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Regional Inspector General for Audit
Tegucigalpa, Honduras

**Audit of USAID/Honduras'
Forestry Development Project
Managed by the Honduras Forestry Development Corporation
September 1, 1988 to February 29, 1992**

**Audit Report No. 1-522-93-01-N
December 15, 1992**



U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

AGENCY FOR INTERNATIONAL DEVELOPMENT

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December 15, 1992

MEMORANDUM

TO: D/USAID/Honduras, Marshall Brown

FROM: RIG/A/T, Lou Mundy 

SUBJECT: Audit of USAID/Honduras' Forestry Development Project,
Managed by the Honduras Forestry Development Corporation,
September 1, 1988 to February 29, 1992

This report presents the results of a financial audit of the Forestry Development Project (Project), USAID/Honduras Project No. 522-0246, managed by the Honduras Forestry Development Corporation (Corporation) for the period September 1, 1988 to February 29, 1992. The audit firm of Price Waterhouse prepared the report dated November 13, 1992.

The purpose of the Project is to improve the management and sustainable productivity of commercial pine forests and the efficiency of the industrial conversion and marketing of wood products. The Project is scheduled for completion in December 1994 and has a total budget of \$31.7 million, including A.I.D. grant and loan funds of \$20.0 million and \$11.7 million provided by the Government of Honduras. The audit coverage included disbursements of A.I.D. funds totaling \$1.4 million and counterpart funds totaling the equivalent of \$1.9 million during the audit period.

The objectives of the audit were to determine whether: (1) the Corporation's fund accountability statements for A.I.D. grant and loan funds and for Government of Honduras counterpart funds present fairly, in all material respects, the Project's financial activities for the period audited, (2) the Corporation's internal control structure was adequate to manage Project operations, and (3) the Corporation had complied with Project Agreement terms and applicable laws and regulations. The scope of the audit included an examination of Corporation 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 for A.I.D. grant and loan funds under the Project presents fairly, in all material

respects, the Corporation's receipts and expenditures for the period audited. The auditors identified questionable costs of \$22,895 which they did not consider significantly material to affect their opinion on the fund accountability statement for A.I.D. grant and loan funds.

With respect to counterpart funds, the auditors were unable to assess the estimates made by the Corporation in transferring in-kind contributions totaling \$761,444 to the Project. The auditors concluded that, except for the effects of any adjustments due to this scope limitation, the fund accountability statement for Government of Honduras counterpart funds presents fairly, in all material respects, the Project's receipts and expenditures for the period audited.

The auditors identified one material weakness in the Corporation's internal control structure for Project activities. Price Waterhouse reported that Project management did not establish an adequate accounting system and procedures to: 1) ensure that all Project transactions were timely and completely accounted and 2) provide sufficient information to permit the preparation of reconciliations.

Regarding the Corporation's compliance with Agreement terms and applicable laws and regulations, the auditors reported that except for the effects due to the aforementioned scope limitation regarding counterpart funds, the results of their tests indicate that the Corporation complied in all material respects with the Agreement terms and applicable laws and regulations.

The report was discussed with Corporation management officials who expressed general agreement with its content. Management comments are included as an appendix to the Price Waterhouse report.

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

Recommendation No. 1

We recommend that USAID/Honduras resolve the questionable costs of \$22,895 (unsupported) identified in the Price Waterhouse audit report dated November 13, 1992, and recover from the Honduras Forestry Development Corporation all amounts determined to be unallowable.

Recommendation No. 2

We recommend that USAID/Honduras resolve the questionable counterpart contribution costs of L4,111,796 (equivalent to \$761,444)

identified in the Price Waterhouse audit report dated November 13, 1992 and provide evidence that all amounts determined to be unallowable have been made available to the Project by the Government of Honduras.

Recommendation No. 3

We recommend that USAID/Honduras obtain evidence that the Honduras Forestry Development Corporation has established an accounting system which ensures that: (1) all Forestry Development Project transactions are completely and timely accounted and (2) detailed records are obtained for all Forestry Development Project transactions to permit the preparation of fund accountability statements, reconciliation of receipts and disbursements with A.I.D. financial information, and reconciliations of excess receipts over disbursements to the related balance sheet accounts.

Recommendation No. 4

We recommend that USAID/Honduras obtain evidence that the Honduras Forestry Development Corporation has established procedures to: 1) define the criteria governing in-kind contributions, 2) ensure that in-kind contributions represent actual costs invested in Forestry Development Project activities, and 3) ensure that personnel costs charged to the Forestry Development Project are for employees actually working in Project activities.

Recommendation No. 1 can be resolved when the Mission determines the amount of recovery and can be closed upon the recovery of funds, offset of funds, or issuance of a Bill for Collection. Recommendation No. 2 can be resolved when the Mission determines the amount of unallowable counterpart contributions and can be closed when the Mission presents acceptable evidence that all amounts determined to be unallowable have been made available to the Project by the Honduras Forestry Development Corporation. Recommendation Nos. 3 and 4 can be resolved when the Mission presents an acceptable firm plan of action to correct the reported deficiencies, and can be closed when the Mission presents 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.

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

**Audit of USAID/Honduras'
Forestry Development Project
Managed by the Honduras Forestry Development Corporation
September 1, 1988 to February 29, 1992**

**Audit Report No. 1-522-93-01-N
December 15, 1992**

AUDIT OF THE FORESTRY DEVELOPMENT PROJECT
USAID/HONDURAS PROJECT No. 522-0246
MANAGED BY THE HONDURAS FORESTRY
DEVELOPMENT CORPORATION (COHDEFOR)
FOR THE PERIOD SEPTEMBER 1, 1988
TO FEBRUARY 29, 1992

AUDIT OF THE FORESTRY DEVELOPMENT PROJECT
USAID/HONDURAS PROJECT No. 522-0246
MANAGED BY THE HONDURAS FORESTRY
DEVELOPMENT CORPORATION (COHDEFOR)
FOR THE PERIOD SEPTEMBER 1, 1988
TO FEBRUARY 29, 1992

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Price Waterhouse

November 13, 1992

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

Dear Mr. Mundy:

This report presents the results of our financial audit of the USAID/Honduras' Forestry Development Project No. 522-0246 managed by the Honduras Forestry Development Corporation (Corporación Hondureña de Desarrollo Forestal - COHDEFOR) for the period September 1, 1988 to February 29, 1992.

