

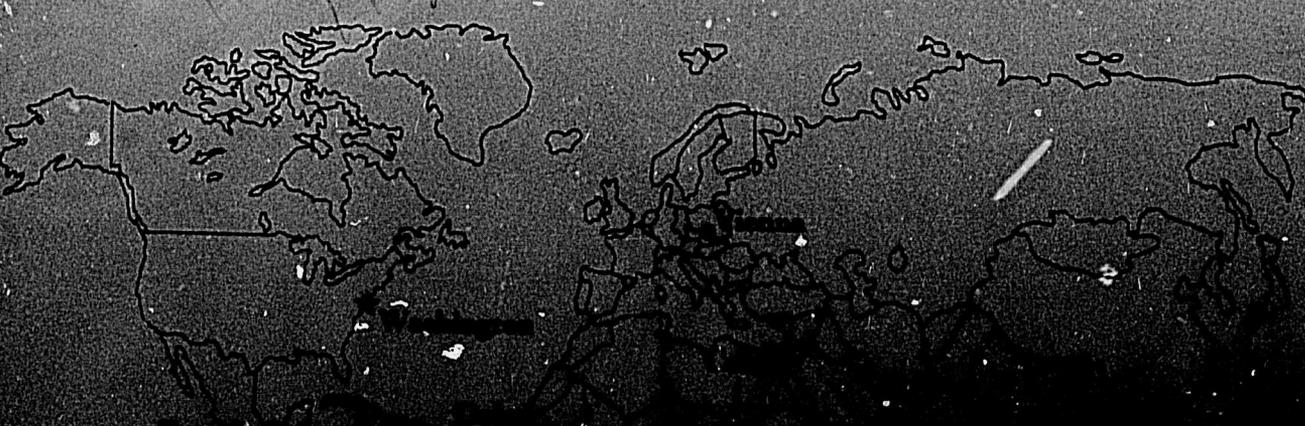
Regional Inspector General for Audit
Tegucigalpa, Honduras

PD-ABF-233

ISN 80800

**Award Survey of the
Autonomous Executive Ports Commission's
Capabilities to Manage Activities
Under USAID/El Salvador's
Public Services Improvement Project**

**Audit Report No. 1-519-93-05-N
January 15, 1993**



 **INSPECTOR
GENERAL** 

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

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

AGENCY FOR INTERNATIONAL DEVELOPMENT

OFFICE OF THE REGIONAL INSPECTOR GENERAL
AMERICAN EMBASSY
TEGUCIGALPA - HONDURAS

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

January 15, 1993

MEMORANDUM

TO: D/USAID/El Salvador, John Sanbrailo

FROM: RIG/A/T, Lou Mundy 

SUBJECT: Award Survey of the Autonomous Executive Ports Commission's
Capability to Manage Activities Under USAID/El Salvador's
Public Services Improvement Project

This report presents the results of an award survey of the Autonomous Executive Ports Commission's (the Commission's) capability to manage activities under the Public Services Improvement Project (USAID/El Salvador Project No. 519-0320). The firm of Arthur Andersen & Co. prepared the report dated November 30, 1992.

The approved budget for the Public Services Improvement Project (Project) provides for \$75 million in A.I.D. grant funds and \$60 million in Government of El Salvador counterpart contributions. The Commission, an autonomous public institution which manages port, airport, and railroad services is responsible for, along with three other implementing entities, activities of the Project's Public Services Restoration component and is currently budgeted to receive approximately \$2 million in A.I.D. funding during the life of the Project.

The objectives of the award survey were to report on the Commission's: (1) managerial and financial capability to manage Project activities, (2) internal control structure with respect to Project operations, and (3) compliance with terms of the agreement and applicable laws and regulations. The scope of the award survey included an examination of Commission activities and transactions to the extent considered necessary to issue a report thereon.

The auditors concluded that, except for the lack of: (1) certain job descriptions and internal control policies and procedures concerning the execution of the Project, (2) a well defined conflict of interest policy, and (3)

a training plan for personnel involved in the implementation of the Project, the Commission has sufficient managerial capability to manage the activities of the Project. Also, the auditors concluded that the Commission has the financial capability to carry out Project activities.

The auditors identified six reportable conditions in the Commission's internal control structure related to Project activities. Three of these conditions were reported as material weaknesses. Specifically, these weaknesses disclosed that the Commission: (1) needs to improve its accounting policies and procedures, (2) does not adequately report on commodities acquired under the Project, and (3) does not have written procedures for the recruiting, selecting, and contracting of personnel.

With respect to the Commission's compliance with agreement terms and applicable laws and regulations, the auditors found four material instances of noncompliance. Specifically, the Commission: (1) has an action plan needing USAID/El Salvador approval in order to be an eligible activity under the Project Agreement, (2) has not maintained separate auxiliary records to account for Project commodities acquired with A.I.D. funds, (3) has not prepared required Project execution reports by budget-line item, and (4) has not reported to USAID/El Salvador the counterpart contributions made under the Project.

The auditors also performed a follow-up on recommendations made to the Commission in an August 1991 evaluation of its commodities management system. As the Commission had not taken corrective actions to implement all recommendations we suggest USAID/El Salvador review the open recommendations (page 9 of the Arthur Andersen & Co. report) and ensure the Commission corrects the deficiencies noted.

