Signature page for Amendment #10 |
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| " | 13 | Control sheet indicating promotors authorized to receive basic grains shipments |
| " | 14 | El Pinito letter explaining price levels |

1.00 Introduction

This report provides World Relief's response to the draft audit that KPMG Peat Marwick has presented of our Cooperative Agreement No. 519-0281 with the United States Agency for International Development for the period from 1 July, 1988 to 28 February, 1990.

In general, we believe the questions raised by KPMG Peat Marwick in their draft audit will lead the readers of the report to incorrect conclusions, was caused by a lack of communication and due diligence on their part, and are potentially damaging to World Relief. We are prepared to substantiate all of the positions that we have set forth within this document.

The comments are divided into four sections: Fund Accountability Statement; Internal Control Structure; Compliance with Agreement Terms, and Applicable Laws and Regulations; and, Revised Financial Statements. These reflect the structure used by KPMG Peat Marwick.

Several specific concerns emerged as we studied the report:

1) There has been significant documentation available to the auditors that supports the vast majority of costs that they have called into question. For example, there exist over 5,600 individually signed beneficiary receipt forms for the Basic Grains deliveries. The auditors specifically referred to some of this documentation in points "b" through "e" of their Internal Control Finding #1. Nonetheless, the auditors called into question one-hundred percent of the Basic Grains project costs.

2) The auditors appear to have reached conclusions based on an understanding of World Relief systems that were in use during the previous audit period rather than basing their conclusions on what has occurred since 1 July, 1988. There has been no acknowledgement of the completely new internal control and financial systems implemented early in the audit period. Many erroneous conclusions result from their incorrect understanding of World Relief systems.

3) The auditors have not respected the principle of materiality in their observations. The majority of the findings regarding the internal control structure and compliance with agreement terms do not reflect systemic problems and are of minimal consequence given the scope of the program.

4) The implication that World Relief "does not present the financial information in accordance with generally accepted accounting principles" is without foundation and goes against the numerous independent audits that have demonstrated to the contrary. Among other things, we cite our annual audit carried out by Arthur Andersen & Co. and our Financial Statements and OMB Circular A-133 Financial Audit which conclude that World Relief uses generally accepted accounting principles.

As a result of these different issues, it is World Relief's position that the draft audit prepared by KPMG Peat Marwick does not accurately reflect World Relief's financial compliance and accomplishments for the grant period under review. We request that the draft audit be revised, including a reconsideration of an opinion letter, based on a re-evaluation by the auditors of documentation available in support of questioned costs.

2.00 Fund Accountability Statement and Questioned Costs

2.10 Response to Auditor's Opinion

The auditors abstained from giving an opinion due to *"inadequate documentation supporting the delivery of basic grains to the beneficiaries"* and due to questionable costs resulting from *"insufficient documentation or because they were not in compliance with agreement terms."*

This basis for abstention is supported primarily by three findings: inadequate documentation of deliveries to beneficiaries of the Basic Grains Program; split purchases; and, inadequate documentation of a small percentage of the deliveries to beneficiaries of the Displaced Persons Program. These account for 5,991,133 colones of the questioned costs or ninety-six percent of the total. In Section 2.20 we demonstrate that there is strong documentation for these costs and that they are valid and verifiable. In addition, we believe that the finding on split purchases should not be a scope limitation for the Fund Accountability Statement as it is related to compliance with USAID requirements. Furthermore, there is a precedent for how this matter was treated in the former audit period.

In addition, World Relief rejects the statement in Note 1 that the fund accountability statement *"was prepared on the basis of cash receipts and disbursements"* rather than in accordance with generally accepted accounting principles. World Relief receives an independent audit on a yearly basis by Arthur Andersen & Co. and receives a Financial Statements and OMB Circular A-133 Supplementary Financial Audit. All of these audits have concluded that World Relief uses generally accepted accounting principles.

In Note 4 the auditors indicate that the income and disbursements of the program do not quite reconcile between USAID and World Relief. These very small differences are related to two transactions that occurred after February, 1990. World Relief will contact USAID in order to reconcile this minor item.

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Since the scope limitations are related to unsupported costs, and in Section 2.20 we demonstrate that these are adequately documented, we believe that KPMG Peat Marwick has a sufficient basis to express an opinion on World Relief's financial statements.

2.20 Response to Questionable Costs

World Relief has analyzed the auditors statements regarding questioned costs and found that there is ample evidence to establish that these costs are legitimate and properly documented. We are prepared to meet further to discuss our positions and to provide the appropriate documentation that supports them.

A. SUPPORTING DOCUMENTATION FOR BASIC GRAINS

Amount in question: C.4,177,363

The auditors have rejected all project costs of the Basic Grains Program due to inadequate documentation of delivery to beneficiaries. We strongly disagree with this position as there exist appropriate beneficiary receipt documents supporting final delivery. These documents are the following:

- Beneficiary Receipt Form #1 (*Entrega de Insumos Agrícolas*). This includes the following information: description and quantities of basic grains inputs received; beneficiary name and identity number; beneficiary signature or finger prints; place and date of delivery. See Exhibit 1 for an example.

- Beneficiary Receipt Form #2 (*Control Individual de Entregas a Beneficiarios*). This form was used to document all project benefits received by a beneficiary in the history of the project and was instituted in the audit period. See Exhibit 2 for an example.

In addition, there is the following evidence that further supports these deliveries:

- Beneficiary Acknowledgement Form (*acta*) This acknowledges receipt of basic grains for two planting seasons and that no further donations will be made in the future. See Exhibit 3 for an example.

- Shipping Documents (*envios*) to projects.

- Cumulative report by community listing every beneficiary of the project and their identity number.

The auditors have decided not to take into account documentation identical to that which World Relief used in the audit period that ended 30 June, 1988 and in which KPMG Peat Marwick accepted one-hundred percent of the Basic Grains project costs. It is also the same documentation to which they refer in Internal Control Finding #1 in points "b" through "e." The auditors were clearly aware of the existence of this information.

World Relief has tabulated the value of deliveries to beneficiaries based on over 5,600 Beneficiary Receipt forms and has established that their value corresponds closely to that of the total value of the Basic Grains program. Therefore, World Relief disagrees that these program costs should be questioned.

See our comments regarding Internal Control Finding #1 in Section 3.00 for a more detailed response.

B. SPLIT PURCHASES

Amount in question: C.1,178,476

World Relief has previously recognized the fact that it split purchases. The rationale for splitting purchases was to have an agile and rapid response to program needs. While not condoning the practice, in the past USAID accepted the split purchases as legitimate disbursements that were made for the project. We believe that the way split purchases were addressed in the previous audit period establishes a fair precedent for the present audit as well.

In December, 1988 the issue was formally addressed with USAID by soliciting the suspension of the \$5,000 ceiling on purchases (see Exhibit 4). When USAID rejected our request, we promptly stopped splitting purchases as is indicated by the fact that none are cited after 6 January, 1989.

See Compliance Finding #2 in Section 4.00 for further comments.

C. LACK OF EVIDENCE THAT GOODS AND SERVICES WERE DELIVERED TO PROJECT BENEFICIARIES

Amount in question: C.635,294

An examination of the purchases listed by the auditor reveals that there is evidence demonstrating receipt of goods by beneficiaries. The evidence of delivery to beneficiaries includes: Shipping Documents (envios), warehouse records, Beneficiary Receipt forms, and "actas" signed by the community leadership acknowledging what they received from World Relief.