BACKGROUND

On December 29, 1987 the Government of Honduras, acting through the Ministry of Finance and Public Credit, signed a Loan and Grant Agreement with the U.S. Agency for International Development (A.I.D.) to meet the costs of carrying out Project No. 522-0246, Forestry Development. The Project completion date is December 31, 1994.

The total estimated Project cost was US\$31,687,700. A.I.D. was to provide loan and grant funding in increments up to US\$20,000,000 and the Government of Honduras was to fund US\$11,687,700 of Project costs. At February 29, 1992 the Mission had obligated US\$13,172,000 through various Project Agreement Amendments. The audit covered disbursements of L7,770,662 (\$1,439,011).

The purpose of the Project is to improve the management and sustainable productivity of commercial pine forests, and the efficiency of industrial conversion and marketing of wood products. The Project activities take place both on national level and in specific regions. The Project has the following three interrelated components:

1. Institutional Reorientation of COHDEFOR - The Project supports the Government of Honduras' key policy of encouraging the private sector to manage the lumber

processing and marketing function, while COHDEFOR concentrates its activities in forest management and supervision. The objective of this component of the Project is to enable COHDEFOR to: (a) better execute its role of managing the forest resources; (b) assist the private sector in lumber processing; and (c) establish norms for regulating the process of lumber marketing.

2. Forest Management of Selected Areas - Project management activities are pilot efforts in two pine forest areas: La Unión in the Department of Olancho and a second site that was selected in year four of implementation. This area, Salamá, also in the Department of Olancho, will test the Government of Honduras' commitment to sound forest management since the implementation of the forest management plan will demand a reduction in the annual volume presently being harvested. To complement and reinforce activities related to forest management and protection, a national public education campaign has been developed and implemented to bring about a greater awareness for the need to preserve forest resources.
3. Strengthening the Forest Industry - This component of the Project is aimed at reducing financial and technical constraints affecting the loggers and sawmillers. It was judged that the provisions of a healthier policy environment, credit and technical assistance should create the conditions required for Honduras to better develop its forest resources.

The Project would establish a \$4.9 million equivalent credit facility to meet financial needs of private loggers and sawmill operators to replace/overhaul equipment and machinery, carry out circular to band saw mill conversions, and obtain operating capital for the purchase of parts and production inputs. This credit facility was never implemented and, therefore, not audited.

COHDEFOR serves as the lead Government of Honduras counterpart organization for this Project, and is responsible for overseeing, coordinating and in some instances executing Project activities. In addition, COHDEFOR is responsible for providing personnel needed to carry out the Project and for securing, through the Ministry for Natural Resources and with the Ministry of Finance and Public Credit, counterpart resources for the Project and the monitoring A.I.D. loan funds.

A Project Implementation Unit (PIU) was created in COHDEFOR to serve as a focal point for all Corporation related administrative matters of this Project. The PIU is composed of a Director and technical and administrative assistants. The Director is responsible for all aspects of the Project implementation in COHDEFOR.

INFONAC, the National Forest Inventories Unit, is the COHDEFOR unit responsible for organizing and supporting operation of the timber sale and stumpage appraisal system. COHDEFOR's Regional Forest Offices are responsible for implementing this system.

ESNACIFOR, the National School of Forest Sciences, is the primary administering entity for the in-country training financed by the Project. The school is responsible for planning, organizing, monitoring and evaluating these training activities. The planning is done in collaboration with the various entities of COHDEFOR, the PIU and AMADHO.

AMADHO, the Honduran Association of Sawmill Operators, is responsible for carrying out market analysis on behalf of the lumber industry and for developing and implementing a promotional campaign, which include publicity brochures, on the merits of buying Honduran pine.

AUDIT OBJECTIVES AND SCOPE

We were engaged to conduct a financial audit of the Forestry Development Project No. 522-0246 managed by the Project Implementation Unit of COHDEFOR for the period September 1, 1988 to February 29, 1992.

Our audit was performed in accordance with generally accepted auditing standards and the Government Auditing Standards of the U.S. Comptroller General (1988 Revision) and accordingly included the review of documentation, accounting records, internal control structure and such other auditing procedures as we considered necessary in the circumstances to determine whether:

1. The fund accountability statements of A.I.D. Loan and Grant funds and Counterpart funds present fairly, in all material respects, the Project's receipts and expenditures for the period September 1, 1988 to February 29, 1992, in accordance with the term of the respective agreement.
2. The internal control structure of the Project Implementation Unit of COHDEFOR is adequate to manage the Project's operations.
3. The Project Implementation Unit of COHDEFOR complied with Agreement terms, and applicable laws and regulations.

In the course of our audit we were alert to the possible existence of errors or irregularities and to situations or transactions that could be indicative of fraud, abuse, and illegal expenditures and acts, in accordance with the Statements on Auditing Standards Nos. 53 and 54 of the American Institute of Certified Public Accountant.

The major audit procedures performed during our work in order to meet the stated audit objectives were the following:

1. Receipts

- (a) We confirmed directly with USAID/Honduras and with the Ministry of Finance and Public Credit, the grant funds and counterpart funds, respectively, provided to the Project as of February 29, 1992.
- (b) We confirmed directly with the custodian banks, the bank account balances of the rotating fund as of February 29, 1992.
- (c) We reviewed the bank account reconciliations, including the rotating fund reconciliation, as of February 20, 1992.

2. Procurement

- (a) We conducted a detailed evaluation of the Project's procurement procedures used during the period under review.
- (b) On a test basis, we reviewed purchases amounting to L1,820,406 (approximately 72% of total purchases) made by the Project during the period under review, to determine their authenticity and proper calculation and valuation.
- (c) For the purchases selected, we reviewed the Project's receiving records to determine the completeness of purchases received as of February 29, 1992.
- (d) For the selected purchases, we reviewed the endorsement of checks paid by the banks.

3. Fixed Assets

- (a) We conducted an evaluation of control procedures used by the Project during the period under review to manage and safeguard fixed assets.
- (b) On a selective basis we identified Project fixed assets through physical inspections.
- (c) We traced the total cost of fixed assets in the accounting records of the Project as of February 29, 1992, to the amounts confirmed by A.I.D.
- (d) On a selective basis we reviewed supporting documentation of fixed assets purchased directly by A.I.D. For vehicles directly acquired by A.I.D., we

selectively examined the supporting documentation forwarded to the Project to determine its completeness and traced costs to the accounting records.