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

Recommendation No. 1

We recommend that USAID/El Salvador obtain evidence that the Autonomous Executive Ports Commission has established:

- 1.1 internal control policies and procedures which: (a) segregate Project Activities from other activities of the Commission; (b) define personnel and equipment needs of the Project; and (c) produce the various reports required under the Project Agreement such as the project execution, commodities use, and counterpart contributions reports;**

- 1.2 a policy requiring that key officers complete a conflict of interest disclosure questionnaire;**
- 1.3 a training plan for personnel involved in the implementation of the Project;**
- 1.4 accounting procedures which provide for the monthly and year end closing of the accounting records, the capitalization of fixed assets, and the reconciliation of fixed asset and inventory balances;**
- 1.5 procedures to report on acquired commodities in accordance with Section VI.B (2) of Project Implementation Letter No. 3;**
- 1.6 job descriptions and a written personnel manual addressing the recruitment, selection, and contracting of personnel;**
- 1.7 procedures to select and develop action plans in accordance with the terms of the Project Agreement; and**
- 1.8 procedures to maintain separate records accounting for commodities acquired with A.I.D. funds.**

Recommendation No. 1 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 descriptions, procedures, or plans have been established.

The report was discussed with representatives from the Commission who expressed general agreement with its contents. Managements comments are included in Annex I to the Arthur Andersen & Co. report.

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

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

**Award Survey of the
Autonomous Executive Ports Commission's
Capabilities to Manage Activities
Under USAID/El Salvador's
Public Services Improvement Project**

**Audit Report No. 1-519-93-05-N
January 15, 1993**

AWARD SURVEY OF USAID/EL SALVADOR'S
PUBLIC SERVICES IMPROVEMENT PROJECT 519-0320
MANAGED BY THE AUTONOMOUS EXECUTIVE PORTS COMMISSION (CEPA)

AS OF JUNE 3, 1992

TABLE OF CONTENTS

	<u>Page No.</u>
I. TRANSMITTAL LETTER AND SUMMARY	
Background	3
Survey objectives and scope	5
Results of survey	7
Management comments	9
II. MANAGEMENT/FINANCIAL CAPABILITY	
Independent auditor's report/management capability	10
Findings	11
Independent auditor's/financial capability	14
III. INTERNAL CONTROL STRUCTURE	
Independent auditor's report	15
Findings	17
IV. COMPLIANCE WITH AGREEMENT TERMS AND APPLICABLE LAWS AND REGULATIONS	
Independent auditor's report	22
Findings	23
V. FOLLOW UP TO PREVIOUS YEAR'S CONSULTING RECOMMENDATIONS	
Independent auditor's report	27
Findings	28
VI. LIST OF REPORT RECOMMENDATIONS	30
ANNEX I - MANAGEMENT COMMENTS ¹	

ARTHUR ANDERSEN & Co.

Edificio Centro Gerencial Las Margaritas
Diagonal 6, 10 - 65 Zona 10, 5o. Nivel
P.B.X.: 327939, FAXES: 316914, 316916
Guatemala, C.A

November 30, 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 award survey to determine if the AUTONOMOUS EXECUTIVE PORTS COMMISSION (CEPA) has sufficient management and financial capabilities and span of control to manage the Public Services Improvement Project, USAID/El Salvador Project 519-0320.

BACKGROUND

On August 30, 1989, USAID/El Salvador approved the Public Services Improvement Project, USAID/El Salvador Project No.519-0320, which provided the amount of US\$ 75,000,000 in grant funds to the Government of El Salvador (GOES) acting through the Ministry of Planning and Coordination for Social and Economic Development. It was agreed that the Government of El Salvador would provide a counterpart contribution of no less than US\$ 60,000,000, which might include Economic Support Funds, and PL 480 generated local currency. The Project Assistance Completion Date is estimated to be September 30, 1994.

The purpose of the project is to:

1. Support restoration of services interrupted and facilities damaged or destroyed as a result of insurgent activity or natural disaster.
2. Assist in performance of deferred maintenance and repair of indirect damages to primary rural roads, and in maintenance of A.I.D. financed construction equipment for road maintenance.
3. Construct and repair small rural water systems and sanitary facilities, and to provide health education in rural communities,
4. Provide technical assistance in project management, enhance the implementing institutions' capability to perform their functions (including policy analysis), sustain project activities, and perform evaluations and audits.

The project has the following four major components:

1. Public Services Restoration

This component provides the financial support, principally foreign exchange, needed by the public services agencies to repair direct and indirect damages caused by guerrilla actions and, if required, by natural disasters. This component continues restoration assistance provided under the Public Services Restoration Project, USAID/EL SALVADOR Project No. 519-0279. Implementing entities are: Lempa River Hydroelectric Executive Commission (CEL), Ministry of Public Works (MOP), Autonomous Executive Port Commission (CEPA), and National Water and Sewer Administration (ANDA).

Project funds are used to finance imported commodities, typical of which are electrical distribution and transmission equipment and material; electric motors and switch gear; pumps and valves; navigation and communication equipment; light equipment; repair parts for any of the above and diesel locomotives; and bridge materials. In addition to the importation of electrical machinery and spare parts for the public services agencies, this component funds helicopter services for use primarily by CEL in the repair of electrical transmission and distribution lines and towers.

