

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

---

**Audit of USAID/Peru's  
Public Law 480 Title II Program Activities and  
the Nutrition and Food for Work Project  
Managed by the Adventist Development and Relief Agency  
October 1, 1988 to June 30, 1991**

---

**Audit Report No. 1-527-92-44-N  
August 13, 1992**



---

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

---



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

**Audit of USAID/Peru's  
Public Law 480 Title II Program Activities and  
the Nutrition and Food for Work Project  
Managed by the Adventist Development and Relief Agency  
October 1, 1988 to June 30, 1991**

**Audit Report No. 1-527-92-44-N  
August 13, 1992**

# AGENCY FOR INTERNATIONAL DEVELOPMENT

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

OFFICE OF THE REGIONAL INSPECTOR GENERAL  
AMERICAN EMBASSY  
TEGUCIGALPA - HONDURAS

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

August 13, 1992

## MEMORANDUM

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

FROM: RIG/A/T, Lou Mundy



SUBJECT: Audit of USAID/Peru's Public Law 480 Title II Program Activities and the Nutrition and Food for Work Project, Managed by the Adventist Development and Relief Agency, October 1, 1988 to June 30, 1991

This report presents the results of a financial audit of USAID/Peru's Public Law 480 (PL 480) Title II Program activities and the Nutrition and Food for Work Project, USAID/Peru Project No. 527-0328, managed by the Adventist Development and Relief Agency (Agency), for the period October 1, 1988 to June 30, 1991. The audit firm of Price Waterhouse prepared the report dated June 15, 1992.

The purpose of the PL 480 Title II Program is to provide emergency and non-emergency food aid from the U.S. Government through a number of programs, usually managed through private voluntary or inter-governmental organizations. The agricultural commodities received from the U.S. are sold under the PL 480 Title II monetization program to generate local currency funds to finance projects or to pay the costs of the distribution of commodities donated by the U.S. under the food-aid program of PL 480 Title II. The Agency is one of several private voluntary organizations in Peru participating in the PL 480 Title II Program (Program). The budget of the Agency for carrying out Program activities during the audit period was \$2.2 million. The audit coverage included \$1.3 million of Program funds received by the Agency during the audit period.

Additionally, the Agency received funding under the USAID/Peru Nutrition and Food for Work Project (Project) for the purpose of increasing the income and improving the health conditions of poor inhabitants of the rural areas of Peru. The Project's budget provides for total funding of \$2.1 million, including a USAID/Peru grant of \$1.3 million, a strengthening grant of \$520,000 (funded by A.I.D. direct payment), and counterpart contributions from the Agency and the Government of Peru totaling \$320,000. The audit coverage included A.I.D. funds of \$1.0 million provided to the Agency during the audit period.

*a*

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

The auditors concluded that the fund accountability statement presents fairly, in all material respects, the financial position of the Agency relative to its Program and Project operations for the period audited. The auditors identified questionable costs of \$65,714 which were not considered sufficiently material to affect their opinion on the fund accountability statement.

With respect to the Agency's internal control structure for Program and Project activities, the auditors identified four material weaknesses. The auditors reported that the Agency did not: (1) have adequate Project budgetary controls, (2) perform periodic reconciliations with USAID/Peru records relative to Project operations, (3) use the Project's bank account exclusively for Project transactions, and (4) follow adequate procurement procedures in purchasing goods and services for Program and Project operations.

With respect to the Agency's compliance with agreement terms and applicable laws and regulations, the auditors identified three material instances of noncompliance. The auditors reported that the Agency did not: (1) always follow the Project Agreement's standard provisions, (2) perform timely evaluations as required by the Project Agreement, or (3) exclude taxes from amounts charged to Program and Project expenditures.

The report was discussed with the General Director of the Agency who expressed agreement with the report's contents.

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

**Recommendation No. 1**

**We recommend that USAID/Peru resolve the questionable costs of \$5,873 (\$5,389 questioned and \$484 unsupported) related to PL 480 Title II activities, identified in the Price Waterhouse audit report dated June 15, 1992, and recover from the Government of Peru through deposit to the special account those amounts determined to be unallowable.**

**Recommendation No. 2**

**We recommend that USAID/Peru resolve the questionable costs of \$59,841 (\$1,163 questioned and \$58,678 unsupported) related to the Nutrition and Food for Work Project, identified in the Price Waterhouse audit report dated June 15, 1992, and recover from the Adventist Development and Relief Agency all amounts determined to be unallowable.**

**Recommendation No. 3**

**We recommend that USAID/Peru, in conjunction with the Adventist Development and Relief Agency, establish procedures for: (1) implementing an effective system of Project budgetary controls, (2) performing periodic reconciliations with USAID/Peru records relative to Project operations, (3) assuring the proper use of the Project's bank account, (4) obtaining required quotations when purchasing goods and services, (5) complying with the Project Agreement's standard provisions, (6) performing timely evaluations as required in the Project Agreement, and (7) excluding taxes from amounts charged to PL 480 Title II and Project expenditures.**

Recommendation Nos. 1 and 2 will be considered resolved upon the Mission's determination of the amounts of recovery. Recommendation No. 1 will be considered closed upon evidence of deposit into the special account of amounts determined to be unallowable and Recommendation No. 2 will be considered closed upon the recovery of funds, offset of funds or issuance of a Bill for Collection. Recommendation No. 3 will be considered resolved upon the Mission's presentation of an acceptable firm plan of action to correct the reported deficiencies, and will be considered closed upon the Mission's presentation of acceptable evidence that the required procedures have been established.

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.