- (e) On a selective basis, we examined vehicle maintenance costs during the period under review and the use of spare parts and tires.

4. Training

- (a) We conducted an evaluation of the control procedures used by the Project during the period under review for managing training activities.
- (b) On a selective basis we reviewed supporting documentation for costs of training courses amounting to L462,703 (20% of the total) effected during the period under review.
- (c) For the courses selected for review, we determined whether they were approved by A.I.D. and examined the agreements signed with ESNACIFOR and others.

5. Payroll and Per Diem

- (a) We conducted an evaluation of control procedures used by the Project during the period under review for administering personnel, preparation and payment of payrolls, and payment of per diem.
- (b) On a selective basis we reviewed payrolls paid during the period amounting to L2,331,377 (35% of total payrolls) and traced the name and salary of employees included in such payrolls to the COHDEFOR's personnel files.
- (c) From the payrolls selected for testing, we selected 15 employees and examined their respective personnel files, and compared the signatures of each employee to the signatures in the payrolls.
- (d) For the 15 selected employees, we compared the endorsements of payroll checks with the employees' signatures in the personnel files.
- (e) In combination with our field visits to the Project offices in La Unión and Salamá, we selectively tested the physical existence of employees included in payrolls.
- (f) We observed the payment process of a payroll for employees of the Project Central Office.

- (g) On a test basis we examined the payrolls for per diem paid to employees for trips to the Project offices, and made tests of their authenticity and reasonableness.

6. Constructions

- (a) We conducted an evaluation of the control procedures used by the Project during the period under review for bidding, contracting, supervising and paying for construction costs.
- (b) We reviewed the supporting documentation of payments for constructions of roads and selectively inspected them in combination with our field visits to the Project offices.

7. Accounting System and Reporting

- (a) We conducted an evaluation of the accounting system and records used by the Project during the period under review, to determine whether the system was sufficient to provide Project financial information (the fund accountability statement) in accordance with the budget classifications defined in the Project Agreement budget.
- (b) We reviewed the quarterly progress reports issued by the Project to ascertain that the contents were in accordance with Agreement terms.

8. Field Visits

- (a) In June 1992, we made field visits to the Project offices in La Unión and Salamá.
- (b) In the Project offices visited we identified Project employees receiving salaries from the grant funds.
- (c) We conducted physical inspections of fixed assets assigned to the Project offices visited.

RESULTS OF AUDIT

Fund Accountability Statements

The fund accountability statement of Counterpart funds includes costs related to salaries and wages, fringe benefits, fixed assets, and building constructions, totalling L4,111,796, transferred by COHDEFOR as Counterpart in-kind contributions. The criteria used by COHDEFOR's management to assess these contributions cannot be substantiated by appropriate audit procedures.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to assess the estimates made by COHDEFOR's management for transferring Counterpart in-kind contributions, as mentioned in the preceding paragraph, the fund accountability statements of A.I.D. Loan and Grant funds and Counterpart funds of the Forestry Development Project No.522-0246 present fairly, in all material respects, Project's receipts and expenditures for the period September 1, 1988 to February 29, 1992, in accordance with the terms of the respective agreement with A.I.D.

Regarding Project activities financed with A.I.D. Loan and Grant funds, our audit tests disclosed costs of L123,633 (\$22,895) which have been considered questionable for the reasons explained in Note 5 to the fund accountability statements. These questionable costs do not affect our opinion on the fund accountability statements of A.I.D. Loan and Grant funds.

Internal Control Structure

In planning and performing our audit of the fund accountability statements of A.I.D. Loan and Grant funds and Counterpart funds of the Forestry Development Project No. 522-0246 managed by the Project Implementation Unit of COHDEFOR from September 1, 1988 to February 29, 1992, we consider the Unit's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the fund accountability statements and not to provide assurance on the internal control structure.

In the course of our audit we noted the following finding that we consider reportable condition under generally accepted auditing standards and the Government Auditing Standards of the U.S. Comptroller General (1988 Revision). We believe that the following reportable condition is a material weakness:

1. Project management did not reconcile in a timely manner, funds transferred by A.I.D. and COHDEFOR with the related Project assets.

Compliance with Agreement Terms and Applicable Laws and Regulations

As part of obtaining reasonable assurance about whether the fund accountability statements of the Forestry Development Project No. 522-0246 managed by the Project Implementation Unit of COHDEFOR from September 1, 1988 to February 29, 1992, are free of material misstatement, we performed tests of the Project Implementation Unit's compliance with Agreement terms and applicable laws and regulations. Except for the effects of such noncompliance, if any, as might have been determined had we been able to assess the criteria underlying Counterpart in-kind contributions, as described in the following Finding No. 1, the

result of our tests indicate that, with respect to the items tested, the Project Implementation Unit of COHDEFOR complied, in all material respects, with the Agreement terms and applicable laws and regulations. With respect to items not tested, nothing came to our attention that caused us to believe that the Project Implementation Unit of COHDEFOR had not complied, in all material respects, with those provisions.

1. The criteria to assess the underlying Counterpart in-kind contributions to the Project has not been defined by COHDEFOR and, therefore, the recorded amounts as required by the Agreement terms cannot be substantiated.
2. Payrolls of Project's employees are prepared and paid by COHDEFOR, and are not reviewed and approved by responsible Project officials before payment.

MANAGEMENT COMMENTS

The draft of this report was discussed with representatives of the Honduras Forestry Development Corporation and USAID/Honduras, who expressed their agreement with the report contents.

The entire text of the Project Unit's management is included en Appendix I. Those comments exclusively refer to actions taken by the Project Unit's management to implement the recommendations of this report.

Price Waterhouse

Price Waterhouse

Price Waterhouse

AUDIT OF THE FORESTRY DEVELOPMENT PROJECT
USAID/HONDURAS PROJECT No. 522-0246
MANAGED BY THE HONDURAS FORESTRY
DEVELOPMENT CORPORATION (COHDEFOR)
FOR THE PERIOD SEPTEMBER 1, 1988
TO FEBRUARY 29, 1992

FUND ACCOUNTABILITY STATEMENTS

INDEPENDENT AUDITOR'S REPORT

We have audited the fund accountability statements of A.I.D. Loan and Grant funds and Counterpart funds of the Forestry Development Project No. 522-0246 managed by the Project Implementation Unit of COHDEFOR from September 1, 1988 to February 29, 1992. These fund accountability statements are the responsibility of the Project Implementation Unit's management. Our responsibility is to express an opinion on these fund accountability statements based on our audits.