2. Secondary, Tertiary, and Lower Class Rural Road Deferred Maintenance and Repair

This component finances a major effort to repair deteriorated rural roads together with Institutional Strengthening in component (4) and supplements the capability of the MOP to plan and manage road maintenance. The administration for machinery and equipment (AME) receives support to maintain A.I.D. purchased equipment. The implementing entity is the MOP through its divisions for equipment AME, and for roads, the management for the project in the division of roads.

3. Potable Water Supply, Sanitation and Health

This component provides support to restore or install water supply and sanitation systems, in association with community organization and health education activities, in small rural communities. The implementing entities are the Ministry of Health (MSPAS) and ANDA.

4. Institution Strengthening, Project Support, Monitoring and Evaluation

This component finances technical assistance, training and commodities to enhance project implementing entity capability, to promote policy analysis and reform, and to perform evaluations and audits. A.I.D. contracts directly for technical assistance on behalf of and for the Government of El Salvador (GOES) utilizing project funds and customary competitive procedures.

History of the Autonomous Executive Port
Commission (CEPA)

CEPA is a Public Law Institution with autonomous standing and it has personal legal standing. It is located in the capital city of the Republic of El Salvador. It was originally founded on May 28, 1952 as the Executive Commission of the Port of Acajutla. CEPA's general objective is to manage, direct, operate and perform the port, airport and railroad services. CEPA'S functions and attributions are: a) Planning, construction, maintenance, expansion and improvement of the port, airport, railroad and complementary installations, present and future, b) Helping the sea navigation, meteorologic and oceanography installation, c) Acquisition, maintenance and improvement of the necessary equipment for the performance of its functions; d) Directing the loading and unloading of the ships and railroads and keeping custody of the merchandise deposited in the ports and railroad stations. To develop the previously mentioned activities CEPA operates through the following firms: Acajutla Port, Cutuco Port, El Salvador International Airport and El Salvador National Railroad - FENADESAL.

SURVEY OBJECTIVES AND SCOPE

The objectives of our award survey of CEPA
were to determine whether

1. CEPA has sufficient management and financial capabilities and span of control to administer the components under its responsibility of the Public Services Improvement Project, considering its current and future projects' workload, staffing levels and past performance in developing other USAID/El Salvador projects;
2. CEPA's internal control structure including the control environment, accounting system and control procedures (specifically related to the procurement and accounting for commodities) is adequate to manage the project's operations;
3. CEPA is complying with agreement terms, project implementation letters, and applicable laws and regulations.

The scope of our survey included the following steps

A. Preliminary steps

We reviewed the following documents and applied criteria to the different items tested while performing our work.

1. The statement of work
2. The "Projects Papers"
3. Grant Agreement for the Public Services Improvement Project, USAID/El Salvador Project No. 519-0320, including amendments.

4. The budgets, project implementation letters (PILs), and written procedures approved by USAID/El Salvador to manage the projects.
5. Office of Management and Budget (OMB) Circular A-122 "Cost Principles for Nonprofit Organizations".
6. A.I.D Handbook 11, Country Contracting, specifically Chapter 4, Cost Principles.
7. A.I.D Handbook 15, Commodities, specifically Chapter 10, Commodity Arrival and Disposition.
8. DEVRES INC. Report, dated August 23, 1991.
9. RIG/A/T Commodity Audit Report, dated May 1992.
10. USAID/El Salvador Mission Order Manual (MOM), Sub-Chapter 7030, Monitoring of Receipt and End-Use of Program and Project Commodities.

B. Management and financial capability

In assessing the management and financial capability of CEPA, we evaluated:

1. The actual organization chart and the proposed allocation of responsibilities for project activities.
2. The staffing levels of capacity in terms of expertise and experience managing similar USAID/El Salvador or other projects.
3. The actual and proposed workload of key personnel in charge of project activities.
4. CEPA's policies regarding administration of personnel, administration of funds and assets, and other related policies such as segregation of duties, conflict of interests.
5. The accuracy and timeliness of submission of reports and other project documentation, and past performance in terms of attainment of project goals.
6. Whether CEPA has adequate systems to plan, procure, account for and use commodities.

C. Internal control structure

We evaluated the actual internal control structure (control environment, accounting system and control procedures) in accordance with generally accepted auditing standards and the U. S. Comptroller General's "Government Auditing Standards". The internal controls evaluated included, but were not limited, to the adequacy of the accounting and information systems (specifically related to procurement and accounting for commodities), procurement procedures and practices, fixed equipment/supplies controls, controls on counterpart contribu-

tions, and controls to assure that charges to the project are proper and supported. We also evaluated: whether CEPA has established policies for planning and evaluating project activities and accomplishments, the input and output procedures for the electronic data processing (EDP) system, and past audit reports to determine whether CEPA has implemented the recommendations.

D. Compliance with agreement terms and applicable laws and regulations

Our work in this area consisted of monitoring whether CEPA has complied with agreement terms, project implementation letters, and applicable laws and regulations, and assessing possible risks for the project resulting from noncompliance.