It is true that there are deficiencies in some of the documentation, nonetheless, we feel that even in such cases, there is evidence of delivery. Due to the extensive work that responding to this point demands, World Relief will fully address this issue in the follow-up process with USAID.

See Internal Control Finding #2 in Section 3.00 for further comments.

D. PURCHASES WITHOUT EVIDENCE OF RECEIPT BY WORLD RELIEF

Amount in question: C.46,001

This observation is seriously mistaken. World Relief cites the following evidence that contradicts the auditors observation:

Check #4406 C.2,541

This was for a service and per our explanation in Internal Control Finding #6 in section 3.00, services were recognized as being received through the signing of a Check Request by the Administrator. All other needed documentation is attached to the check voucher.

Check #1135 C.24,576

This was a purchase of lumber and there are Shipping Documents (*envios*) #0083, #89, and #90 signed received by World Relief that are cross-referenced to the Purchase Orders (*Orden de Compra*) #0055 and 63, which match the vendor invoice. See Exhibit 5 for an example of this. All other needed documentation is attached to the check voucher.

Check #1062 C.8,855

This was a purchase of roofing tin and there is a Shipping Document #0014 signed received by World Relief that is cross-referenced to the Purchase Order #0022 and matches the vendor invoice. All other needed documentation is attached to the check voucher.

Check #1337 C.9,228

This was a purchase of lumber and there is a Shipping Document #0152 signed received by World Relief that is cross-referenced to the Purchase Order #0127 which matches the vendor invoice. All other needed documentation is attached to the check voucher.

Check #432 C.800.80

This was a purchase of lumber and there is an invoice signed by the employee who received the materials in the project. All other needed documentation is attached to the check voucher.

World Relief disagrees that any of these costs are questionable. See Internal Control Finding #6 in Section 3.00 for further comments.

E INTERNATIONAL TRANSPORTATION WITHOUT WRITTEN APPROVAL

Amount in question: C.30,523

World Relief is not in agreement with the majority of the observations in this section. We cite the following examples in which there was written authorization by USAID:

Journal Entry No. 001-600-04-06 C.4,095

There is a written request for authorization by World Relief dated 29 September, 1988 and a written authorization by USAID dated 13 October, 1988. See Exhibits 6 and 7.

Journal Entry No. 001600-12-09 C.5,350

There is a written authorization by USAID dated 3 July, 1989. See Exhibit 8.

We also cite the following examples in which there was verbal authorization by USAID:

Journal Entry No. 001-600-01-01 C.2,660

This was a trip made by Guillermo Barrientos to Mexico in order to buy beans for the Basic Grains program as there was a shortage in El Salvador. The trip was suggested by USAID and made with a representative of the Ministry of Agriculture. The purchase was not realized in Mexico due to the inadequate quality of the bean.

Journal Entry No. 001-302-03-01 C.780

Journal Entry No. 001-302-03-01 C.780

Journal Entry No. 001-302-03-01 C.780

Journal Entry No. 001-600-05-05 C.5,732

Journal Entry No. 001-600-05-06 C.1,485

Journal Entry No. 001-600-05-07 C.4,212

Journal Entry No. 001-302-05-01 C.1,420

These seven journal entries for a total of C.15,189 refer to costs resulting from the emergency evacuation of our Country Director Peter Clark during the FMLN offensive of November, 1989. Under the orders of USAID, Mr. Clark was required to be out of the country from November, 1989 to January, 1990. This was a crucial period for World Relief as we were in the final stages of closing

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down our projects. In order to keep the work from being paralyzed and to facilitate the necessary decisions, key staff including Otto Vidaurre and Ernesto Anaya, traveled to Guatemala on several occasions to see Mr. Clark. In addition, Mr. Clark traveled back to the United States.

The emergency nature of the offensive made it extremely difficult to get written authorizations, especially when decisions needed to be taken quickly. In addition, USAID's own ability to respond was greatly diminished as a result of the critical situation of the country and because many of their key staff members had also been evacuated from the country. It is important to note that these expenses were accepted by the Banco Salvadoreño which carried out a concurrent audit on behalf of USAID during the months in which these costs were incurred.

We believe that the C.9.445 of expenses for which there is written authorization should not be questioned and that the C.17.849 of expenses for which there was an implicit authorization should be accepted given the special circumstances under which they were incurred. World Relief will respond in greater depth to this section in the follow-up process with USAID. See Compliance Finding #3 in Section 4.00 for further comments.

F. DISBURSEMENTS ARE NOT SUPPORTED BY THEIR RESPECTIVE DOCUMENTATION

Amount in question: C.5,245

There are certain deficiencies in some of the checks cited in this section but nonetheless we feel that these very isolated examples are still adequately documented to demonstrate receipt of payment by the vendor and receipt of goods and services by World Relief.

Check #4503 C.955

This purchase of spare parts has the following back-up: a written quote that served as an invoice and is signed by World Relief; a Check Request authorized by the Administrator; and, a cancelled check from the bank that is clearly endorsed by the vendor.

Check #4434 C.1,780

This payment is in perfect order and was made to cover the insurance premium of a vehicle that Project Hope had lent World Relief at the request of USAID. It includes the letter from Project Hope requesting this payment and a Check Request authorized by the Administrator. See Exhibit 9 for a copy of the letter.

Check #0074 C.1,430

This purchase of two car tires has the following back-up: a Purchase Order, a Check Request, and a cancelled check from the bank that is clearly endorsed by the vendor.

Check #0006 C.1,080

This purchase of shocks for a jeep has the following back-up: a Purchase Order, a Check Request, and a cancelled check from the bank that is clearly endorsed by the vendor.

World Relief disagrees that check #4434 is questionable. See Internal Control Finding #4 in Section 3.00 for further comments.

G PURCHASES WITHOUT EVIDENCE OF RECEIPT BY WORLD RELIEF
 Amount in question: C.15,374

There is proper evidence for the receipt of these goods and services as documented below:

Check #4371	C.3,545
Check #737	C.375
Check #395	C.2,300
Check #4578	C.2,775
Check #012	C.497
Check #773	C.2,001
Check #817	C.1,472
Check #762	C.1,040

Each of the above checks was for a service. These were either for the repair of vehicles or equipment. The Administrator was the line manager responsible for the services referred to as they were administrative. Their receipt is recorded differently than the receipt of goods because of their intangible nature. In World Relief's internal systems, the authorization by the Administrator of a Check Request, was the recognition that the service had been provided. In all of the above cases, the Administrator has authorized the Check Request. In addition, each check has all of the other necessary documentation.

Check #093 C.690

This was a check for the purchase of a stove that was used in World Relief's office in Corinto, Morazan. World Relief inadvertently did not sign for the receipt of the stove. In spite of this, there is indirect evidence of its receipt as World Relief returned stoves to USAID at the conclusion of the project. All other necessary documentation is attached to the check voucher.

Check #100 C.678.80

This purchase of services does not have the Administrator's authorization on the Check Request as normally would be required. This occurred because the Administrator was on vacation in the United States at the time of the transaction. Nonetheless, the Country Director signed the check making payment to the vendor thus recognizing the receipt of the service.