**AUDIT OF THE MONETIZATION PROGRAM  
AND USAID/PERU PROJECT No. 527-0328  
MANAGED BY THE ADVENTIST DEVELOPMENT  
AND RELIEF AGENCY - ADRA FOR THE  
PERIOD OCTOBER 1,1988 TO JUNE 30,1991**

- d'

**AUDIT OF THE MONETIZATION PROGRAM AND USAID/PERU  
PROJECT No.527-0328 MANAGED BY THE ADVENTIST  
DEVELOPMENT AND RELIEF AGENCY - ADRA FOR THE  
PERIOD OCTOBER 1, 1988 TO JUNE 30, 1991**

**TABLE OF CONTENTS**

	Page
Transmittal letter and summary	
- Background	1 - 4
- General objectives and scope	4 - 6
- Results of audit	6 - 8
- Management comments	8
Fund accountability statement	
- Independent auditor's report	9 - 10
- Fund accountability statement	11
- Notes to the fund accountability statement	12 - 14
Internal control structure	
- Independent auditor's report	15 - 17
- Audit findings	18 - 21
Compliance with agreement terms and applicable laws and regulations	
- Independent auditor's report	22 - 24
- Audit findings	25 - 27
Annex 1 - Management comments	28
Annex 2 - Questionable costs	29 - 30
Annex 3 - List of recommendations	31

# Price Waterhouse



June 15, 1992

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

Dear Mr. Howard:

This report presents the results of our audit of the Monetization Program and USAID/PERU Project No. 527-0328, managed by the Adventist Development and Relief Agency - ADRA for the period October 1, 1988 to June 30, 1991.

## I BACKGROUND

### General description of the Monetization Program -

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

In Peru, the PVOs participating in the monetization and food-aid programs are: Catholic Relief Services (CRS), Cooperative of American Relief Everywhere (CARE), Caritas of Peru, PRISMA and ADRA. Presently, the PVO in charge of the monetization program and of the distribution of funds to each participating PVO is CARE.

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

June 15, 1992  
Mr. Reginald Howard  
Page 2



#### General description of the Project -

This Nutrition and Food-For-Work Project (Project) is the latest in a series of food distribution and development programs implemented by ADRA in Peru, for more than 20 years. Specifically, it is a follow-on Project to ADRA's expanded feeding OPG (527-0247), supported by AID since January 31, 1983.

The agreement No.527-0328 was signed for USAID/PERU and ADRA on September 30, 1988 and provided US\$2,090,000 including a USAID/PERU grant of US\$1,250,000, a strengthening grant of US\$520,000 and counterpart contribution from ADRA and the Government of Peru (GOP) of US\$320,000.

The United States Government, through the Agency for International Development in Lima, Peru, USAID/PERU, has assisted ADRA in its Project of Nutrition and Food-For-Work Project, implementing a high percentage of activities only in rural and semi-rural areas, such as maternal-child health and nutrition services, providing agricultural goods and technical assistance to the small farmers, whose yields are under the normal average, executing the work-food system where infrastructure communal tasks are necessary and, additionally, providing access to the credit and technical assistance for the establishment of micro-enterprises.

#### Nature of the Project activities -

The following is a description of the four components of the Project:

##### Maternal/Child Health -

Local health workers (promotores), supplemented by ADRA professional staff, provided health nutrition services on a regular, periodic basis to participating communities, utilizing schools, community centers, or other donated space. Activities include training of pregnant and lactating women in a variety of nutrition, health, and family management techniques through structured course modules, monitoring of child growth and nutritional status, directed treatment of malnourished children, introduction of community gardens and community kitchens (comedores), when appropriate, and distribution of supplemental food and selected health related goods (such as oral rehydration salts).



June 15, 1992  
Mr. Reginald Howard  
Page 3

**Agricultural development -**

The objectives of this food-for-work component were to increase yields, income, and food availability among small farmers whose yields were currently below the regional average. ADRA technicians, supplemented by local promoters and technicians from the departmental development corporations, provided technical assistance in agricultural techniques, soil conservation, crop diversification, and utilization of improved seeds, primarily through on-farm demonstrations. ADRA supplied the participating farmers with tools and other inputs, including seed and fertilizer. The latter was in the form of loans. The farmers received food rations as an incentive for participating, until such time as their agricultural production reaches levels of self-sufficiency.

**Micro-enterprise development -**

This food-for-work component will form enterprise groups from among interested community members, employing an innovative three-stage process. First, the group was instructed in proper production techniques for the commodity it intends to market. Second, the group members benefited from on-the-job training in business management techniques. During this third stage, groups received working capital loans in the form of materials, which were repaid into a rotating fund. During this period, participants received food rations.

**Basic productive infrastructure -**

In this activity the members formed work teams and received food in exchange for their labor in constructing infrastructure. ADRA gave priority to works which contributed to increase productivity within the community. ADRA provided tools, materials, and training in construction techniques.