E. Follow up to previous year's consulting recommendations

We performed the follow up to findings and recommendations included in the Report on Evaluation of the Commodity Management System performed by DEVRES, INC. in August, 1991 (Contract No. 519-0349-00-1111).

Such follow up was done on findings and recommendations which could have a material effect on our evaluation, to determine if AME has taken adequate corrective measures.

RESULTS OF SURVEY

In this section we present a summary of the survey results, briefly describing the most significant issues and problems found.

1. Management and financial capabilities

CEPA has sufficient management and financial capability and span of control to adequately manage the activities of the Project. However, CEPA has to implement the following:

- No job description, policies and internal control procedures for purposes of future projects financed by AID.
- CEPA does have a policy regarding conflict of interest
- No training of personnel who will participate in AID projects and especially internal audit of the requirements of AID.

2. Internal control structure

CEPA'S internal control structure is appropriate. However, we found the following reportable conditions that should be improved to strengthen controls for purposes of the Project:

- Lack of written policies and procedures to perform year end closing of the accounting records, capitalization of fixed assets, and reconciliations between auxiliary and general ledgers especially in the area of inventories and fixed assets.
 - The report on purchased commodities with A.I.D. funds prepared by FENADESAL is deficient.
 - Lack of a current personnel manual which: (1) summarizes the current procedures for the selection, recruiting and personnel contracting and (2) includes an updated description of key positions in accordance with CEPA's present needs.
 - Lack of a defined medium and long term strategy for the EDP department. The computer equipments is obsolete and the control over access codes to the EDP is inadequate.
3. Compliance with agreement terms and applicable laws and regulations

As a result of our work we concluded that CEPA has complied with the agreement terms and applicable laws and regulations, except for the following:

- CEPA has two action plans: one for the repair of the protection barrier for dock B in the Acajutla Port, and the other for the enlargement of the rock barrier for the access to the dock. Both action plans are not eligible in accordance with the terms of the agreement. However, CEPA obtained a waiver for the first action plan, but has not requested a waiver for the second action plan.
- CEPA's central office and the Port of Acajutla office do not maintain separate auxiliary records for commodities purchased with A.I.D. funds. In addition, with the exception of FENADESAL, CEPA has not incorporated into its accounting records those assets acquired with A.I.D. funds.
- CEPA has not prepared a project execution report by budget line item.
- CEPA through the Government of El Salvador's Planning Ministry (MIPLAN) has not presented USAID/El Salvador with semiannual consolidated fund reports from the counterpart contribution for the purpose of the project.

With respect to items not tested, nothing came to our attention that caused us to believe that CEPA has not complied, or was not in position to comply, with the terms of the agreement and applicable laws and regulations.

4. Follow up to previous year's consulting recommendations

The result of our follow up tests indicate that CEPA has adopted adequate corrective measures regarding the matters included in the Report on Evaluation of the Commodity Management System performed by DEVRES, INC. in August, 1991 (Contract No. 519-0349-C-00-1111) except for the following recommendations that have not been implemented:

- Establish a system that requires that estimates be established so that commodities can be properly recorded in a timely manner. Documentation for imports is often delayed in order to include even the most minor costs.
- Take steps to remove obsolete items. At Port of Acajutla there are many obsolete items in warehouses which use space needed for active stocks which in turn are often stored in field warehouses.
- Have CEPA re-define responsibility for physical inventories and ensure that they are carried out on a regular basis. Physical inventories of consumable items are not currently carried out on a regular basis. In addition, this function is assigned to the Internal Audit Department, which is not appropriate.
- Require CEPA's Central Office to assign responsibility for all fixed assets to one department so that one system can be used for all operating units and include all the necessary information and controls. Fixed asset records and controls for most of CEPA's operations are inadequate. In addition, responsibility for fixed assets is fragmented and often in wrong hands, e. g. the Internal Auditing Department.
- Replace the central computer, and purchase terminals and software as appropriate to implement the recommendations regarding inventories to be carried out efficiently for all of CEPA. Existing equipment in the Data Processing Department is obsolete.

MANAGEMENT COMMENTS

The draft of this report was discussed with representatives from CEPA and USAID/El Salvador, who in general, agreed with the report. Their comments have been considered in the preparation of this report.

The entire text of CEPA's management comments is included as Annex I to this report.

Arthur Andersen & Co

ARTHUR ANDERSEN & Co.

AWARD SURVEY OF USAID/EL SALVADOR'S

PUBLIC SERVICES IMPROVEMENT PROJECT 519-0320

MANAGED BY THE AUTONOMOUS EXECUTIVE PORTS COMMISSION (CEPA)

REPORT ON MANAGEMENT CAPABILITY

INDEPENDENT AUDITOR'S REPORT

We have performed an evaluation of CEPA's management capability for the administration of activities assigned to it under the PUBLIC SERVICES IMPROVEMENT PROJECT, USAID/EL SALVADOR PROJECT No. 519-0320. Our evaluation included those areas we considered relevant to the criteria established by USAID/EL SALVADOR as set forth in the statement of work for this survey.

Except as discussed in the next paragraph, we conducted our survey in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States (1988 Revision).