Based on documentation available, World Relief believes that none of these costs are questionable. See Internal Control Finding #6 in Section 3.00 for further comments.

H PURCHASES WITHOUT WRITTEN USAID APPROVAL

Amount in question: C.57,274

Check #1462 C.10,000

Check #2151 C.10,000

Check #2281 C.10,000

These three checks were made out to Elena de Mejia for the rent of a warehouse in Lourdes that was used for the storage of basic grains and other supplies. This warehouse was in constant use from the date that a contract was signed on 11 April, 1988 until the close of the program in 1990. World Relief requested an indefinite authorization for this as a recurrent cost in a letter dated 16 February, 1989. See Exhibit 10.

Check #871 C.15,623

This check is dated 9 February, 1989 and is to Omega Electronics. The commitment for this service contract began on 1 February at which time the World Relief could incur costs up to 25,000 colones without written authorization. The limit was not lowered to 10,000 colones until 10 February when World Relief signed Amendment #10 with USAID which informed us of this change in authorizing levels. See Exhibit 11 which indicates the date of the acceptance of the amendment.

Check #1072 C.11,651

This check was for the insurance of three jeeps and three motorcycles that USAID decided to loan World Relief. Insurance is always required so we proceeded to incorporate these vehicles into our existing policy.

World Relief disagrees that Check #871 required written authorization. See Compliance Finding #2 in Section 4.00.

I. CHECKS CASHED BY PERSONS OTHER THAN THE PAYEE

Amount in question: C.35,057

This is a problem that is outside of the control of World Relief as is mentioned in our response to Internal Control Finding #8 in Section 3.00. Nonetheless, we wish to respond to each of the checks cited in order to make perfectly clear the legitimacy of the transactions.

Check #1632	C.10,200
Check #1801	C.10,200
Check #1955	C.10,200

These three checks were made out to Elena de Mejia for the rent of a warehouse in Lourdes that was used for the storage of basic grains and other supplies. This warehouse was in constant use from the date that a contract was signed on 11 April, 1988 until the close of the program in 1990. There are appropriate receipts for all disbursements and this recurring expense was reported to USAID through a letter dated 16 February, 1989. See Exhibit 10.

Check #1211	C.500
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This check was for the rent of our office in San Vicente and is accompanied by the appropriate receipt.

Check #320	C.1,390
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This check was for the installation of telephones in our office in Colonia San Benito and is accompanied by the appropriate receipt. In addition, the receipt is signed received by the Receptionist who was responsible for the telephone system of the office and the payment was authorized by the Administrator on the Check Voucher.

Check #379	C.2,567
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This was to pay the transportation of laborers to the project El Sitio in southern La Libertad. In that project World Relief constructed a roadway several kilometers long to access a project site. The Administrator has signed the Check Request form recognizing receipt of the service and in addition the service is recognized as received through the signature of a promotor from the project.

World Relief believes that none of these costs are questionable. See Internal Control Finding #8 in Section 3.00 for further comments.

J. CHECKS CASHED BY WORLD RELIEF EMPLOYEES

Amount in question: C.2,070

As is clearly explained in the response to Internal Control Finding #7 in Section 3.00, there were situations in which vendors wanted cash for transactions rather than a check. This was at times due to their isolated location, the inconvenience of going to a bank, or the desire to receive a secure form of payment. In these isolated cases in which a check had already been prepared for the vendor, an employee endorsed the check and paid the vendor in cash.

Check #0094 C.1,670

This was a check that went to pay for folding beds and other items to equip a project office in which employees slept during the week. Employees slept in offices in project zones due to the danger and lost time that traveling back to their own homes each night would have implied. In this case, the check was received by the Head of our Purchasing Department and given to the Messenger who cashed it and made a cash payment to the vendor. All the necessary documentation is attached to the check voucher.

Check #4383 C.400

This was a check to cover transportation costs in La Union in the Eastern part of El Salvador. Due to the fact that the staff only came back to the main office in San Salvador once a week, the employee used the following process to make this payment. The trucker signed receipts which were presented to the Area Coordinator of the region for payment. The Area Coordinator made his weekly trip to the head office in San Salvador and requested payment of these receipts which was then authorized by the Administrator. The Area Coordinator then cashed the check and upon returning to La Union made a cash payment to the trucker.

Based on the evidence presented, World Relief believes that these costs should not be questioned. See Internal Control Finding #7 in Section 3.00 for further comments.

K. CHECKS ISSUED IN THE NAME OF WORLD RELIEF EMPLOYEES
Amount in question: C.1,453

As stated in Internal Control Finding #3 in Section 3.00, there were certain transactions that World Relief needed to make in cash but that exceeded the limits of the petty cash box. As a result of this, in certain situations, the check was issued in the name of an authorized employee who cashed the check and made the payment. The required documentation was always attached.

Check #4089 C.945

Jorge Palacios was the Messenger and frequently assisted in tasks related to purchasing. In this case, he made a cash purchase of a roll of plastic for the Basic Grains Program. Note that there is a properly authorized Purchase Order and an invoice to support the purchase.

Check #0312 C.508.40

In this case, Jorge Palacios purchased a series of small electrical supplies. Once again, note that there is a proper invoice that is clearly signed received by World Relief.

World Relief disagrees that these costs are questionable. See Internal Control Finding #3 in Section 3.00 for further comments.

L. CHECKS CASHED BY PERSONS OTHER THAN THE PAYEE

Amount in question: C.13,750

This is a problem that is outside of the control of World Relief as is mentioned in our response to Internal Control Finding #8 in Section 3.00.

Nonetheless, we wish to respond to each of the checks cited in order to make perfectly clear the legitimacy of the transactions.

Check #1424	C.2,500
Check #1528	C.3,750
Check #1527	C.450
Check #1759	C.450
Check #1761	C.300
Check #1819	C.300
Check #1398	C.2,500

These seven disbursements were made to prepare the land in the project Ceiba Doblada for the second planting season in 1989. World Relief delivered 163 agricultural packets for that season of either white bean, red bean, or sesame seed. The project was located on a peninsula in Usulután and people going to the project had to do so by catching a boat from Puerto El Triunfo. With that in mind, it is not surprising that some of the people receiving payment from World Relief had other people cash their checks for them when they went to the mainland where there were banks.

World Relief disagrees that these costs are questionable. See Internal Control Finding #8 in Section 3.00 for further comments.

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M CHECKS CASHED BY WORLD RELIEF EMPLOYEES

Amount in question: C.17,920

As is clearly explained in the response to Internal Control Finding #7 in Section 3.00, there were situations in which vendors wanted to receive cash rather than a check. This was at times due to their isolated location, the inconvenience of going to a bank, or the desire to receive a secure form of payment. In these isolated cases in which a check had already been prepared, an employee endorsed the check and paid the vendor in cash.

Check #4350 C.320

In this case a World Relief promotor cashed the check and made payment to the carpenter. Again, it is important to note that the receipt is signed by the carpenter and that the construction of houses in this community was carried out as demonstrated through beneficiary receipt forms that are filed separately.

Check #0112 C.17,600

This check was to purchase henequen for the project El Pedernal in Morazan. Henequen was donated to beneficiaries who used it for income generation projects in which they made hammocks, carrying bags and whips. In this particular case, the materials were delivered to the community leaders (*directiva*) who distributed it.