**Budget approved -**

The budget of the Monetization Program approved by USAID/PERU and the budget of the Project according to the original agreement terms dated September 30, 1988, which were modified on July 26, 1989, November 17, 1989, and March 30, 1990, is as follows:

June 15, 1992  
 Mr. Reginald Howard  
 Page 4



**Monetization Program -**

<u>Source/Cost element</u>	<u>Year ended</u> <u>December 31.</u>		<u>Total</u>
	<u>1990</u>	<u>1991</u>	
	(US\$000)		
Food transportation and handling cost	234	509	743
Salaries, travel and administrative expenses	288	746	1,034
Program materials	77	186	263
Capital purchase	68	66	134
Training and technical assistance	<u>7</u>	<u>35</u>	<u>42</u>
Total	<u>674</u>	<u>1,542</u>	<u>2,216</u>

**Project -**

<u>Source/Cost element</u>	<u>Year ended</u> <u>September 30.</u>			<u>15-month period ended</u> <u>December 31, 1992</u>	<u>Total</u>
	<u>1989</u>	<u>1990</u>	<u>1991</u>		
	(US\$000)				
Salaries	120	133	135	137	525
Travel	19	9	25	43	96
Administrative expenses	82	52	50	52	236
Program materials	25	20	30	40	115
Food handling	134	54	-	-	188
Computers and accessories	19	2	-	-	21
Vehicles	26	9	-	-	35
Evaluation and financial review	<u>-</u>	<u>10</u>	<u>12</u>	<u>12</u>	<u>34</u>
Total	<u>425</u>	<u>289</u>	<u>252</u>	<u>284</u>	<u>1,250</u>

**II OBJECTIVES AND SCOPE**

We were engaged to perform a financial audit of the Monetization Program and USAID/PERU Project No.527-0328, managed by the Adventist Development and Relief Agency - ADRA for the period October 1, 1988 to June 30, 1991. Our audit was performed in accordance with generally accepted auditing standards and the United States Comptroller General's "Government Auditing Standards" (1988 revision) and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary to determine whether:

June 15, 1992  
Mr. Reginald Howard  
Page 5



- The fund accountability statement for the period October 1, 1988 to June 30, 1991 presents fairly, in all material respects, the financial activities of the Monetization Program and USAID/PERU Project No.527-0328, managed by the Adventist Development and Relief Agency - ADRA and costs reported as incurred and reimbursed by USAID/PERU during the period ended June 30, 1991 are allowable, allocable and reasonable in accordance with program terms and applicable laws and regulations.
- The internal control structure of the ADRA is adequate to manage the Monetization Program and the Project's operations.
- ADRA has complied with agreement terms and applicable laws and regulations which may affect the Monetization Program and the Project's goals and incurred costs.

The scope of our work consisted of:

- 1 Reviewing Adventist Development and Relief Agency - (ADRA) utilization of funds, commodities and supplies provided under the Program and Project agreement. Our auditing procedures included:
  - Performing selective review of the Monetization Program and Project related documentation of accounting records and the internal control structure.
  - Reviewing the Monetization Program and Project's procurement procedures used to determine that sound commercial practices were used as required by the agreement terms, including obtaining competitive and reasonable prices and adequate quality of materials.
  - Reviewing the procedures used to control the Monetization Program and Project's funds.
- 2 Examining the fund accountability statement for the implementing agency and for each major component of the Monetization Program and Project taken as a whole through June 30, 1991. Reviewing for any costs which were not fully supported with adequate records or which were not allowable or reasonable under the terms of the Monetization Program and Project agreement. This work included:
  - a) Determining whether advances of the Monetization Program and Project's funds were justified with documentation, including reconciliation of funds advanced, disbursed and available.
  - b) Reviewing costs billed to USAID/PERU identifying and quantifying any questionable costs.

June 15, 1992  
Mr. Reginald Howard  
Page 6

- c) Reviewing bank accounts and related controls, obtaining confirmation of balances.
- 3 Reviewing and evaluating the implementing agency's internal control structure to manage the Monetization Program and Project. Conducting preliminary compliance tests to determine the extent to which established procedures and controls are functioning as intended.
- 4 The scope of our audit work included verification of receipts of funds from CARE and USAID/PERU and ensuring the proper accounting treatment and banking of those receipts. We examined supporting documentation for payments on a test basis as considered appropriate in the circumstances.
- 5 We have been alert to situations or transactions that could be indicative of fraud, abuse and illegal expenditures and acts.

### III RESULTS OF AUDIT

#### Fund accountability statement -

The fund accountability statement was prepared on a cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Based on work performed as previously summarized, in our opinion, the fund accountability statement for the period October 1, 1988 and June 30, 1991 presents fairly the financial activities of the Monetization Program and USAID/PERU Project No.527-0328 managed by Adventist Development and Relief Agency - ADRA at that date and costs reported as incurred and reimbursed during the period ended June 30, 1991 are allowable, allocable and reasonable in accordance with the agreement terms and applicable laws and regulations which may affect the Program and Project's goals and incurred costs.

Our audit determined the following situations which, however, are not considered material to affect our opinion on the fund accountability statement:

- a) ADRA under the Project No.527-0328 incurred expenditures in excess of the budgeted amounts, according to the Amendment No.3 in force at June 30, 1991. The unauthorized expenditures over the budget amounted to US\$16,023, which have not been approved by USAID/PERU and, therefore, are considered unsupported costs. Additionally, ADRA under the Monetization Program and the Project presented other unsupported costs for US\$484 and US\$42,655, respectively.



June 15, 1992  
Mr. Reginald Howard  
Page 7

- b) ADRA under the Monetization Program and the Project presented questioned costs for taxes and others for US\$5,389 and US\$1,163, respectively.

**Internal control structure -**

In planning and performing our audit of the fund accountability statement we considered the internal control structure of the implementing entity in order to determine our auditing procedures for the purpose of expressing an opinion on the fund accountability statement.

Our evaluation of the internal control structure included the following specific categories:

- Accounting and financial aspects.
- Treasury (receipts and custody of funds).
- Liquidations (includes procurement and payment for goods and services).
- Salaries.

For all components described above, we obtained an understanding of the transactions and most relevant aspects in order to determine the control risks.