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 Guatemala. 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 ARTHUR ANDERSEN & Co. worldwide internal quality control program which requires the ARTHUR ANDERSEN-GUATEMALA office to be subjected, every three years, to quality control review by partners and managers from other ARTHUR ANDERSEN & Co. offices.

Based on our evaluation and understanding of the criteria included in the statement of work referred to in the preceding paragraph, we believe that CEPA has sufficient capability to manage the PUBLIC SERVICES IMPROVEMENT PROJECT, USAID/EL SALVADOR PROJECT No. 519-0320, except for what is described under findings No. 1 to 3 in the following pages.

This report is intended solely for the use of the AUTONOMOUS EXECUTIVE PORTS COMMISSION (CEPA) 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.

Arthur Andersen & Co

June 3, 1992

AWARD SURVEY OF USAID/EL SALVADOR'S
PUBLIC SERVICES IMPROVEMENT PROJECT 519-0320
MANAGED BY THE AUTONOMOUS EXECUTIVE PORTS COMMISSION (CEPA)

REPORT ON MANAGEMENT CAPABILITY

FINDINGS

1. No job description, policies and internal control procedures for purposes of future projects financed by AID

Condition

CEPA has not prepared the following for the administration of future projects to be financed by AID: job descriptions (with the exception of the Technical Assistance and Projects Department), policies and internal control procedures proposed for the execution of the project such as: (1) segregation of activities between CEPA's own activities and project activities, (2) definition of project needs regarding personnel and equipment, and (3) determination of required reports on project implementation to be submitted.

Criteria

Sound management practices require written procedures that include job descriptions, policies and internal control procedures proposed for the execution of projects.

Cause

CEPA considers that the present structure is adequate for the project purposes. However, CEPA has not evaluated the impact that those activities that will be executed under the project will have on its normal activities.

Effect

The lack of adequate planning could disturb CEPA's normal activities, overload the personnel with work and create noncompliance with the terms of the agreement.

Recommendation

CEPA should: (1) prepare job descriptions (with the exception of the Technical Assistance and Projects Department) (2) evaluate the impact that the project activities will have on the normal activities, and (3) determine the additional personnel and equipment that will be needed to execute the project.

2. CEPA does have a policy regarding conflict of interest but it does not include references to project's key officers

Condition

CEPA does not require written statements from its project's key officers attesting to their involvement in situations which may cause conflict of interest.

Criteria

Sound management practice requires a well defined policy regarding conflict of interests.

Cause

This situation has not been considered by the administration of CEPA.

Effect

Employees or officers participating in project activities may carry out acts or hold positions representing conflict of interest for CEPA due to lack of knowledge of policies or because they believe that there are no prohibitions in this regard.

Recommendation

CEPA should require its key officers to prepare a disclosure questionnaire attesting to their lack of involvement in situations that could be in conflict with activities carried under the project.

3. No training is given to personnel who will participate in AID projects and especially to those in charge of internal audit of AID requirements

Condition

CEPA personnel and the Audit Department have not received training regarding review of operations of projects financed by AID to ascertain that they are complying fully with AID requirements.

Criteria

Both the Internal Audit Department and the rest of the personnel in AID projects perform a vital function for the administration of CEPA and should receive training on AID requirements for the administration of grant agreement funds.

Cause

The Internal Audit Department and other personnel involved in AID projects have not participated in seminars given to CEPA by USAID/EL SALVADOR, and moreover, some of the employees of other units who received this training have ceased to work for CEPA.

Effect

The lack of knowledge on A.I.D. requirements could result in noncompliance with the terms of agreement subscribed between USAID/El Salvador and the Government of El Salvador.

Recommendation

CEPA should prepare a training plan to update personnel involved in AID projects on the requirements to be met in the development of such projects, and especially Internal Audit personnel who are responsible for verification of compliance with these requirements.

ARTHUR ANDERSEN & Co.

AWARD SURVEY OF USAID/EL SALVADOR'S

PUBLIC SERVICES IMPROVEMENT PROJECT 519-0320

MANAGED BY THE AUTONOMOUS EXECUTIVE PORTS COMMISSION (CEPA)

REPORT ON FINANCIAL CAPABILITY

INDEPENDENT AUDITOR'S REPORT

We have performed an evaluation of CEPA's financial capability to manage the activities assigned to it under the PUBLIC SERVICES IMPROVEMENT PROJECT, USAID/EL SALVADOR PROJECT No. 519-0320.

Except for not conducting an external control review by an unaffiliated audit organization as described in our report on Management Capability, our evaluation was performed pursuant to USAID/EL SALVADOR's statement of work for the above mentioned project and in accordance with the United States Comptroller General's "Government Auditing Standards" (1988 Revision). Our work included, to the extent considered by us necessary to meet stated objectives, a review of both audited and unaudited financial information.

Based on our evaluation, as described above, we believe that CEPA has the financial capability required to execute the PUBLIC SERVICES IMPROVEMENT PROJECT, USAID/EL SALVADOR PROJECT No. 519-0320, especially since it will receive imported commodities for the project's needs, as provided for by the terms of the grant agreement.

This report is intended solely for the use of the AUTONOMOUS EXECUTIVE PORTS COMMISSION (CEPA) 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.

Arthur Andersen & Co.