The necessary Purchase Order and receipts are attached, and the purchase has been properly authorized. The check was cashed for the vendor by the Area Coordinator who was responsible for carrying out this purchase at the local level. As in the above case, this was not the normal World Relief practice, but rather an action taken by the employee in order to facilitate a legitimate project activity.

See Internal Control Finding #7 in Section 3.00 for further comments.

N CHECKS ISSUED IN THE NAME OF WORLD RELIEF EMPLOYEES

Amount in question: C.2,256

As stated in Internal Control Finding #3 in Section 3.00, there were certain transactions that World Relief needed to make in cash but that exceeded the limits of the petty cash box. As a result of that, in certain situations the check was issued in the name of an authorized employee who cashed the check and made the payment. The required documentation was always attached.

Check #4382 C.576

This check was made out to Lorena de Herrera, who was an Area Coordinator, in order to cover the cost of making a cistern for a water system. Mrs. Herrera made the payments to those who labored on the project. While receipts to each of the individual laborers would have been much clearer, there is nonetheless the physical evidence of the water system to prove that the project was completed.

Check #717 C.1,680

This check was made out to Fernando Abel Benitez, an Area Coordinator, for transportation, office rental, and machinery rental costs in Morazan. Due to the fact that the staff only came back to the main office in San Salvador once a week, the following process was used to make this payment. Those who provided the service signed receipts which were presented to the Area Coordinator of the region for reimbursement. The Area Coordinator made his weekly trip to the head office in San Salvador and requested payment of these receipts which was then authorized by the Administrator and paid in a check to the Area Coordinator. The Area Coordinator then cashed the check and upon returning to Morazan made cash payments to each of those who had provided services.

World Relief believes that the check #717 should not be questioned and that Check #4382 should be accepted in spite of its deficiencies. See Internal Control Finding #3 in Section 3.00 for further comments.

3.00 Internal Control Structure

World Relief disagrees with Internal Control Findings #1, #3, #5, #6 and #8 in their totality. In addition, we take exception with the materiality of Findings #4 and #7.

Finding #1 Inadequate supporting documentation for delivery of Basic Grains.

In section 2.20.A we have addressed the issue of Basic Grains documentation but we would like to further discuss the internal control aspects mentioned in the auditors comments.

"a) The majority of documents supporting the issue to beneficiaries correspond to notices over the suspension of the benefits of the project, not supporting consequently the amount and type of product delivered by World Relief."

This refers to the Beneficiary Acknowledgement Form (See Exhibit 2) which was used to inform beneficiaries who had participated in two plantings that they would no longer be eligible for the program. Its purpose was not to document delivery of specific basic grains to beneficiaries though it indirectly does give evidence of this.

The auditors comment is not relevant as World Relief uses other documentation to support basic grains deliveries to beneficiaries.

"b) Shipments of agricultural packages are supported by cards which contain products different from those authorized for each agricultural package."

There were different authorized agricultural packages that were defined at the time of each new planting season. It seems that the auditors have only used the one that was defined for the first basic grains deliveries. Packages were defined differently in later seasons due to budget factors and the number of beneficiaries. See Exhibit 12 for an example of a project package.

"c) Shipments of agricultural packages are not totally supported with documents that give evidence of having delivered the products to the beneficiaries of the project."

This is a very isolated example in both scope and quantity of product, and refers primarily to deliveries in Suchitoto. This was an area of conflict that was particularly dangerous. As a result, beneficiaries were required to come to the warehouse of World Relief in Suchitoto where basic grains were distributed for several communities. Therefore, the Shipping Document, which was for several communities, does not have the beneficiary receipts filed under the name of Suchitoto, which was not a specific project. Rather, they are filed under the name of each individual project.

"d) Cards that support the delivery of products are not signed in acknowledgement of receipt by the beneficiaries."

This comment is quite misleading as we have only found three Beneficiary Receipt forms that are not signed within all the examples given by the auditors.

"e) Some of the cards for delivery of products that support the following shipments have been altered."

It is true that there are a small number of examples of Beneficiary Receipt Form #1 in which the type of seed has been modified but this does not constitute a serious problem. In fact, it supports the Shipping Document (*envio*) with which this is in agreement. This happened in deliveries in isolated parts of the country when a copy of the actual form for that particular seed was not available. It is important to note that all the Shipping Documents referred to have a minimal monetary value. In addition, there exists Beneficiary Receipt Form #2 to support many of these deliveries.

"... we could not verify if the persons that acknowledged receipt by signing the shipment forms are those authorized by the institutions mentioned."

Each of the institutions with which World Relief worked provided the names of their employees that were responsible to receive deliveries of basic grains. This information is clearly indicated in the workbook (*Libro de Trabajo*) that most staff members carried and that was presented to USAID. See Exhibit 13 for an example of a page from the workbook for the first basic grains season.

Finally, in evaluating the deliveries to other institutions, we believe that it is important to recognize that decisions were communicated through regular meetings that included high-level representatives of USAID, Conades, Fedecredito, the International Rescue Committee, Fé y Trabajo, World Relief, and the program monitoring agencies. Ronco was contracted by USAID to carry out monitoring of project deliveries and therefore participated in the entire process.

See Section 2.20.A for further comments.

Finding #2 There was lack of evidence that purchases of goods and services were delivered to project beneficiaries.

The auditors may have drawn this conclusion due to an incomplete understanding of World Relief processes. Most purchases made by World Relief did not go directly from the vendor to a beneficiary. Rather, they went from a vendor to a warehouse, and later from the warehouse to the beneficiary. It appears that the auditors sought to verify the second part of this process but only with the Shipping Document from the vendor to the warehouse. In addition to this, the auditors should have examined the documentation that shows the release of inventories from the warehouse to the beneficiary.

World Relief does recognize that there are deficiencies in the documentation in a number of the examples cited but believes that there is significant evidence to establish that goods and services were delivered to beneficiaries.

See Section 2.20.C for further comments.

Finding #3 Documentation supporting payment for goods and services issued in the name of World Relief Employees.

Certain checks were issued in the names of employees to cover expenses greater than the limit of the petty cash box but that needed to be paid in cash. This was at times due to their isolated location, the inconvenience of going to a bank, or the desire to receive a secure form of payment.

The people that were authorized to receive such checks were generally the Area Coordinators (Ernesto Anaya, Lorena de Herrera, Fernando Abel Benitez) and the Messenger (Jorge Palacios).

We always required the appropriate supporting documents to support the disbursement. As many of these people were manual laborers or part of the informal economy, they often did not have receipts of their own. In such cases, we provided a standard receipt format that we asked them to complete. This signed receipt was then presented to the head office which issued a check, that was then cashed and used to make payment to these people.

See Section 2.20.K and 2.20N for specific comments on each check.

Finding #4 Disbursements are not supported by their respective documentation.

We accept the observation in three of the four examples given but emphasize that they are very isolated. In addition, each transaction has documentation to establish its legitimacy in spite of certain deficiencies. Given the thousands of transactions that we realized each year, we do not believe that three examples should constitute a finding of a material internal control weakness.

See Sections 2.20.F for specific comments on each check cited.

Finding #5 Lack of price quotations of goods and services.