As a result of our selective tests performed of the components described above, we noted situations reportable under the standards of the American Institute of Certified Public Accountants. These situations had a negative effect on our report of the Project's internal control structure. These reportable situations which we consider to be material weaknesses are as follows:

- a) Inadequate procedural control to ensure that the USAID Project's budget is followed and any excesses over the budget are previously approved by USAID.
- b) Project's periodic reconciliations with USAID records are not prepared by ADRA. A reconciliation performed at June 30, 1991 resulted in an unreconciled difference of US\$23,599, as ADRA used different exchange rates than those used by USAID/PERU for the recording of disbursements.
- c) The current bank account opened to administrate the funds of the Project includes movements for receipts and reimbursements of the current institutional bank account of ADRA and the account of the Monetization Program.

June 15, 1992  
Mr. Reginald Howard  
Page 8



d) ADRA did not establish adequate internal control procedures relating to the Monetization Program and the Project's purchases of goods and services.

In our accompanying internal control report we detail the audit findings corresponding to the Monetization Program and the Project's condition.

**Compliance with agreement terms and applicable laws and regulations -**

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

Questioned and unsupported costs of US\$5,873 and US\$59,841 corresponding to the Monetization Program and the Project, respectively, resulted from certain noncompliance with agreement terms and applicable laws and regulations which related to: budget overruns, "Standard Provisions" not taken into consideration, Project's evaluating not prepared in the specified time periods and disbursements including unallowable taxes. In our accompanying report on compliance with agreement terms and applicable laws and regulations, we detail the audit findings corresponding to the Monetization Program and Project's reportable condition.

Except for the matters described above the results of our tests of compliance indicate that, with respect to items tested, ADRA complied in all material respects, with the agreement terms and the applicable laws and regulations which may affect the Monetization Program and Project's goals and incurred costs. With respect to items not tested, nothing came to our attention that caused us to believe that ADRA had not complied, in all material respects, with the terms of the agreement and applicable laws and regulations which may affect the Monetization Program and Project's goals and incurred costs.

**MANAGEMENT COMMENTS**

This report has been discussed with the General Director of the ADRA who agreed with the contents of this report.

*Price Waterhouse*

9

*Price Waterhouse*



**AUDIT OF THE MONETIZATION PROGRAM AND USAID/PERU  
PROJECT No.527-0328 MANAGED BY THE ADVENTIST  
DEVELOPMENT AND RELIEF AGENCY - ADRA FOR THE  
PERIOD OCTOBER 1, 1988 TO JUNE 30, 1991**

**FUND ACCOUNTABILITY STATEMENT**

**INDEPENDENT AUDITORS' REPORT**

January 9, 1992

We have audited the fund accountability statement of the Monetization Program and USAID/PERU Project No.527-0328, managed by the Adventist Development and Relief Agency - ADRA for the period October 1, 1988 to June 30, 1991. This fund accountability statement is the responsibility of ADRA. Our responsibility is to express an opinion on this fund accountability statement based on our audit.

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

We did not have an external quality control review by an unaffiliated audit organization as required by paragraph 46 of Chapter 3 of Government Auditing Standards since no such quality review program is offered by professional organizations in Peru. We believe that the effect of this departure from the financial audit requirements of Government Auditing Standards is not material because we participate in the Price Waterhouse South American Firm internal quality control program which requires the Price Waterhouse Lima Office to be subjected, every two years, to an extensive quality control review by partners and managers from other Price Waterhouse offices.

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



Page 10

In our opinion, the fund accountability statement audited by us presents fairly, in all material respects, the fund's position of the Monetization Program and USAID/PERU Project No.527-0328, managed by the Adventist Development and Relief Agency - ADRA for the period October 1, 1988 to June 30, 1991, according to the accounting basis described in Note 2.

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

Price Waterhouse

**AUDIT OF THE MONETIZATION PROGRAM AND USAID/PERU  
PROJECT No.527-0328 MANAGED BY THE ADVENTIST  
DEVELOPMENT AND RELIEF AGENCY - ADRA FOR THE  
PERIOD OCTOBER 1, 1988 TO JUNE 30, 1991**

**FUND ACCOUNTABILITY STATEMENT (US DOLLARS)**

Source/Cost element	Budget		Actual		Available		Questionable costs			
	Monetization program (1)	Project (2)	Monetization program	Project	Monetization program	Project	Questioned Monetization program	Project	Unsupported Monetization program	Project
Income:										
Funds received	2,216,000	966,000	1,297,415 (3)	1,003,940	918,585	( 37,940)	-	-	-	-
Disbursements:										
Food transportation and handling cost	743,000	188,000	379,035	160,187	363,965	27,813	2,513	183	484	18
Salaries	-	388,000	-	453,566	-	( 65,566)	-	-	-	-
Travel	-	53,000	-	64,947	-	( 11,947)	-	-	-	-
Administrative expenses	1,034,000	184,000	685,735	235,476	348,265	( 51,476)	2,876	938	-	1,347
Program materials	263,000	75,000	63,028	42,464	199,972	32,536	-	42	-	14,707
Computers and accessories	-	21,000	-	19,031	-	1,969	-	-	-	-
Vehicles	-	35,000	-	26,354	-	8,646	-	-	-	19,007
Capital purchase	134,000	-	93,361	-	40,639	-	-	-	-	-
Training and technical assistance, evaluation and final review	42,000	22,000	22,000	-	20,000	22,000	-	-	-	-
Total disbursements	2,216,000	966,000	1,243,159	1,002,025	972,841	( 36,025)	5,389	1,163	484	-
Balance	-	-	54,256 (4)	1,915	( 54,256)	( 1,915)	5,389	1,163	484	35,079
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
Differences between USAID and ADRA's records							-	-	-	23,599
							5,389	1,163	484	58,678
							=====	=====	=====	=====

- (1) Budget for the period January 1, 1990 to December 31, 1991  
(2) Budget determined at September 30, 1991 according to Amendment No.3.  
(3) Includes US\$8,692 from interests generated with funds of the Program.  
(4) Constituted by:

	US\$
Balance in current account No.678329	31,515
Balance in current account No.672923	9,016
Expenses to be paid	1,517
Translation difference	12,208
	54,256
	=====

Notes 1 to 5 form an integral part of this fund accountability statement.