Except as indicated in the following two paragraphs, we conducted our audits in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the fund accountability statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall fund accountability statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The fund accountability statement of Counterpart funds includes costs related to salaries and wages, fringe benefits, fixed assets, and building constructions, totalling L4,111,796, transferred by COHDEFOR as Counterpart in-kind contributions. The criteria used by COHDEFOR's management to assess these contributions cannot be substantiated by appropriate audit procedures.

We do not have an external quality control review by an unaffiliated audit organization as required by paragraph 46 of chapter 3 of the Government Auditing Standards because no such quality review program is offered by professional organizations in Honduras. 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 World Firm worldwide internal quality control program

which requires that Price Waterhouse - Honduras Office be subjected, every three years, to an extensive quality control review by audit partners and managers from other Price Waterhouse World Firm offices.

The accompanying fund accountability statements were prepared for the purpose of complying with Section B.5 (ii), Part C of the Project Implementation Letter No. 7 of the Grant Agreement No. 522-0246 between the U.S. Agency for International Development and the Government of Honduras as discussed in Note 1, and are not intended to be a presentation in conformity with generally accepted accounting principles.

As discussed in Note 3, the accompanying fund accountability statement of A.I.D. Loan and Grant funds referred to above presents only funds directly managed by the Project Implementation Unit of COHDEFOR and is not intended to present fairly receipts and disbursements made directly by A.I.D. in accordance with Agreement terms.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to assess the estimates made by COHDEFOR's management for transferring Counterpart in-kind contributions, as mentioned in the third paragraph of this report, the fund accountability statements of A.I.D. Loan and Grant funds and Counterpart funds of the Forestry Development Project No.522-0246 present fairly, in all material respects, Project's receipts and expenditures for the period September 1, 1988 to February 29, 1992, in accordance with the terms of the respective agreement with A.I.D.

Regarding Project activities financed with A.I.D. Loan and Grant funds, our audit tests disclosed costs of L123,633 (\$22,895) which have been considered questionable for the reasons explained in Note 5 to the fund accountability statements. These questionable costs do not affect our opinion on the fund accountability statement of A.I.D. Loan and Grant funds.

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

Price Waterhouse

July 17. 1992

AUDIT OF THE FORESTRY DEVELOPMENT PROJECT
USAID/HONDURAS PROJECT No. 522-0246
MANAGED BY THE HONDURAS FORESTRY
DEVELOPMENT CORPORATION (COHDEFOR)
FOR THE PERIOD SEPTEMBER 1, 1988
TO FEBRUARY 29, 1992

FUND ACCOUNTABILITY STATEMENT
A.I.D. LOAN AND GRANT FUNDS
(Expressed in Lempiras - Note 1)

	BUDGET (NOTE 3)			AVAILABLE (UNDER) OVER BUDGET			ACTUAL			UNSUPPORTED COSTS (NOTE 5)
	LOAN	GRANT	TOTAL	LOAN	GRANT	TOTAL	LOAN	GRANT	TOTAL	
RECEIPTS:										
Loan and Grant Agreement AID 522-0246	<u>L5,499,962</u>	<u>L16,290,850</u>	<u>L21,790,812</u>	<u>L1,379,297</u>	<u>L13,312,115</u>	<u>L14,691,412</u>	<u>L4,120,665</u>	<u>L2,978,735</u>	<u>L7,099,400</u>	
DISBURSEMENTS:										
Sundry personal profession- al and technical services	175,500		175,500	170,675		170,675	4,825		4,825	
Advertising	22,000	50,833	72,833	22,000	50,833	72,833		27,530	27,530	
Equipment maintenance	9,600	9,600	19,200	9,600	(17,930)	(8,330)				
Constructions maintenance	1,165,000		1,165,000	(42,790)		(42,790)	1,207,790		1,207,790	
Sundry services	528,700	195,500	724,200	282,534	(299,787)	(17,253)	246,166	495,287	741,453	
Books, magazines, newspapers	2,000	7,300	9,300	2,000	7,062	9,062		238	238	
Office supplies	15,300		15,300	10,435		10,435	4,865		4,865	
Additions and betterment to constructions	150,000		150,000	149,512		149,512	488		488	
Communication and office equipment				(36,329)		(36,329)	36,329		36,329	
Constructions of roads and bridges	3,361,862		3,361,862	322,427		322,427	3,039,435		3,039,435	
Printing and binding		100,300	100,300		100,300	100,300		63,437	63,437	
Fuel and lubricants		50,880	50,880		(12,557)	(12,557)				
Tools		20,000	20,000	(10,163)	20,000	9,837	10,163		10,163	
Civil constructions		250,000	250,000		119,092	119,092		130,908	130,908	
Local scholarships		6,934,637	6,934,637		4,890,304	4,890,304		2,044,333	2,044,333	
Subsidies to particulars		1,931,800	1,931,800		1,472,932	1,472,932		458,868	458,868	
Loans to private enterprises		6,620,000	6,620,000		6,620,000	6,620,000				
Contingency	70,000	120,000	190,000	70,000	120,000	190,000				
TOTAL DISBURSEMENTS	<u>L5,499,962</u>	<u>L16,290,850</u>	<u>L21,790,812</u>	<u>949,901</u>	<u>13,070,249</u>	<u>14,020,150</u>	<u>4,550,061</u>	<u>3,220,601</u>	<u>7,770,662</u>	
Excess of disbursements over receipts (Note 4)				<u>L 429,396</u>	<u>L 241,866</u>	<u>L 676,262</u>	<u>L (429,396)</u>	<u>L (241,866)</u>	<u>L (671,262)</u>	<u>L123,633</u>

AUDIT OF THE FORESTRY DEVELOPMENT PROJECT
USAID/HONDURAS PROJECT No. 522-0246
MANAGED BY THE HONDURAS FORESTRY
DEVELOPMENT CORPORATION (COHDEFOR)
FOR THE PERIOD SEPTEMBER 1, 1988
TO FEBRUARY 29, 1992