World Relief solicited formal bids in its purchasing system on the vendor's letterhead through March, 1989. We note that all of the examples given by the auditors refer to check numbers. If they only looked at the check then in many cases they would not have seen the quotes. This is because under this system they needed to go to separate folders that maintained quotes in alphabetical order of vendor name.

As of March, 1989, we converted to new internal control systems that included standard quote forms that were cross-referenced to Purchase Orders and thus checks via the use of pre-numbered forms.

World Relief believes this finding to be mistaken and incorrect.

Finding #6 There was lack of evidence that goods were received by World Relief.

Most of these transactions are for services. In the case of a service, inventory controls and reception processes are completely different than in the case of goods. This is due to their intangible nature. The authorization of the Check Request form is considered to be the recognition of the receipt of the service. As these particular services were charged to the administrative budget, the Administrator was responsible to recognize their receipt. Therefore, all of the services have evidence of receipt.

In the case of the purchases of materials that are listed, all of them are very clearly signed received by World Relief employees.

World Relief believes this observation to be completely incorrect. See Sections 2.20.D and 2.20.G for specific comments on each check cited.

Finding #7 Checks cashed by World Relief employees.

Due to the isolated zones in which we worked, the inconvenience for many rural people to go to a city to find a bank, or the desire to receive a secure form of payment, many people did not want to receive payments by check. Typically, we sought to overcome this problem by issuing checks in the name of authorized employees who would cash them, make the payments in cash, and present the appropriate documentaion.

Nonetheless, there are a few examples of employees endorsing and cashing a check on behalf of its recipient in order to facilitate legitimate project activities. This was not an authorized practice though we do believe that these isolated actions were taken in good faith by these employees. It is important to recognize that endorsing checks on behalf of another person is an accepted practice in the Salvadoran banking system.

See Sections 2.20.J and 2.20.M for specific comments on each check cited.

Finding #8 Checks cashed by persons other than the payee.

The criteria expressed is incorrect as the cashing of checks by third parties is an activity outside of the reach of internal controls of World Relief. Our responsibility is to assure that the correct person signs the check voucher thus indicating the receipt of the check.

It is important to understand this situation based on the reality within the banking system in El Salvador. In practice, virtually anyone can cash a check that is made out in the name of another person. Usually, all that is necessary is to sign and present one's identity card. This practice is common and little is thought of it. Within this context, there is no basis to hold World Relief accountable nor to suspect any type of inappropriate action.

World Relief believes that this point is irrelevant and outside of World Relief's control. See Sections 2.20.I and 2.20.L for specific comments on each check cited.

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4.00 Compliance with Agreement Terms, and Applicable Laws and Regulations

World Relief disagrees with the materiality of Findings #6 and #7 and takes exception with significant aspects of Findings #1, #2 and #3. In addition, we feel that other findings do not adequately reflect our normal practice, but are rather very isolated examples.

Finding #1 Purchases were not in compliance with the agreement terms.

As stated in Section 2.20.B, split purchases were carried out in order to respond rapidly to program needs. World Relief stopped the practice early in the period covered by the audit.

This practice was never carried out in order to avoid competitive bidding as the auditors imply. To the contrary, World Relief has written quotes extended in the same period for purchases cited in this finding. It is contradictory that after stating that World Relief split purchases to avoid competitive bidding, the auditors mention a purchase of rafters and beams from El Pinito using the very quotes that we had in our files.

As regards the specific observation regarding El Pinito, it is true that World Relief did not buy from the low bidder. We chose El Pinito because they were able to supply large quantities of materials on a rapid basis. See Exhibit 14 in which El Pinito justified higher prices on this basis. It is important to note that in making a purchase, the criteria is not simply the best price. Quality, delivery terms, transport and many other factors must be taken into account. As part of the purchasing system that World Relief implemented in this period, non-price factors were formally documented.

See Section 2.20.B for further comments.

Finding #2 Purchases were incurred without written approval from AID.

We disagree that all of the checks listed required an authorization. In addition, those that did require an authorization were existing commitments at the point that the purchasing ceiling was lowered from 25,000 colones to 10,000 colones. Nonetheless, World Relief responded by requesting written authorization in some of the cases cited.

See Section 2.20.H for specific comments on each check cited.

Finding #3 International air travel and transportation expenses were incurred without written approval from AID and inadequate supporting documentation.

Several of these trips have clear written authorization from USAID. In addition, there was an implicit authorization in the international travel made at USAID's request in the case of the forced evacuation during the FMLN offensive of 1989 and in an earlier trip made to Mexico on behalf of the Basic Grains program.

See Section 2.20.E for specific comments on each transaction cited.

Finding #4 Payroll documents lacked tax stamps.

This observation of the auditors is correct. Nonetheless, World Relief has long since put the appropriate tax stamps on the payroll documents and considers this finding to have been limited.

Finding #5 Income tax was not withheld on danger pay.

The auditors are correct in this observation though we do not feel that it is clear that tax had to be withheld on danger pay. The applicability of Articles 1 and 119 of the Work Code, Executive Decree number 12 published in the Official Diary number 45, of March 6, 1989, leave room for different interpretations. Nonetheless, World Relief will withhold income tax on danger pay if we face such a situation in the future.

Finding #6 Non-compliance with fiscal requirements.

World Relief accepts that in these eight isolated examples we mistakenly accepted receipts from vendors which did not have the appropriate tax stamps. Nonetheless, we do not consider this to be material given the thousands of receipts we processed annually.

World Relief believes this finding to be immaterial as we clearly complied with fiscal requirements in over ninety-nine percent of the transactions.

Finding #7 Labor contracts are not signed by the organization representative.

World Relief contracts were never prepared corresponding to the period 1 October, 1988 to 30 September, 1989 as the auditors implied. Rather, due to various factors, several contracts covered this period of time. Each employee had a contract for the following periods:

- 1 October, 1987 to 31 December, 1988
- 1 January, 1989 to 31 January, 1989
- 1 February, 1989 to 28 February, 1989

1 March, 1989 to 30 June, 1989
1 July, 1989 to 31 December, 1989

Of these five contracts, all are signed by the employee, and four of the five are signed by the legal representative. It is important to note that only the contract extending from March to June of 1989 was not signed by the legal representative. In that period, this person resided outside the country and visited on an irregular basis.

World Relief believes this finding to be irrelevant as we had employee signatures on all of the contracts and thus we were legally protected.

5.00 Revised Financial Statements

We assume that KPMG Peat Marwick's silence on this point implies acceptance of World Relief's revised financial statements for the period from 1 July, 1985 to 30 June, 1988.

WORLD RELIEF / DE SALVADOR

ENTREGA DE INSUMOS AGRICOLAS AÑO/89

LUGAR Y FECHA El Havilla 28-8-89

NOMBRE: Secundino Sanchez Perez C.I.P. 12-22-0002434

Por este medio estamos haciendo entrega de Insumos para el cultivo de una manzana de Frijol Blanco. A continuacion detallamos los productos.