121

**AUDIT OF THE MONETIZATION PROGRAM AND USAID/PERU  
PROJECT No.527-0328 MANAGED BY THE ADVENTIST  
DEVELOPMENT AND RELIEF AGENCY - ADRA FOR THE  
PERIOD OCTOBER 1, 1988 TO JUNE 30, 1991**

**NOTES TO THE FUND ACCOUNTABILITY STATEMENT**

**1 NATURE OF ACTIVITIES**

ADRA is one of the private voluntary organizations (OPVs) in charge of providing food assistance in Peru, in connection with warehousing and distribution of donated food. Under the Monetization Program the commodities are given to CARE which sells them and deposits the agreed-upon amounts in a special bank account of ADRA.

Likewise, ADRA has developed, in accordance with the Donation Contract No.527-0328 signed with USAID/PERU, the Project of Nutrition and Food-For-Work, which has as one of its goals to increase the income and improve the health condition of the poor habitants of the rural areas of Peru.

**2 ACCOUNTING PRACTICES**

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

a) Cash basis of accounting -

The fund accountability statement is prepared on the cash basis of accounting.

- Revenues and expenditures are recorded at the time they take place.
- Since there are no estimations or provisions made, there are no liabilities recorded.

b) Translation into foreign currency -

In accordance with current Peruvian legislation, the accounting operations are recorded in local currency. The amounts in U.S. dollars shown in the fund accountability statement referring to the Monetization Program are translated, applying the average exchange rate of transference. The amounts in U.S. dollars shown in the fund accountability statement referring to the Project are translated based on first in, first out, applying the exchange rate ruling on the date the funds were transmitted.

## 3 EXCHANGE RATES

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

<u>Year</u>	<u>Exchange rate</u>
1988	0.0001
1989	0.013
1990	0.52
1991 (June 30)	0.84

## 4 QUESTIONABLE COSTS

Questionable costs are costs which are not considered appropriate to be charged to the Project under the terms of the agreement, applicable laws and regulations, and those that lack documentation, in excess of the budgeted amount, do not seem reasonable or were not authorized (unsupported). The questionable costs amount to US\$65,714, and mainly comprise:

	<u>Monetization program</u> US\$	<u>Project</u> US\$
Questioned costs:		
a) Taxes	4,575	1,163
Other	814	-
Total questioned	<u>5,389</u>	<u>1,163</u>
Unsupported costs:		
b) Computer purchases	-	19,007
c) Unrecorded differences		
ADRA/USAID	-	23,599
d) Excesses of budget		
- Travel	-	1,347
- Administrative expenses	-	14,676
Other	484	49
Total unsupported costs	<u>484</u>	<u>58,678</u>
Total questionable costs	<u>5,873</u>	<u>59,841</u>

a) Comprises the net taxes included in liquidation of purchasing of goods and services reimbursed by USAID/PERU.

- b) The computer purchases effected by the Project have not been authorized by USAID in accordance with the attachment 2 of the agreement.
- c) Differences are not explained between reimbursements for the Project made by USAID/PERU and ADRA's accounting records.
- d) Such amounts represent over 20% excesses of the approved budget for the Project. The excesses have not been authorized by USAID/PERU.

\* The questionable costs are detailed in Annex 2 of this report.

5 **INCOME AVAILABLE**

The Project's available income balance of US\$37,940 come from remittances sent by USAID/PERU in excess of the budgeted income during the period of operations.

5 **TAX SITUATION**

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

15

*Price Waterhouse*



**AUDIT OF THE MONETIZATION PROGRAM AND USAID/PERU  
PROJECT No.527-0328 MANAGED BY THE ADVENTIST  
DEVELOPMENT AND RELIEF AGENCY - ADRA FOR THE  
PERIOD OCTOBER 1, 1988 TO JUNE 30, 1991**

**INTERNAL CONTROL STRUCTURE**

**INDEPENDENT AUDITORS' REPORT**

We have audited the fund accountability statement of the Monetization Program and USAID/PERU Project No.527-0328, managed by the Adventist Development and Relief Agency - ADRA for the period October 1, 1988 to June 30, 1991 and have issued our report thereon dated January 9, 1992.

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

We did not have an external quality control review by an unaffiliated audit organization as required by paragraph 46 of Chapter 3 of Government Auditing Standards since no such quality review program is offered by professional organizations in Peru. We believe that the effect of this departure from the financial audit requirements of Government Auditing Standards is not material because we participate in the Price Waterhouse South American Firm internal quality control program which requires the Price Waterhouse Lima Office to be subjected, every two years, to an extensive quality control review by partners and managers from other Price Waterhouse offices.

In planning and performing our audit of the fund accountability statement for the Monetization Program and USAID/PERU Project No.527-0328, managed by the Adventist Development and Relief Agency - ADRA, for the period October 1, 1988 to June 30, 1991, we considered the Adventist Development and Relief Agency - ADRA, internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on such statement and not to provide assurance on the internal control structure.