June 3, 1992

14

ARTHUR ANDERSEN & Co.

AWARD SURVEY OF USAID/EL SALVADOR'S

PUBLIC SERVICES IMPROVEMENT PROJECT 519-0320

MANAGED BY THE AUTONOMOUS EXECUTIVE PORTS COMMISSION (CEPA)

REPORT ON INTERNAL CONTROL STRUCTURE

INDEPENDENT AUDITOR'S REPORT

We have performed an evaluation of CEPA's management capability for the administration of the activities assigned to it under the PUBLIC SERVICES IMPROVEMENT PROJECT, USAID/EL SALVADOR PROJECT No. 519-0320.

As part of our evaluation, we made a study of those internal accounting control and administrative control procedures of CEPA that we considered relevant to the criteria established in the statement of work for the award survey requested by USAID/EL SALVADOR, for the purpose of expressing our opinion of the management capability for the administration of the project and not to provide assurance on the internal control structure.

The management of CEPA 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 no absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following economical cycles: financial information, purchases, treasury and conversion (assets and inventories).

For all of the internal control structure cycles 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 operations that we considered to be reportable conditions under standards established by the American Institute of Certified Public Accountants.

Reportable conditions involve matters coming to our attention related 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 financial statements.

Our study of CEPA's internal control structure related to Project activities disclosed the reportable conditions described as findings No. 1 to 6 on the following pages of this report.

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

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 conditions in findings No. 1 to No. 3 in the following pages, are material weaknesses.

This report is intended solely for the use of the AUTONOMOUS EXECUTIVE PORTS COMMISSION (CEPA) 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.

Arthur Andersen & Co.

June 3, 1992

AWARD SURVEY OF USAID/EL SALVADOR'S

PUBLIC SERVICES IMPROVEMENT PROJECT 519-0320

MANAGED BY THE AUTONOMOUS EXECUTIVE PORTS COMMISSION (CEPA)

INTERNAL CONTROL STRUCTURE

FINDINGS

1. Accounting policies and procedures
need to be improved

Condition

The Accounting Department has accounting policies and procedures but they are not complete nor up to date in relation to: (1) procedures to perform the monthly and year end closing of the accounting records (2) capitalization of fixed assets and (3) reconciliation procedures between auxiliary records and general ledger, especially in the area of inventories and fixed assets.

Criteria

General accepted accounting practices require the establishment of policies that define:

- Responsibilities, critical dates and accounts to be reconciled prior to the monthly and year end closing of accounting records.
- Minimum amounts for the capitalization of fixed assets.
- Reconciliation procedures for the auxiliary records against the general ledger, especially those related to supply inventories and fixed assets.

Cause

Lack of defined policies and procedures in CEPA's accounting manual.

Effect

Lack of written well defined accounting policies could result in the presentation of erroneous information regarding the actual physical existence and value of assets acquired with project funds.

Recommendation

CEPA should define within the accounting manual the policies and procedures about year end closing of accounting records, capitalization of fixed assets and reconciliation of balance between auxiliary records and general ledger, especially in the area of fixed assets and inventories.

M'

2. Deficiencies in the reports of commodities purchased with AID funds

Condition

The reports on commodities acquired with A.I.D. funds prepared by FENADESAL have the following deficiencies:

- There is no segregation of commodities acquired under the different USAID agreements and counterpart funds.
- Dollar value and exchange rate for conversion to Colones of the cost of commodities acquired directly by USAID are not included.
- The number of the commitment letter through which the commodities are acquired is not included.
- The commodities that have not been installed and that are in the warehouse of materials of FENADESAL are not included in the report.
- Reports are not presented by budget line.

Criteria

Section VI.B (2) of the Implementation Letter No. 3 require that independent accounting records are maintained for the uses of the funds provided under the agreement, and these records shall be kept separate from the records of all other funds.

Cause

Lack of knowledge of Agreement requirements by CEPA personnel involved in the implementation of the project.

Effect

CEPA does not have appropriate information regarding the total amount of commodities acquired under each agreement and the amount by budget line that is available.

Recommendation

CEPA/FENADESAL should modify the structure of the report of acquired commodities under the agreement, to include the following information: (1) all commodities acquired in US dollars and the conversion to the local currency (including the uninstalled commodities), (2) the execution of project by budget line item, and (3) the number of commitment letters through which the commodities were acquired. Such report should be prepared in a separate form for each agreement and sent monthly to USAID/El Salvador.

3. Lack of a personnel manual

Condition

CEPA has procedures for the recruitment, selection and contracting of personnel, but some of these procedures are not in writing.

Criteria

According to recognized administration practices, personnel management policies and procedures (recruitment, selection and contracting) should be defined and written out in a personnel manual.

Cause

CEPA has not had the practice of periodically reviewing the personnel manual (selection and contracting procedures, and post descriptions) to fulfill the requirements and needs of the moment.

Effect

CEPA could use the wrong criteria while hiring personnel since the selection and contracting procedures are not updated and not defined in writing. When the procedures are not defined in writing, they become dependent on the criteria of those executing them.

Recommendation

CEPA should prepare the personnel manual on the basis of existing procedures. The manual should include the following as a minimum: (1) the current procedures for the recruitment, selection and personnel contracting and (2) updated descriptions of key positions in accordance with CEPA's present needs.