- | | |
|----------|-----------------------|
| 60 Lbs. | Semilla fr. B1. -03 |
| 440 Lbs. | Formula 16-20-0 -03 |
| 220 Lbs. | Sulfato de Amonio -06 |
| 2 Klg. | Dithane M-45 -12 |
| 12 Lbs. | Molusquicida -13 |
| 1 Litro | Lorsban 4 EC -10 |

Dicho Insumo es entregado en caracter de donación a la persona que recibe, por lo que este producto no podrá ser vendido por el beneficiario, ni ser utilizado la familia que recogido el insumo por la Institución y ademas se suspenderá a la familia del Proyecto WORLD RELIEF.

Coordinador de Proyectos



Firma beneficiario



WORLD RELIEF DE SALVADOR, C.A.

Exhibit 3: Beneficiary Acknowledgement Form

NOMBRE: Secundino Sanchez Perez
CEDULA: 12-22-0002634

SR. (S) BENEFICIARIOS DE
PROYECTOS DE AUXILIO MUNDIAL
PRESENTE.

Estimados Amigos:

Por este medio estamos agradeciendo el habernos permitido ayudarles. Sirva la presente para notificarles que a partir de esta fecha las personas o familias que han recibido ayuda para dos cosechas agricolas (dos manzanas), dejaran de ser beneficiarios de nuestros proyectos.

El motivo de la presente es que asi como les hemos ayudado con agrado a ustedes, hay miles de familias salvadoreñas que desean recibir ayuda; por lo que nos vemos obligados a atender otras comunidades. No omitimos manifestar que estamos concientes que con su esfuerzo e interes han hecho que la poca ayuda que hemos podido ofrecerles se aumentara. Tambien deseamos que sepan que seguiremos ayudando a las nuevas familias o personas que deseen regresar a sus comunidades, asi como ustedes podran contar con nuestra asistencia tecnica cuando la soliciten.

Con la seguridad de los esfuerzos que juntos hemos realizado para el logro del bienestar de ustedes sean capitalizados dia a dia nos despedimos con la seguridad y confianza en que Dios nuestro Senor sera el guia de sus pasos.

Atentamente,


COORDINADOR DE PROYECTOS.



World Relief

Jerry Ballard, executive director

San Salvador, 22 de Diciembre de 1988
WRES-DB-068

MR. RAYMOND LYNCH, Chief
Community Development Branch
USAID/EL SALVADOR
Edificio M, Torre Olimpica
Av. Olimpica
San Salvador, El Salvador.

Estimado Señor Lynch:

Por este medio quiero tratar los siguientes aspectos:

1. World Relief quiere pedir la suspensión del requisito de AID que la agencia tiene que solicitar autorización por cualquier compra que exceda de \$ 5,000.- dado el tamaño de nuestro programa, este reglamento inhibe compras en tanto que pueden ser una manera de reducir costos y también este reglamento afecta nuestra habilidad de responder rápidamente a las necesidades de el programa.
2. En referencia a su carta del 13 de Diciembre del año presente, hemos cotizado las válvulas y perillas en cuatro lugares. He adjuntado las cotizaciones de dos lugares que tienen en existencia dichas válvulas.
Esperamos una respuesta favorable acerca de la aprobación de este trabajo.

Sin otro en particular, quedo de usted.

Atentamente,

WORLD RELIEF/EL

Douglas W. Bass

Douglas W. Bass
Coordinador de Actividades



c.c. Kevin McKemey/Director

/rwn.

World Relief

ENVIO DE PRODUCTOS Y MATERIALES

No. 0089

FECHA Mayo 2, 1989

SEÑOR: Pedro Flores

BODEGA: San Francisco Gotera

LUGAR: San Francisco Gotera

PROYECTO: San Francisco

SIRVASE RECIEIR A SU ENTERA SATISFACCION, EN FORMA INTEGRRA Y EN BUENAS CONDICIONES LOS SIGUIENTES PRODUCTOS Y/O MATERIALES :

No.	DESCRIPCION	CANTIDAD	UNIDAD	PRECIO UNITARIO	TOTAL
1	Costanera de 4 varas de pino	1200			
TOTAL ENVIO					

BIENES ADQUIRIDOS CON ORDEN (S) DE COMPRA (S) No. (S) DE FECHA (S) :

0063 / Mayo 2, 1989

OBSERVACIONES :

ENVIADO POR :

ZdeD

Z de Diaz

RECIBIDO POR

Carlos Dominguez Jimenez

FECHA : Mayo 2, 1989

FECHA : 3 / 5 / 89

CONTABILIDAD

MYSSA. 112/02/89

95

World Relief



Jerry Ballard, executive director

San Salvador, 29 de septiembre de 1988
WRS-DB-17

Mr. Raymond Lynch, Chief
Community Development Branch
USAID/El Salvador
Edificio M, Torre Olimpica
Avenida Olimpica
San Salvador, El Salvador

Estimado Ray:

De acuerdo con los "standard provisions" en nuestro convenio con A.I.D., quiero solicitar la aprobación de gastos de viaje del Director, Ing. Salvador González, a la sede de World Relief en Wheaton, Illinois. La autorización será para gastos de transporte, alojamiento y comida.

Cuando se propuso nuestra extensión del programa por el periodo del 1 de octubre de 1987 al 31 de diciembre de 1988 incluimos un presupuesto para viajes a Wheaton. A continuación encontrará los detalles pertinentes:

Viajero : Ing. Salvador González
Proposito : Ir a la sede de World Relief para reportar el progreso del programa de desplazados y a la vez coordinar los planes por parte de la agencia en El Salvador para el año entrante.
Origen : San Salvador
Destino : Chicago, Il.
Itinerario: San Salvador a Miami Sábado, 15 de octubre TACA 310
Miami a Chicago EASTERN 58
Chicago a Miami Viernes, 21 de octubre EASTERN 93
Miami a San Salvador TACA 311

Si usted desea mayor información en referencia a este viaje puede comunicarse conmigo telefónicamente. Sin otro particular por el momento.

Atentamente,

WORLD RELIEF EL SALVADOR.

Douglas W. Bassett
Coordinador de Administracion

BEST AVAILABLE COPY

AGENCY FOR INTERNATIONAL DEVELOPMENT
UNITED STATES OF AMERICA A. I. D. MISSION
TO EL SALVADOR
C/O AMERICAN EMBASSY.
SAN SALVADOR, EL SALVADOR, C. A.

October 13, 1988

Ing. Salvador Gonzalez
Director
World Relief
San Salvador

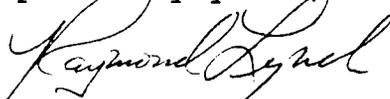
Dear Ing. Gonzalez:

I am writing to you in regard to World Relief's letters dated September 29 and October 4 requesting permission for you to travel to Wheaton for the purpose of consulting with your headquarters office and attending a Country Directors meeting, and requesting permission for Ing. Barrientos to travel to Washington, DC to participate in a Pan American Development Foundation conference.

As discussed with you over the telephone, we are approving your travel to Wheaton, however, we will not be able to support Ing. Barriento's travel to Washington, DC, as the purpose of the trip has no relevance to World Relief's Displaced Families Project in El Salvador. If your Wheaton office considers this conference important enough to have him attend we have no objection to his participation, however they will need to identify another source of funding for his travel.

Please give me a call if you have any other questions.

Respectfully yours,



Raymond G. Lynch
Chief

Community Development Branch

AGENCY FOR INTERNATIONAL DEVELOPMENT
 UNITED STATES OF AMERICA A. I. D. MISSION
 TO EL SALVADOR
 C/O AMERICAN EMBASSY.
 SAN SALVADOR, EL SALVADOR, C. A.