The management of ADRA is responsible for establishing and maintaining an internal control structure to manage the Program and Project's operations. In fulfilling this responsibility, estimates



Page 16

and judgements by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the fund accountability statement in accordance with the basis of accounting described in Note 2 to the fund accountability statement. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

For the purpose of this report we have classified significant internal control structure policies and procedures into the following categories: i) accounting and financial aspects; ii) treasury (receipts and custody of funds); iii) liquidations (includes purchase of goods and services); and iv) salaries.

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

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

- Inadequate procedural control to ensure that the USAID Project's budget is followed and any excesses over the budget are previously approved by USAID.



Page 17

- Project's periodic reconciliations with USAID records are not prepared by ADRA. A reconciliation performed at June 30, 1991 resulted in an unrecorded difference of US\$23,599, as ADRA used different exchange rates than those used by USAID/Peru for the recording of disbursements.
- The current bank account opened to administrate the funds of the Project includes movements for receipts and reimbursements of the current institutional bank account of ADRA and the account of the Monetization Program.
- ADRA did not establish adequate internal control procedures relating to the Monetization Program and the Project's purchases of good and services.

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.

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

Likewise, we have noted other immaterial situations that involve the internal control structure and the operations which were reported to the General Director in a separate letter dated January 9, 1992.

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

January 9, 1992

*Price Waterhouse*

**AUDIT OF THE MONETIZATION PROGRAM AND USAID/PERU  
PROJECT No.527-0328 MANAGED BY THE ADVENTIST  
DEVELOPMENT AND RELIEF AGENCY - ADRA FOR THE  
PERIOD OCTOBER 1, 1988 TO JUNE 30, 1991**

**INTERNAL CONTROL STRUCTURE  
AUDIT FINDINGS**

1. The budgetary control of the Project was not adequate.

**Condition -**

Our examination revealed that as of June 30, 1991, ADRA, for the activities it managed of the Project, reported expenses in excess of the budget.

**Criteria -**

A system of budgetary control should be established to prevent expenditures in excess of incurring budget and, consequently, avoid the questionable costs.

**Cause -**

Lack of time and knowledge on part of administrative personnel.

**Effect -**

As a result of this condition, as of June 30, 1991, ADRA, for the activities it managed of the Project reported questionable costs, due to expenses in excess of the budget in the amounts of US\$16,023.

**Recommendation -**

We recommend ADRA design and implement a system of budgetary control to consider the periodic analysis of the significant variations between the executed and the budgeted amounts. The budgetary modifications should be implemented according to agreement terms, laws and applicable regulations.

2. ADRA performed no periodic reconciliations of Project balances between ADRA and USAID/PERU records during the course of the Project.

**Condition -**

Periodic reconciliations were not made between the ADRA and the USAID/PERU records of the advances and liquidations corresponding to the Project. A reconciliation was performed at June 30, 1991 which resulted in an unreconciled difference of US\$23,599.

**Criteria -**

Periodic reconciliation of the Project's funds as recorded by ADRA with the records of USAID/PERU should have been made and written evidence should have been kept.

**Cause -**

ADRA was not aware of the necessity of this procedure.

**Effect -**

The unreconciled difference of US\$23,599, constitutes a unsupported cost.

**Recommendation -**

We recommend ADRA perform periodic reconciliations of the advances and liquidations of USAID funds. The differences should be clear and resolved opportunely.

- 3 The Project's current bank accounts were not exclusively used for the Project's transactions.

**Condition -**

During our examination of the Project, we observed delays in the request of funds to USAID/PERU and consequently delays in their reception. Due to this situation, management had to borrow money from Monetization Program and other funds to be able to afford Projects expenses.

**Criteria -**

The Project's funds should have been managed in the Project's current account, limiting its use to the Project's funds and transactions.

**Cause -**

The regional offices used to send the documentation to the central office with certain delays, that is why the expenses liquidation and requests of funds were not opportunely presented to USAID/PERU, consequently, ADRA had to use funds from other resources to be able to afford its expenses.

**Effect -**

The Project's bank account had movements of funds from other sources. This situation weakens the internal control related to treasury. Utilization of USAID funds in other projects might result in these funds not being refunded, as well as noncompliance with the Standard Provisions established by USAID.

**Recommendation -**

We recommend ADRA design and implement procedures to assure the proper use of the Project's current bank account and the obtainment of adequate project funds from USAID in a timely manner.

4. Procurement procedures were not adequate.

**Condition -**

As a result of our test of liquidations, we observed that a uniform procedure to request quotations was not utilized.

**Criteria -**

Purchases of goods and services should have been done under free competition, analyzing different alternatives, and choosing the most reasonable.

**Cause -**

ADRA personnel were unaware of the Project Agreement's Standard Provisions concerning management information systems. Personnel in charge worked according to their own experience and confidence. There was no written evidence of price quotations when they were requested.

**Effect -**

Noncompliance with laws and regulations and possible inefficient use of Project funds.

Page 21

**Recommendation -**

We recommend ADRA design and implement procedures for purchasing goods and services that guarantee ADRA's compliance with the terms of the agreement and applicable laws and regulations.

22

*Price Waterhouse*



**AUDIT OF THE MONETIZATION PROGRAM AND USAID/PERU  
PROJECT No.527-0328 MANAGED BY THE ADVENTIST  
DEVELOPMENT AND RELIEF AGENCY - ADRA FOR THE  
PERIOD OCTOBER 1, 1988 TO JUNE 30, 1991**

**COMPLIANCE WITH AGREEMENT TERMS AND  
APPLICABLE LAWS AND REGULATIONS**

**INDEPENDENT AUDITORS' REPORT**

We have audited the fund accountability statement of the Monetization Program and USAID/PERU Project No.527-0308, managed by the Adventist Development and Relief Agency - ADRA for the period October 1, 1988 to June 30, 1991, and have issued our report thereon dated January 9, 1992.