4. Lack of a defined medium and long term strategy for the EDP department

Condition

CEPA lacks a defined medium and long term strategy for the EDP department; all existing strategies are at short term (1 year).

Criteria

Electronic data processing is a vital function that should be coordinated and integrated within an overall plan for all the organization.

Cause

Although the EDP management is conscious of the need to define a strategy, it has not yet been designed.

Effect

The lack of definition of a strategy has caused the following:

- Due to the fact that the central equipment is full as regards space in the disc, it has begun to develop application software in Novel Network which is incompatible with the IBM 4331 central equipment which cannot be integrated in automatically.
- The different service petitions to EDP are not attended according to clearly defined priorities but according to the urgency or need of each at a determined moment.

Recommendation

CEPA should create a Systems Committee whose function will be, among others:

- Definition of the competitive strategy to be followed in the short, medium and long terms, including considerations on system architecture, central and peripheral equipment, operational system, programming languages, application programs, and others.
- Estimate and approve the characteristics of the design, as well as the final product of each application.
- Solve design conflicts that could arise.
- Supervise the system through reviews or periodic reports.
- Consult and approve any change to the system after they are converted to operate.

5. IBM 4331 computer equipment is obsolete

Condition

The IBM 4331 computer equipment is not capable of satisfying the demand for current computer services.

Criteria

CEPA computer equipment should have a main memory and disc to withstand the different operational units, as well as for the equipment technology and programs that allow the process to be on line.

Cause

The IBM 4331 equipment was acquired ten years ago. The main memory is 2MB and the memory in disc is 500MB which occupies up to 95%. The type of software which it uses processes in lot, that is to say that the data is entered at a precise moment and processed in lot at a later moment.

Effect

- New application or users cannot be included.
- The batch procedure does not allow them to have updated information to be used as a basis for taking decisions at a position in an effective way.

Recommendation

CEPA should replace its present equipment with a more recent technological system that has the following characteristics: enough space in the main memory as well as in the disc memory; capacity to support the growth of CEPA and its operational units; and that can process in line as well as in batch.

6. Inadequate control of access passwords

Condition

The access passwords to the IBM system and the Novel Network are not periodically changed.

Criteria

All the access passwords to any application should be changed periodically and be updated in case of temporary or permanent absence of any employee that uses it.

Cause

No measures of internal control exist to assure the periodic change of identification for the user or the elimination or change of those that are not used, for whichever reason.

Effect

Due to the unrestricted access to the accounting applications, unauthorized personnel can have access to programs and make modifications without proper control and approval.

Recommendation

CEPA should implement measures to assure that the identification code of the user are temporarily changed, eliminate the passwords of those people who do not work for the institution any more and assign new identification codes to the current users.

ARTHUR ANDERSEN & Co.

AWARD SURVEY OF USAID/EL SALVADOR'S

PUBLIC SERVICES IMPROVEMENT PROJECT 519-0320

MANAGED BY THE AUTONOMOUS EXECUTIVE PORTS COMMISSION (CEPA)

COMPLIANCE WITH AGREEMENT TERMS AND APPLICABLE LAWS

AND REGULATIONS

INDEPENDENT AUDITOR'S REPORT

Compliance with agreement terms and applicable laws and regulations is the responsibility of CEPA's management. As part of our survey of CEPA in connection with the PUBLIC SERVICES IMPROVEMENT PROJECT, USAID/EL SALVADOR PROJECT No. 519-0320, we performed limited tests of CEPA's compliance with agreement terms and certain provision of laws and regulations. However, the objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

Except for the issues described under findings No. 1 to No. 4 of this report, the results of our evaluation disclosed that, with respect to the items tested, CEPA had complied, in all material aspects, with agreement terms and applicable laws and regulations. With respect to items not tested, nothing came to our attention that caused us to believe that CEPA had not complied in all material respects with those provisions.

This report is intended solely for the use of the AUTONOMOUS EXECUTIVE PORTS COMMISSION (CEPA) 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.

Arthur Andersen & Co.

June 3, 1992

- 22 -

AWARD SURVEY OF USAID/EL SALVADOR'S

PUBLIC SERVICES IMPROVEMENT PROJECT 519-0320

MANAGED BY THE AUTONOMOUS EXECUTIVE PORTS COMMISSION (CEPA)

COMPLIANCE WITH AGREEMENT TERMS AND APPLICABLE LAWS

AND REGULATIONS

FINDINGS

1. Action plans not eligible in accordance with the agreement terms

Condition

CEPA has two action plans which will be performed under agreement No. 519-0320: one for the repair of the protection for dock B in the Acajutla Port and the other for the enlargement of the rock barrier for the access dock at the same port. Both action plans are not eligible in accordance with the terms of agreement since damages are not the direct result of insurgent activities or natural disasters. However, CEPA obtained a waiver for the first action plan but has not requested a waiver for the second action plan.

Criteria

According to Article 2 and Section A.3 a. of Exhibit I of the Grant Agreement, the purpose of the component I of the project is: to provide support for the restoration of the services and to repair the damages of the installations for the public use, caused directly or indirectly by insurgent activities or natural disasters.