FUND ACCOUNTABILITY STATEMENT
COUNTERPART FUNDS
(Expressed in Lempiras - Note 1)

	<u>BUDGET</u> <u>(NOTE 3)</u>	<u>AVAILABLE</u> <u>OVER (UNDER)</u> <u>BUDGET</u>	<u>ACTUAL</u>	<u>UNSUPPORTED</u> <u>COSTS</u> <u>(NOTE 5)</u>
RECEIPTS:				
Counterpart fund Government of Honduras	<u>L11,043,051</u>	<u>L705,824</u>	<u>L10,337,227</u>	
DISBURSEMENTS:				
Salaries and wages	6 977,134	256,775	6,720,359	L2,845,553
Fringe benefits	637,871	179,034	458,837	436,781
Per diem	225,213	12,304	212,909	
Equipment maintenance	897,578	136,719	760,859	
Office supplies	179,393	(103,541)	282,934	
Fuel and lubricants	480,282	(17,134)	497,416	
Fixed assets	910,017	50,090	859,927	645,000
Building constructions	200,000		200,000	184,462
Public services	67,299	4,482	62,817	
Printing and binding	43,185	18,630	24,555	
Rentals	72,817	9,510	63,307	
Insurance premiums	89,646	15,645	74,001	
Sundry services	43,523	(3,013)	46,536	
Materials and supplies	123,498	19,569	103,929	
Other	95,595	27,157	68,438	
TOTAL DISBURSEMENTS	<u>L11,043,051</u>	<u>606,227</u>	<u>L10,436,824</u>	<u>L4,111,796</u>
Excess of disbursements over receipts (Note 4)		<u>L 99,597</u>	<u>L (99,597)</u>	

AUDIT OF THE FORESTRY DEVELOPMENT PROJECT
USAID/HONDURAS PROJECT No. 522-0246
MANAGED BY THE HONDURAS FORESTRY
DEVELOPMENT CORPORATION (COHDEFOR)
FOR THE PERIOD SEPTEMBER 1, 1988
TO FEBRUARY 29, 1992

NOTES TO THE FUND ACCOUNTABILITY STATEMENTS

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES:

The fund accountability statements of A.I.D. Loan and Grant funds and Counterpart funds of the Forestry Development Project No. 522-0246 managed by the Project Implementation Unit of COHDEFOR during the period september 1, 1988 to February 29, 1992, were prepared for the purpose of complying with Section B.5 (ii), Part C of the Project Implementation Letter No. 7 of the Loan and Grant Agreement between the U.S. Agency for International Development and the Government of Honduras. The significant accounting policies adopted by the Project Implementation Unit of COHDEFOR to manage the Project are summarized as follows:

Basis of accounting -

The Project Implementation Unit of COHDEFOR uses the system of budgetary execution of the Government of Honduras to report the Project's operations. The classification of budget line items in this system differ substantially from the classification of the Grant Agreement budget line items. The cash basis is used in this system to record receipts and disbursements, which are recognized when they are received or disbursed, respectively.

Exchange rate -

The records of the Project are kept in Honduran Lempiras, the official currency. The official exchange rate of two Lempiras for one United States Dollar remained constant for many years. In March 1990 the Government of Honduras approved an interbank exchange market for most foreign exchange transactions. As of February 29, 1992, the exchange rate in this market was L5.40 to US\$1.00.

NOTE 2 - HISTORY AND OPERATIONS OF THE PROJECT:

On December 29, 1987 the Government of Honduras, acting through the Ministry of Finance and Public Credit, signed a Grant and Loan Agreement with the U.S. Agency for International Development (A.I.D.) to meet the costs of carrying out Project No. 522-0246, Forestry Development. The Project completion date is December 31, 1994.

The total estimated Project cost was US\$31,687,000. A.I.D. was to provide grant and loan funding in increments up to US\$20,000,000 and the Government of Honduras was to fund US\$11,687,000 of Project costs. At February 29, 1992 the Mission had obligated US\$13,172,000 through various Project Agreement Amendments.

The purpose of the Project is to improve the management and sustainable productivity of commercial pine forests, and the efficiency of industrial conversion and marketing of wood products.

The Project activities take place both on national level and in specific regions. The Project has the following three interrelated components:

1. Institutional Reorientation of COHDEFOR - The Project supports the Government of Honduras' key policy of encouraging the private sector to manage the lumber processing and marketing function, while COHDEFOR concentrates its activities in forest management and supervision.
2. Forest Management of Selected Areas - Project management activities are pilot efforts in two pine forest areas: La Unión and Salamá in the Department of Olancho.
3. Strengthening the Forest Industry - This component of the Project is aimed at reducing financial and technical constraints affecting the loggers and sawmillers.

The Project would establish a \$4.9 million equivalent credit facility to meet financial needs of private loggers and sawmill operators to replace/overhaul equipment and machinery, carry out circular to band saw mill conversions, and obtain operating capital for the purchase of parts and production inputs. This credit facility was never implemented and, therefore, not audited.

NOTE 3 - BUDGET:

The Project budget of A.I.D. funds does not include disbursements amounting to L14,493,577 (\$3,478,296) made directly by A.I.D. for the following concepts: (a) acquisitions of fixed assets and other purchases amounting to L5,407,763 (\$1,348,287); (b) training amounting to L1,409,152 (\$365,184); and (c) expatriate technical assistance amounting to L7,676,662 (\$1,764,825).

The disbursement categories of the budget of A.I.D. Loan and Grant funds and Counterpart funds, as presented in the accompanying fund accountability statements, were approved by A.I.D. through Project Implementation Letters.

NOTE 4 - EXCESS OF DISBURSEMENTS OVER RECEIPTS:

Excess of the Project disbursements over receipts, as of February 29, 1992, were as follows:

	<u>EXPRESSED IN LEMPIRAS</u>	
	<u>A.I.D.</u>	<u>Counterpart</u>
Assets:		
Banks	L (225,236)	L 52,340
Petty cash		<u>4,000</u>
Total assets	<u>L (225,236)</u>	<u>L 56,340</u>
Loans payable to COHDEFOR	(1,075,728)	(160,000)
Exchange differences	506,069	
Difference not reconciled	<u>123,633</u>	<u>4,063</u>
Excess of disbursements over receipts	<u>L (671,262)</u>	<u>L (99,597)</u>

Difference not reconciled could represent a shortage of cash or disbursements not reported in the fund accountability statements.