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

We did not have an external quality control review by an unaffiliated audit organization as required by paragraph 46 of Chapter 3 of Government Auditing Standards since no such quality review program is offered by professional organizations in Peru. We believe that the effect of this departure from the financial audit requirements of Government Auditing Standards is not material because we participate in the Price Waterhouse South American Firm internal quality control program which requires the Price Waterhouse Lima Office to be subjected, every two years, to an extensive quality control review by partners and managers from other Price Waterhouse offices.

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



Page 23

Material instances of noncompliance are failures to follow requirements, or violations of prohibitions enclosed in the laws, regulations, agreements or grants, that cause us to conclude that the aggregate of the misstatements resulting from those failures or violations are material for the funds accountability statement. The results of our tests indicated the following instances of material noncompliance:

- a) During the course of the Project "Standard Provisions" were not taken into account, relating to the procurement procedures and allowable costs.
- b) The evaluations required in the Project agreement (attachment 2) to be prepared by ADRA, were not performed in the specified time periods.
- c) Some disbursements of the Monetization Program and Project included unallowable taxes.

We considered these material instances of noncompliance in forming our opinion on ADRA's fund accountability statement, and this report does not affect our report on the fund accountability statement dated January 9, 1992 .

Except for the matters described above, which resulted in questioned and unssupported cost of US\$5,873 and US\$59,841, corresponding to the Monetization Program and the Project, respectively, the results of our test of compliance indicate that, with respect to the items tested, the Adventist Development and Relief Agency - ADRA complied in all material respects, with the terms of the agreement and applicable laws and regulations, referred to in the four paragraph of this report, and with respect to items no tested, nothing came to our attention that caused us to believe that ADRA had not complied, in all material respects, with the terms of the agreement and applicable laws and regulations.



Page 24

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

January 9, 1992

*Price Waterhouse*  
—

25

**AUDIT OF THE MONETIZATION PROGRAM AND USAID/PERU  
PROJECT No.527-0328 MANAGED BY THE ADVENTIST  
DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL - ADRA  
FOR THE PERIOD OCTOBER 1, 1988 TO JUNE 30, 1991**

**COMPLIANCE WITH AGREEMENT TERMS AND  
APPLICABLE LAWS AND REGULATIONS**

**AUDIT FINDINGS**

- 1 The specific regulations included in Annex 2 of the Agreement and the "Standard Provisions" described in Annex 3, of the same, were not considered by the ADRA during the course of the Program and Project.

**Condition -**

- Computer equipment brought by the Project for US\$19,007 do not have the written approval of USAID/PERU, as it is established in Annex 2 of the Agreement.
- Budget line amounts for expenditures corresponding to the Project were exceeded by ADRA without approval by USAID.
- Price quotations were not always included in ADRA's procurement process.

**Criteria -**

The agreement terms and "Standard Provisions" applicable to the Monetization Program and Project were not followed.

**Cause -**

Lack of knowledge by ADRA.

**Effect -**

The fund accountability statement includes questioned and unsupported costs of US\$5,873 and US\$59,841, corresponding to the Monetization Program and Project, respectively

**Recommendation -**

We recommend that ADRA comply with the agreement terms and the "Standard Provisions", included in the agreement.

- 2 All evaluations required in accordance with the Project agreement were not performed in the required time periods.

Condition -

According to the agreement, at the date of our visit, the first two steps of the evaluations plans should have been completed. However, the second step (intermediate performance) of evaluation of the Project was just being executed.

Criteria -

According to the agreement ADRA and USAID/PERU will jointly implement a three stage evaluation plan, involving the development of "Beginning of Project Status" indicators, the implementation of an intermediate performance evaluation in July 1990, and the undertaking of an impact evaluation, no later than March 1992.

Cause -

The lack of communication and coordination between ADRA and USAID to designate the evaluating team.

Effect -

The corrective measures, that could result from such evaluations, have not been implemented opportunely.

Recommendation -

We recommend that ADRA perform all the evaluations specified in the Project agreement within the established time periods.

- 3 The disbursements liquidated to USAID for the Program and Project should not include taxes.

Condition -

In our review of the liquidations presented to USAID we noted that in some cases taxes have been included. Taxes represent unallowable costs in accordance to the regulations of USAID.

Criteria -

In accordance to the "Standard Provisions", taxes are unallowable, so should not be included in the liquidations presented to USAID.

Page 27

**Cause -**

Lack of knowledge by ADRA.

**Effect -**

The fund accountability statement includes questioned costs for taxes by US\$4,575 and US\$1,163 corresponding to the Monetization Program and Project, respectively.

**Recommendation -**

We recommend that the fund liquidations presented to USAID should not include taxes.

28

Annex 1

**AUDIT OF THE MONETIZATION PROGRAM AND USAID/PERU  
PROJECT No.527-0328 MANAGED BY THE ADVENTIST  
DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL - ADRA  
FOR THE PERIOD OCTOBER 1, 1988 TO JUNE 30, 1991**

**MANAGEMENT COMMENTS**

The General Director of ADRA have provided the following comment:

We were pleased to receive your final draft regarding the audit of the Monetization Program and USAID/PERU Project No.527-0328. We have read the report thoroughly and agreed with its contents.