3 de julio de 1989

Ing. Guillermo Barrientos
 Director
 World Relief El Salvador
 Presente

Ref: Grant Cooperative Agreement Dr. Beza
 519-0281-A-005388-00
 Programa de Emergencias: Salud y
 Empleo para Familias Desplazadas

DISTRIBUCION DE CORRESPONDENCIA RECIBIDA		
	DISTRIB.	FIRMA
DIR. REGIONAL	✓	
DIR. RECONSTRUCC.		
DIR. DESPLAZADOS		<i>Beza</i>
COORD. ADMINISTR.	✓	
COORD. FINANZAS	✓	
COORD. PROYECTOS	✓	
AUDITOR INTERNO	✓	
OTROS	✓	
ARCHIVO	✓	

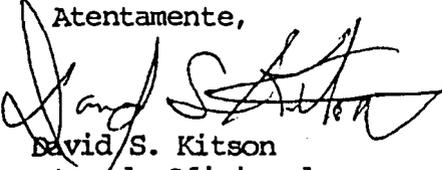
Estimado Ingeniero Barrientos:

Acusamos recibo de su carta de fecha 23 de junio de 1989, solicitando autorización para que el Dr. José Manuel Beza, Director del Area Médica de World Relief, pueda participar en el "Foro Latinoamericano de Organizaciones No Gubernamentales, que Desarrollan Acciones en el Area Materno Infantil", actividad que será desarrollada del 27 al 29 de julio de 1989, en Bogotá, Colombia.

Al respecto, deseamos informarle que hemos analizado su solicitud y tomando en cuenta la importancia del evento para las actividades de salud que desarrolla esa Institución, estamos de acuerdo en que se envíe como representante de World Relief al Dr. Beza, y que los gastos respectivos se carguen al rubro "Contingencias" del convenio en referencia, autorizándose que los gastos se efectúen en base al siguiente presupuesto estimado:

1. Viático autorizado para Bogotá, Colombia:
 \$98.00 diarios, máximo 5 días, dependiendo
 de las fechas de salida y llegada: \$ 490.00
2. Taxis, aeropuerto/impuesto: \$ 50.00
3. Transporte aéreo, hasta un máximo de: \$ 530.00
- \$1,070.00

Sin más sobre el particular, me suscribo de Ud.

Atentamente,

 David S. Kitson
 Director de Oficina de
 Infraestructura y Desarrollo Regional

Copia

Proyecto Hope

Exhibit 9: Project Hope APARTADO POSTAL 26
letter requesting insurance payment
TELS.: 23-7311 - 23-7733 - 23-7488
SAN SALVADOR, EL SALVADOR, C. A.

June 28 de 1988

REF. No. 177

Sr. Kevin McKenney
Director Regional, World Relief
Blvd. del Hipodromo, pje. 1 #124
Col. San Benito, San Salvador

En esta fecha entregamos en calidad de préstamos un Pick-Up con las características siguientes:

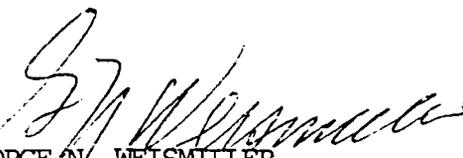
PLACAS : P - 52-870
MARCA : JEEP
MODELO : 85
TIPO : Mecánico
CAPACIDAD : 2 asientos
COMBUSTIBLE : Gasolina
MOTOR : 411 CIO
CHASIS : IJECM26U5FTO77466
COLOR : Blanco

1 Accesorios

1.1 Mica
1.2 Extensión
1.3 Llave Ele
1.4 Llanta de Repuesto

El vehiculo antes mencionado se encuentra asegurado con la Compañia General de Seguros S.A., por la cantidad de TREINTA Y OCHO MIL COLONES (¢ 38,000.00). El Proyecto HOPE El Salvador, canceló a dicha - compañía en concepto de prima, UN MIL SETECIENTOS OCHENTA 50/100 - COLONES (¢ 1,780.50), valor que les rogamos nos sea reintegrado.

Atentamente le saluda,


GEORGE N. WEISMILLER
Sub-Director

GNW/rer

Apartado Postal 05-180. San Salvador, El Salvador, C. A. Telefono: 23-6416.

BEST AVAILABLE COPY

World Relief



22 FEB. 1989

Jerry Ballard, executive director

San Salvador, 16 de Febrero de 1989
 WPES-DB- 101

Señor
 Raymond Lynch, Jefe
 Community Development Branch
 USAID/EL SALVADOR
 Edificio "M", Torre Olimpica
 Avenida Olimpica
 San Salvador, El Salvador

IRDI/CDB	UD
DATE	21 FEB 1989
No.	191

Estimado Señor Lynch:

Por este medio estamos solicitando la autorización por la compra de los siguientes materiales o servicios con valor que excede a los \$ 2,000.00:

<u>Descripción</u>	<u>Orden de Compra</u>	<u>Costo Estimado</u>	<u>Proveedor</u>
1. Alquiler mensual de 2 camiones (P-64012/P-69224) - COSTO RECURRENTE		C 14,500.00	Roberto Molina
2. Alquiler mensual de oficina central en Colonia San Benito - COSTO RECURRENTE		C 10,000.00	John Buechner
3. Alquiler mensual de bodega de granos basicos en Lourdes - COSTO RECURRENTE		C 10,200.00	Elena de Mejia

Realizaremos esta transacción el 24 de febrero de 1989 en la mañana. Favor de devolvemos una copia de esta carta con su autorización. Sin mas por el momento me suscribo de usted.

Atentamente,
 WORLD RELIEF/EL SALVADOR

Douglas W Bassett
 Douglas W. Bassett
 Coordinador de Administración



AUTORIZACION/AID:

Firma: *Raymond G. Lynch*
 Nombre: RAYMOND G. LYNCH
 Fecha: 2/21/89

1. APPROVED THROUGH 3/31/89
2. APPROVED INDEFINITELY
3. APPROVED THROUGH 5/31/89

c.c. Ing. Guillermo Barrientos/Sub-Director

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Please sign the original and three (3) copies of this letter to acknowledge your acceptance of the terms and conditions of the Agreement and receipt of this Amendment, and return the original and two copies to the USAID/EI Salvador.