NOTE 5 - QUESTIONABLE COSTS:

Unsupported Project costs, as of February 29, 1992, are shown below. Amounts in parenthesis represent the U.S. dollar equivalent at the official rate of exchange of L5.40 to US\$1.00. Unsupported costs from A.I.D. funds were reimbursed to the Project by A.I.D.

UNSUPPORTED COSTS

A.I.D. funds -

a) Excess of funds received over disbursements made by the Project, that are not supported and that were not reconciled	L123,633 (\$22,895)
Total A.I.D. Loan and Grant funds	<u>L123,633</u> <u>(\$22,895)</u>

Counterpart funds -

The following costs, related to personnel and fixed assets, correspond to Counterpart in-kind contributions, for which no evidence of support documentation exist.

I. Salaries and wages:

a) Salaries paid to COHDEFOR's financial and administrative personnel as institutional support	L2,845,553 (\$526,954)
Carried forward	<u>L2,845,553</u> <u>(\$607,840)</u>

UNSUPPORTED COSTS

Brought forward	<u>L2,845,553</u> <u>(\$607,840)</u>
II. <u>Fringe benefits:</u>	
a) Christmas bonus, overtime, vacations, and other paid to the above personnel	436,781 <u>(\$80,886)</u>
	 <u>(\$607,840)</u>
III. <u>Fixed assets:</u>	
a) Estimated cost of sawmill Installation transferred to the Project	320,000 <u>(\$59,259)</u>
b) Estimated cost of bandsaw sharpening equipment and other furniture transferred to the Project	325,000 <u>(\$60,185)</u>
IV. <u>Building construction:</u>	
a) Estimated cost of La Unión office installations, totally depreciated at the date of transference to the Project	184,462 <u>(\$34,160)</u>
Total Counterpart funds	<u>L4,111,796</u> <u>(\$761,444)</u>
Total funds	<u>L4,235,429</u> <u>(\$784,339)</u>

Price Waterhouse

AUDIT OF THE FORESTRY DEVELOPMENT PROJECT
USAID/HONDURAS PROJECT No. 522-0246
MANAGED BY THE HONDURAS FORESTRY
DEVELOPMENT CORPORATION (COHDEFOR)
FOR THE PERIOD SEPTEMBER 1, 1988
TO FEBRUARY 29, 1992

INTERNAL CONTROL STRUCTURE

INDEPENDENT AUDITOR'S REPORT

We Have audited the fund accountability statements of A.I.D. Loan and Grant funds and Counterpart funds of the Forestry Development Project No. 522-0246 managed by the Project Implementation Unit of COHDEFOR during the period September 1, 1988 to February 29, 1992, and have issued our report thereon dated July 17, 1992.

Except for not conducting an external quality control review by an unaffiliated audit organization as described further in our opinion on the fund accountability statements, we conducted our audits in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statements are free of material misstatement.

In planning and performing our audit of the fund accountability statements of A.I.D. Grant funds and Counterpart funds of the Forestry Development Project No. 522-0246 managed by the Project Implementation Unit of COHDEFOR from September 1, 1988 to February 29, 1992, we consider the Unit's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the fund accountability statements and not to provide assurance on the internal control structure.

The management of the Project Implementation Unit of COHDEFOR is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that 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 statements in accordance with generally accepted accounting principles and agreement terms. 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 might become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories:

- Accounting process
- Budgetary process
- Procurement system
- Payroll and per diem procedures
- Receipts and disbursements
- Fixed assets system

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 the following matter 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 judgement, 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 statements.

1. Project management did not reconcile in a timely manner, funds transferred by A.I.D. and COHDEFOR with the related Project assets.

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 statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly,

would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. We believe that the reportable condition mentioned above is a material weakness.

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

Paice Waterhouse

July 17, 1992

AUDIT OF THE FORESTRY DEVELOPMENT PROJECT
USAID/HONDURAS PROJECT No. 522-0246
MANAGED BY THE HONDURAS FORESTRY
DEVELOPMENT CORPORATION (COHDEFOR)
FOR THE PERIOD SEPTEMBER 1, 1988
TO FEBRUARY 29, 1992

INTERNAL CONTROL STRUCTURE

FINDINGS

1. Project Management Did Not Reconcile in a Timely Manner, Funds Transferred by A.I.D. and COHDEFOR With the Related Project Assets.

Condition:

As of February 29, 1992, the Project records did not include information related to receipts of A.I.D. funds from reimbursements of expenses in the Project activities. Our tests of receipts disclosed a difference of L1,578,071 between the A.I.D. confirmation and the Project records, which was subsequently revised resulting a final difference of L75,280, which was not possible to clarify. This difference is included in the difference of L123,633 mentioned in the following paragraph.

Additionally, the reconciliation of excess of disbursements over receipts, in the fund accountability statements, with the Project net assets reflects differences of L123,633 and of L4,063, not clarified. This situation results because Project management records only disbursements made directly by the Project, while receipts of funds from A.I.D. and the Government of Honduras, and disbursements made directly by COHDEFOR or A.I.D., other than those specifically reserved by the Grant Agreement to be made by A.I.D., are not always recorded because the supporting documentation is not received by the Project.

Furthermore, the Project's accounting records have never been reconciled with those of COHDEFOR nor with information from A.I.D. to determine any differences that should be opportunely investigated and corrected, because the accounting system is not designed to provide proper accountability of all Project transactions, nor to permit the preparation of auxiliary records showing the individual transactions conforming each A.I.D. budget line item, but only the latest accumulation.

Criteria:

Section B.5 (ii) of Article B of the Project Implementation

Letter No 7 states that Project audits are to ensure that proper accounting practices are being employed, that proper bookkeeping procedures are being observed, and that expenditures of Project monies are properly made.

In addition, Section 2.4 of A.I.D. Handbook 11, Chapter 4, requires that the contractor must maintain accounts and records adequate to demonstrate the allowability and allocability, including the nature, amount, and derivation, of costs charged to the contract.

Cause:

Project management did not establish adequate accounting system and procedures to ensure that all Project transactions were timely and completely accounted for, and to provide sufficient information in order to permit the preparation of key reconciliations.

Effect:

The Project's fund accountability statements of A.I.D. Loan and Grant funds and Counterpart funds are misstated by L123,633 and L4,063 respectively.