**AUDIT OF THE MONETIZATION PROGRAM AND USAID/PERU  
PROJECT No.527-0328 MANAGED BY THE ADVENTIST  
DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL - ADRA  
FOR THE PERIOD OCTOBER 1, 1988 TO JUNE 30, 1991**

## QUESTIONABLE COSTS

<u>Check No.</u>	<u>Invoice No.</u>	<u>Date</u>	<u>Concept</u>	<u>Observations</u>	<u>Questionable costs</u>		
					<u>Questioned</u>	<u>Unsup- ported</u>	<u>Total</u>
Monetization Program -							
824964	143-144	13.06.90	Serma S.A. - Vehicle maintenance	Included I.G.V	499	-	499
824965	120045	15.06.90	Gestetner - Technical service of fotocopier	Included I.G.V	27	-	27
825010	93005	14.09.90	Lau Chun	Included I.G.V	52	-	52
554434	261-262	12.02.91	Serma S.A. - Vehicle maintenance	Included I.G.V	819	-	819
554522	291-293	30.04.91	Serma S.A. - Vehicle maintenance	Included I.G.V	254	-	254
554524	298-299	30.04.91	Serma S.A. - Vehicle maintenance	Included I.G.V	256	-	256
554530	124	10.05.91	Pacorcas - Transport and securities	Included I.G.V	1,443	-	1,443
554536	002-003	15.05.91	Kira Ruiz E.I.R.L. - Vehicle maintenance	Included I.G.V	61	-	61
554541	016	20.05.91	Orión Ingenieros, Report detailed	Included I.G.V	94	-	94
554565	131-132	10.06.91	Pacorcas - Transport and securities	Included I.G.V	1,070	-	1,070
824969	2083	21.06.90	Alberto Araoz Peña	Magazine's subscription	614	-	614
554429	2136	05.02.91	Magda Segura Díaz	Magazine's subscription	200	-	200
-	-	30.04.91	Expenses liquidation - Chiclayo	Without authentic documentation	-	484	484
					<u>5,389</u>	<u>484</u>	<u>5,873</u>
					=====	====	=====

29

QUESTIONABLE COSTS

Check No.	Invoice		Concept	Observations	Questionable costs		
	No.	Date			Questioned	Unsup- ported	Total
Project USAID/PERU No.527-0328 -							
10745885	Various	11.30.88	Alpeco - Warehouse	Included I.G.V.	183	-	183
-	390691	11.30.88	ENCI - Nitrato de amonio	Included I.G.V.	30	-	30
922915	1031	07.27.89	Gráfica - Distribuidora - 300 archivadores	Included I.G.V.	52	-	52
-	155704	08.31.89	Expenses liquidation - Lima	Included I.G.V.	12	-	12
922967	009	09.29.89	SERMA S.A. - Vehicle maintenance	Included I.G.V.	34	-	34
022974	3316	10.18.89	Delta S.A. - Machines correctors	Included I.G.V.	33	-	33
023022	048	12.01.89	SERMA S.A. - Vehicle maintenance	Included I.G.V.	10	-	10
023065	084	02.12.89	SERMA S.A. - Vehicle maintenance	Included I.G.V.	10	-	10
-	Varias	07.31.90	Expenses of July, Lima - vehicle maintenance	Included I.G.V.	108	-	108
-	-	11.30.90	Expenses of November, Lima and October Chiclayo - vehicle maintenance	Included I.G.V.	542	-	542
165096	-	03.27.91	Procalsa - Cleaning materials	Included I.G.V.	57	-	57
165116	1609-	09.04.91	Telecomunicaciones S.A. - Telephones repairment	Included I.G.V.	31	-	31
-	1653	-	Expenses of December, Arequipa - bank expenses	Included taxes	61	-	61
922896	-	07.13.89	Lunch to supervisors	Without authentic documentation	-	31	31
-	-	08.31.89	Expenses of August, Lima - Renting of the warehouse	Without authentic documentation	-	18	18
-	-	-	Computer purchases	Without USAID authorization	-	19,007	19,007
-	-	-	Excesses over budget, salaries	Without USAID authorization	-	-	-
-	-	-	Excesses over budget, travel	Without USAID authorization	-	1,347	1,347
-	-	-	Excesses over budget, administrative expenses	Without USAID authorization	-	14,676	14,676
-	-	-	Unreconciled differences ADRA/USAID	Differences no clear	-	23,599	23,599
					<u>1,163</u>	<u>58,678</u>	<u>59,841</u>
					=====	=====	=====

520

31

AUDIT OF THE MONETIZATION PROGRAM AND USAID/PERU  
PROJECT No.527-0328 MANAGED BY THE ADVENTIST  
DEVELOPMENT AND RELIEF AGENCY - ADRA FOR THE  
PERIOD OCTOBER 1, 1988 TO JUNE 30, 1991

LIST OF REPORT RECOMMENDATIONS

I. Internal Control Structure

- 1 We recommend ADRA design and implement a system of budgetary control to consider the periodic analysis of the significant variations between the executed and the budgeted amounts. The budgetary modifications should be implemented according to agreement terms, laws and applicable regulations.
- 2 We recommend ADRA perform periodic reconciliations of the advances and liquidations of USAID funds. The differences should be clear and resolved opportunely.
- 3 We recommend ADRA design and implement procedures to assure the proper use of the Project's current bank account and the obtainment of adequate project funds from USAID in a timely manner.
- 4 We recommend ADRA design and implement procedures for purchasing goods and services that guarantee ADRA's compliance with the terms of the agreement and applicable laws and regulations.

II Compliance with agreement terms and applicable laws and regulations -

- 1 We recommend that ADRA comply with the agreement terms and the "Standard Provisions", included in the agreement.
- 2 We recommend that ADRA perform all the evaluations specified in the Project agreement within the established time periods.
- 3 The fund liquidations presented to USAID should not include taxes.

32

APPENDIX I

**REPORT DISTRIBUTION**

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