Sincerely yours,

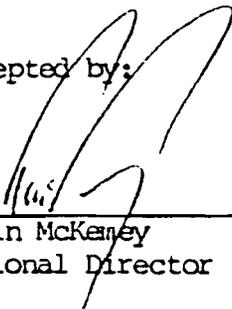


Henry H. Bassford
Director



Laura K. McGhee
Agreement Officer

Accepted by:



Kevin McKeney
Regional Director

2-10-89

Date

Exhibit 12: Example of a basic grains package

INSUMOS ENTREGADOS A CADA FAMILIA PARA 1 MANZANA
=====

AJONJOLI (VARIEDAD ARAPATOL)

- 1 BOLSA DE 10 LIBRAS DE SEMILLA DE AJONJOLI
- 2 SACOS DE FORMULA 16-20-0 DE 100 KGS. CADA UNO
- 2 SACOS DE SULFATO DE AMONIO DE 100 KGS. CADA UNO
- 1 BOLSA DE INSECTISIDA AL SUELO LORSBAN 2.5 G DE 50 LIBRAS

FRIJOL (VARIEDAD ROJO DE SEDA)

- 125 LIBRAS DE FRIJOL
- 1 BOLSA DE LORSBAN 2.5. G DE 50 LIBRAS
- 2 SACOS DE FORMULA 16-20-0 DE 100 KGS CADA UNA
- 1 SACO DE SULFATO DE AMONIO DE 100 KGS.
- 2 KILOS DE DITHANE M-45 O MANCOCEB
- 14 LIBRAS DE CARACOLISIDA

MAIZ (VARIEDAD H-5)

- 20 LIBRAS DE SEMILLA DE MAIZ H-5
- 1 BOLSA DE LORSBAN 2.5 G DE 50 LIBRAS
- 1 BOLSA DE COGOLLON DE 10 LIBRAS
- 2 SACOS DE FORMULA 16-20-0 DE 100 KGS CADA UNO
- 2 SACOS DE SULFATO DE AMONIO DE 100 KGS. CADA UNO

SORGO (VARIEDAD ISIAP DORADO)

- 1 BOLSA DE 25 LIBRAS DE SORGO
- 1 BOLSA DE LORSBAN 2.5 G DE 50 LIBRAS
- 1 BOLSA DE COGOLLON DE 10 LIBRAS
- 2 SACOS DE FORMULA 16-20-0 DE 100 KGS CADA UNO
- 2 SACOS DE SULFATO DE AMONIO DE 100 KGS. CADA UNO
- 1 LITRO DE LORSBAN 4 EC

Exhibit 13: Control sheet indicating promoters authorized to receive basic grains shipments

FECHA DE ENTREGA DE INSUMOS POR COMUNIDAD A "CONAGE":

FECHA: 4 DE ABRIL DE 1988

DEPARTAMENTO.	MUNICIPIO.	COMUNIDAD	MANZANAS:	RESPONSABLE.
AHUACHAPAN	SN. FCO. MENENDEZ.	COL. EL MILAGRO.	44	FRANCISCO BARAHONA, FCO. CRUZ DELGADO.
"	SN. FCO. MENENDEZ.	CARA SUCHA.	65	ANGELINA DUBON, PABLO NOYOLA.
"	IJUJUTLA.	INDA. CATARINA.	17	MARCO ANTONIO CALLE, MARIA JULIA ALAS.
SONSONATE.	ACAJUTLA.	CAS. EL MONA.	68	JOSE LUIS MENJIVAR, MARIA DOLORES MENJIVAR.
"	ACAJUTLA.	COL. EL OBRAJE.	30	JUANA CRUZ JOVEL, LUIS ANTONIO ARIAS.
"	ACAJUTLA.	CAS. SAN PEDRO BELEN.	16	CARLOS MONGE MEJIA, ELBA ALFARO MELGAR.
TOTAL			240	

FECHA: 5 DE ABRIL DE 1988

DEPARTAMENTO.	MUNICIPIO.	COMUNIDAD	MANZANAS:	RESPONSABLE.
SONSONATE.	SONSONATE.	COL. LAS DELICIAS.	7	JUAN PABLO QUINTANILLA, LUCIA DE J. JACOBO
"	STA. CATARINA MASAHUAT.	ALCALDIA MUNICIPAL.	8	HILDA DE MORAN, VICTOR ALVARENSA.
"	IIZALCO	CAS. EL ZUNZA	20	ROSA ELENA TELLES, CANDELARIO A. ROMERO.
"	IUISNAHUAT.	COL. NVA. EL TULAR.	14	VIDIO RIVERA, JOSE MANUEL RODAS.
"	SAN JULIAN.	CAS. CHILATA.	16	JUAN DOLORES RODRIGUEZ, PASTOR MARTINEZ.
"	ARMENIA.	ALCALDIA MUNICIPAL.	13	FAVIO PLATERO, DOROTEO PORTILLO.
SANTA ANA	CANDELAR. LA FRONTERA	KM. 87 CALLE A FRONTE-	12	SARA VALLADARES.
"	"	RA SAN CRISTOBAL.		
LA LIBERTAD.	QUEZALTEPEQUE.	CTON. PRIMAVERA.	22	MARIA ESPERANZA ALVARENSA.
LA LIBERTAD.	QUEZALTEPEQUE.	CTON. EL FUENTE.	58	ISABEL CALDERON.
TOTAL			154	

FECHA: 6 DE ABRIL DE 1988

DEPARTAMENTO.	MUNICIPIO.	COMUNIDAD	MANZANAS:	RESPONSABLE.
LA LIBERTAD	IICALAPA.	LA FEDRERA.	21	ENOE SIBRIAN, ROSALIO CAMPOS.
"	CHILTIUPAN.	INDA. TIGUILLO.	23	DOMINGO GARCIA, EFRAIN TOVAR MONGE.
"	LA LIBERTAD.	INDA. SAN ARTURO.	58	ANA MARIA SIBRIAN, LUCAS SIBRIAN.
"	LA LIBERTAD.	CTON. EL CIMARRON.	26	TOMASA PEREZ, EVANGELINA DE CHICAS.
SONSONATE.	SONSONATE.	CAS. MEDIS LUNA.	46	JOSE ALFREDO FLORES, DEMETRIA BONILLA.
TOTAL			186	



ASERRADERO

"EL PINITO"

10A. AV. SUR NO. 1-1, SANTA TECLA
TELS. 28-0014 - 28-3442

Exhibit 14: El Pinito letter explaining
price levels

2 de Junio de 1988.-

Señores
WORLD RELIEF
Presente:

Att.Sra. Zoila E. de Diaz

Estimados señores:

En atencion a su carta con fecha 31 de Mayo del presente año, quiero manifestar mi agradecimiento por preferir nuestra agencia para proveerles de materiales.

Quisiera informarle que para servirle de la manera como lo hemos estado haciendo, hemos tenido incurrir en costos adicionales de mercado, ya que hay un monopolio de este producto en el exterior y para que nos puedan servir con prontitud tenemos que comprar a mayor costo.

Ademas esw dificil que las personas que ofrecen prercios mas bajos tengan la cantidades de producto que ustedes necesitan ya que mantener este volumen de materiales demanda un gran riesgo de inversion y un mayor costo de almacenaje e inversion.

Por otra parte los precios que ellos ofrecen son solo para atraer clientela, si ustedes les hacen un pedido, no pueden servirles de inmediato ya que primero tienen que hacer el pedido y podrian tardar por lo menos de 20 a 30 dias. Otra de nuestras razones de este precio es la calidad de producto que ofrecemos, otros proveedores ofrecen precios mas bajos pero es inferior calidad, hasta podrian hacer un intercalado de calibre entre la cantidad suministrada.

El precio que puedo ofrecerles es de C\$31.50, de producto de primera calidad. Esperando que les sea satisfactorio la oferta a la que puedo llegar.

Atentamente.

Angel E. Herrera V.

EL PINITO



TELS. 28-3442 - 28-0014

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APPENDIX

REPORT DISTRIBUTION

U.S. Ambassador to the El Salvador	1
D/USAID/El Salvador	5
AA/LAC	2
LAC/CEN	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

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