Recommendation:

Project management should review the present accounting system and procedures and make the required changes in order to meet the requirements of the A.I.D Agreement and Project's needs. The new accounting system should ensure that all Project transactions are completely and timely accounted for, and that detailed auxiliary records for all Project transactions are obtained to permit: (a) the preparation of the fund accountability statements: (b) the reconciliations of current accounts with COHDEFOR and with A.I.D. receipts and disbursements information: and (c) the reconciliations of the excess (deficiencies) of receipts over disbursements with the related balance sheet accounts.

Price Waterhouse

AUDIT OF THE FORESTRY DEVELOPMENT PROJECT
USAID/HONDURAS PROJECT No. 522-0246
MANAGED BY THE HONDURAS FORESTRY
DEVELOPMENT CORPORATION (COHDEFOR)
FOR THE PERIOD SEPTEMBER 1, 1988
TO FEBRUARY 29, 1992

COMPLIANCE WITH AGREEMENT TERMS AND
APPLICABLE LAWS AND REGULATIONS

INDEPENDENT AUDITOR'S REPORT

We have audited the fund accountability statements of A.I.D. Loan and Grant fund and Counterpart fund of the Forestry Development Project No. 522-0246 managed by the Project Implementation Unit of COHDEFOR during the period September 1, 1988 to February 29, 1992, and have issued our report thereon dated July 17, 1992.

Except as discussed in the fourth paragraph, and except for not conducting an external quality control review by an unaffiliated audit organization as described further in our opinion on the fund accountability statements, we conducted our audits in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statements are free of material misstatement.

Compliance with Agreement terms and laws and regulations applicable to the Forestry Development Project No. 522-0246, is the responsibility of the Project Implementation Unit of COHDEFOR. As part of obtaining reasonable assurance about whether the fund accountability statements are free of material misstatement, we performed tests of the Project Implementation Unit's compliance with the terms of the Agreement and certain provisions of laws and regulations. However, the objective of our audit of the fund accountability statements was not to provide an opinion on overall compliance with such terms and provisions. Accordingly, we do not express such an opinion.

We were unable to assess the criteria underlying COHDEFOR's management estimates regarding Counterpart in-kind contributions to the Project as a compliance with the Agreement terms that require such contributions; nor were we able to satisfy ourselves of such compliance by other auditing procedures.

Except for the effects of such noncompliance, if any, as might have been determined had we been able to assess the criteria underlying Counterpart in-kind contributions, as described in the preceding paragraph, the result of our tests indicate that, with respect to the items tested, the Project Implementation Unit of COHDEFOR complied, in all material respects, with the Agreement terms and applicable laws and regulations. With respect to items not tested, nothing came to our attention that caused us to believe that the Project Implementation Unit of COHDEFOR had not complied, in all material respects, with those provisions.

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

Pricewaterhouse

July 17, 1992

AUDIT OF THE FORESTRY DEVELOPMENT PROJECT
USAID/HONDURAS PROJECT No. 522-0246
MANAGED BY THE HONDURAS FORESTRY
DEVELOPMENT CORPORATION (COHDEFOR)
FOR THE PERIOD SEPTEMBER 1, 1988
TO FEBRUARY 29, 1992

COMPLIANCE WITH AGREEMENT TERMS AND
APPLICABLE LAWS AND REGULATIONS

FINDINGS

1. The Criteria to Assess the Underlying Counterpart In-kind Contributions to the Project Has Not Been Defined by COHDEFOR and, therefore, the Recorded Amounts as Required by the Agreement Terms Cannot be Substantiated.

Condition:

As February 29, 1992, in-kind contributions made by the Government of Honduras through COHDEFOR amount to approximately L4,234,400 of a total of L10,541,800 as Counterpart funds provided to the Project. In-kind contributions are made based on information provided by the Project of the annual budgeted amounts, instead of on actual disbursements. These transfers are as follows:

Salaries and wages	L2,744,800
Building rentals	57,000
Buildings constructions - Additions	200,000
Christmas bonus	197,400
Vacations	206,200
Contributions to the National Institute for Professional Formation (INFOP)	27,900
Employer contribution to the Honduran Institute for Social Security (IHSS)	72,800
Sawmill equipment	645,000
Other fixed assets	50,000
Overtime	33,300
	<hr/>
	<u>L4,234,400</u>

Costs of salaries and wages, christmas bonus, vacations, employer's contributions to INFOP and IHSS, and overtime correspond to payments to COHDEFOR employees, and were transferred as if they were full time Project employees. This criteria is not verifiable because such employees are not under the Project control.

Cost of L200,000 of building constructions correspond to costs of installations in Campamento Carta and offices in La Unión valued in L102,848, and the cost of L97,512 for three vehicles and other fixed assets. All of these assets

were totally depreciated at the date of transfer, however, they were transferred at their original acquisition cost. In addition, according to our tests of construction costs of installations, we found evidence of costs disbursed only for an amount of L87,310. We did not find evidence supporting the difference of L15,538.

Additionally, we did not find evidence of the cost of sawmill equipment transferred to the Project in an amount of L645,000.

Criteria:

Section B.3, Article 3 of the Project Implementation Letter No. 7 states that the Grantee will also provide other financial and in-kind resources required to effectively carry out the Project in a timely manner. This statement implies that in-kind contributions must be actual disbursements in Project activities.

Cause:

Project management did not evaluate the criteria used by COHDEFOR's management for selecting and transferring in-kind contributions, nor did it establish appropriate procedures to determine whether they were disbursements actually made for Project activities.

Effect:

Counterpart contributions could be misstated due to the possible inclusion of costs charged to the Project but not actually disbursed or not related to its activities. This situation caused a qualified opinion in the independent auditor's report.

Recommendation:

Project management should be required to define the criteria that should govern the type of in-kind contributions, and to establish adequate procedures to ensure that in-kind contributions received are for actual costs invested in Project activities.

2. Payrolls of Project's Employees Are Prepared and Paid By COHDEFOR, and Are Not Reviewed and Approved By Responsible Project Officials Before Payment.

Condition:

All Project personnel, with the exception of the Project Director and technical personnel, are employees of COHDEFOR, and salaries and fringe benefits are financed

with Counterpart funds. The payroll preparation and payment are effected under the direct control of COHDEFOR's officials without the intervention of Project management in personnel administration.

Criteria:

In accordance with Section C.1.a. of Article C of Annex I to the Agreement, the Project Implementation Unit (i.e Project management) serves as a focal point for all Corporation related administrative matters of the Project.

Cause:

The Project personnel administration has been left as responsibility of COHDEFOR.

Effect:

Project payroll costs could not be accurate because of the possible inclusion of employees that do not work in Project related activities. The amount of the possible misstatement cannot be reasonably determined due to the nature of Project activities.

Recommendation:

Project management should immediately take responsibility for administering Project personnel in order to ensure that personnel costs charged to the Project are only those for employees actually working in Project related activities.

AUDIT OF THE FORESTRY DEVELOPMENT PROJECT
USAID/HONDURAS PROJECT No. 522-0246
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DEVELOPMENT CORPORATION (COHDEFOR)
FOR THE PERIOD SEPTEMBER 1, 1988
TO FEBRUARY 29, 1992

LIST OF RECOMMENDATIONS

INTERNAL CONTROL STRUCTURE

RECOMMENDATION 1:

Project management should review the present accounting system and procedures and make the required changes in order to meet the requirements of the A.I.D Agreement and Project's needs. The new accounting system should ensure that all Project transactions are completely and timely accounted for, and that detailed auxiliary records for all Project transactions are obtained to permit: (a) the preparation of the fund accountability statements: (b) the reconciliations of current accounts with COHDEFOR and with A.I.D. receipts and disbursements information: and (c) the reconciliations of the excess (deficiencies) of receipts over disbursements with the related balance sheet accounts.

COMPLIANCE WITH AGREEMENT TERMS AND APPLICABLE LAWS AND REGULATIONS

RECOMMENDATION 1:

Project management should be required to define the criteria that should govern the type of in-kind contributions, and to establish adequate procedures to ensure that in-kind contributions received are for actual costs invested in Project activities.

RECOMMENDATION 2:

Project management should immediately take responsibility for administering Project personnel in order to ensure that personnel costs charged to the Project are only those for employees actually working in Project related activities.

CORPORACION HONDUREÑA DE DESARROLLO FORESTAL

«Proyecto de Desarrollo Forestal»
COHDEFOR — AID No. 522-0246



D-PDF-432/92

Tegucigalpa, D.C., 04 de Noviembre de 1992

Licenciado
Reynaldo Rodríguez
PRICE WATERHOUSE
Su Oficina

Estimado Licenciado Rodríguez:

Habiendo analizado las recomendaciones presentadas por su prestigiada Firma Auditora, en el Informe de Auditoría presentado a nosotros con fecha 22 de Octubre del presente año en relación a los hallazgos siguientes:

A. Estructura de Control Interno

- 1.- Las nóminas de los empleados del Proyecto son preparadas y pagadas por COHDEFOR y no son revisadas ni aprobadas por Funcionarios responsables del Proyecto antes de su pago.

Aceptando la recomendación allí presentada, hemos tomado lo siguiente resolución de común acuerdo con la Administración General de COHDEFOR.

- a. A partir del mes de noviembre, se recibirá previo al pago quincenal, planilla del Proyecto donde se detallan los empleados permanentes y temporales por área de trabajo y deducciones correspondientes.
- b. En el mes de enero próximo, se espera iniciar el proceso de Red de Informática a nivel de oficina central y regional, lo que nos permitirá mediante una llave especial; acceso directamente de la base de datos de planillas generales de la Corporación días antes de los pagos quincenales correspondientes facilitando así la detección de cualquier irregularidad.

Apartado Postal 1378
Tegucigalpa, D.C. Honduras, C.A.
Tels. 22-1027, 22-7703 22-3248
Fax 22-2653

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Sr. R. Rodríguez

- 2.- La Administración del Proyecto no reconcilió en forma oportuna con los activos relativos del Proyecto, los fondos por AID y COHDEFOR.

Se ha revisado el actual sistema contable y procedimientos efectuando a la fecha algunas modificaciones específicas y se ha contratado un contador general quien está preparando un sistema contable que se llevará a programación por el personal de informática, con el cual se espera mantener una conciliación mensual con los registros de COHDEFOR y la AID.

Este sistema contable iniciará su aplicación a partir del mes de marzo de 1992 partiendo de los saldos definidos por su Empresa Auditora y esperando contar a finales de este año con los Estados Financieros correspondientes.

B. Cumplimiento con los Términos del Convenio, Leyes y Regulaciones Aplicables.

- 1.- Los criterios para evaluar las contribuciones en especies al Proyecto no han sido definidos por COHDEFOR y, por consiguiente, los montos registrados según lo requieren los términos del convenio, no pueden ser substanciados.

Se inició a la fecha la selección para contratación de personal independiente quien realizará una real valoración de los bienes muebles e inmuebles que aparecen en este período como aportación en especie, esperando contar a más tardar el 30 de noviembre con el Informe correspondiente.

En relación a la contraparte nacional correspondiente a la participación del personal de la Corporación Hondureña de Desarrollo forestal en las diferentes actividades del Proyecto, se consideró como que el personal realice en el período de aplicación presupuestaria actividades relacionadas con:

.../3

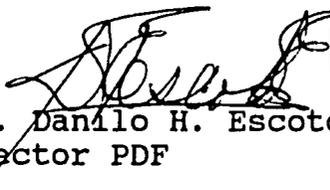
Sr. R. Rodríguez

- a. El Sistema MASBOSQUE (Venta de Madera en Pie).
- b. Inventario Forestal Nacional.
- c. Personal de la Unidad de Manejo La Unión.
- d. Personal de la Unidad de Manejo Salamá
(Previo a su traslado definitivo al Proyecto).
- e. Personal de la Administración General de la Corporación
que revisan, analizan, registran y controlan nuestras
actividades.

Los porcentaje de aplicación y detalle de este hallazgo se
presentarán en conjunto con las aplicaciones en especies de Activos
Fijos.

Agradecemos su valiosa colaboración,

Atentamente,


Ing. Danilo H. Escoto
Director PDF



cc: Administración PDF
Dirección PDF

Lic. Marco Antonio Zavala, Contralor Interino para Análisis Finan. AID

Lic. María E. Flores, Auditor Supervisor RIG/AT, AID

Sr. John Jordan, Oficial de Proyecto AID

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