Cause

CEPA considers that the damages in the Acajutla Port were caused indirectly by insurgent activities since during the war they could not generate enough income to give maintenance of the port installations. In addition, CEPA considers that even though the damages to the port installations are not due to natural disasters, the repairs are of great importance since, on the contrary, it could create important losses for El Salvador as, 41% of imports come in through this port.

Effect

If the rock barrier is not enlarged, the dock could be damaged, producing important losses to El Salvador.

The implementation of non-eligible action plans, without prior approval from USAID/El Salvador, could result in the questioning of amounts invested.

Recommendation

CEPA should make a petition to USAID/El Salvador through the Technical Secretariat of External Financing of El Salvador (SETEFE) for the approval of the action plan for the enlargement of the rock barrier of the access dock to Acajutla Port prior to its implementation.

2. Lack of separate auxiliary records for commodities acquired with A.I.D. funds

Condition

CEPA's Central Office and the Port of Acajutla office do not maintain separate auxiliary records for commodities purchased with USAID funds. In addition, with the exception of FENADESAL, CEPA has not incorporated into its accounting records those assets acquired with A.I.D. funds.

Criteria

According to section VI, B, (2) of the implementation letter No. 3 of the Agreement, CEPA should keep separate auxiliary records for the commodities acquired with A.I.D. funds under the grant agreement.

Cause

Lack of knowledge regarding requirements in keeping separate auxiliary records for the commodities acquired with A.I.D. funds.

Effect

The lack of control of the commodities acquired with A.I.D. funds increases the risk that they may be removed or used without the authorization of the management or with purposes that do not comply with the terms of the agreement.

Recommendation

CEPA should implement auxiliary records (Main Office and Port of Acajutla) for the control of commodities acquired with A.I.D. funds and include them in its accounting records. In addition, CEPA should send USAID/El Salvador, at least once every six months, a report about the use of the commodities.

3. Lack of preparation of a project execution report by budget line item

Condition

To date CEPA has made few purchases of goods, but has not prepared a project implementation report by budget line (for example: equipment, supplies, technical assistance obtained directly or indirectly with funds from the dollar grant) as is required by the agreement.

Criteria

According to section III of the implementation letter No. 3 of the agreement, CEPA should prepare monthly, biannual and annual reports to be shared with SETEFE and USAID/El Salvador about progress and advances of the project and which should also include a development section detailing the use of the project funds (for example, areas in which funds in dollars are assigned for technical assistance, equipment, supplies and others).

Cause

CEPA's lack of knowledge of USAID/El Salvador's requirements in the preparation of a report regarding the execution of the project by budget line required by USAID/El Salvador for the execution of the project.

Effect

CEPA's lack of knowledge of the amount of funds used by budget line and the available balance of the budget assigned by USAID/El Salvador for the execution of the project could result in misuse of funds.

Recommendation

CEPA should prepare monthly, annual and biannual reports referring to the progress and advance of the project that include the detailed development and use of the funds by budget line.

4. Lack of counterpart contributions report by the Government of El Salvador

Condition

The Government of El Salvador's Planning Ministry (MIPLAN) has not presented USAID/El Salvador with biannual consolidated reports from the counterpart contribution for the purpose of the project.

Criteria

According to section I.A. of the implementation letter No. 3 of the Agreement, the Planning Ministry should send USAID/El Salvador a biannual consolidated report of the counterpart contributions for purposes of the project.

Cause

The Planning Ministry is not aware that this report must be submitted to USAID/El Salvador.

Effect

USAID/El Salvador cannot determine if the Government of El Salvador is complying with the counterpart contributions for the project.

Recommendation

CEPA through the Government of El Salvador's Planning Ministry (MIPLAN) should present USAID/El Salvador with semiannual and accumulated reports regarding the counterpart contribution for the project.

ARTHUR ANDERSEN & Co.

AWARD SURVEY OF USAID/EL SALVADOR'S

PUBLIC SERVICES IMPROVEMENT PROJECT 519-0320

MANAGED BY THE AUTONOMOUS EXECUTIVE PORTS COMMISSION (CEPA)

REPORT ON FOLLOW UP TO PREVIOUS YEAR'S CONSULTING RECOMMENDATIONS

INDEPENDENT AUDITOR'S REPORT

We have performed an evaluation of CEPA's management capability for the administration of activities assigned to it under the PUBLIC SERVICES IMPROVEMENT PROJECT, USAID/EL SALVADOR PROJECT No. 519-0320.

Except for not conducting an external quality control review by an unaffiliated organization as described further in our report on Management Capability, our evaluation was performed pursuant to USAID/EL SALVADOR'S statement of work for the above mentioned project and in accordance with the United States Comptroller General's "Government Auditing Standards" (1988 Revision).

As part of our evaluation, we performed a follow up to findings and recommendations included in the Report on Evaluation of the Commodity Management System performed by DEVRES, INC. in August 1991 (Contract No. 519-0349-C-00-1111).

Such follow up was done of findings and recommendations which could have a material effect on our evaluation, to determine if the AUTONOMOUS EXECUTIVE PORTS COMMISSION (CEPA) has taken adequate corrective measures.

Except for the matters indicated in finding No. 1 included in this section, the results of our follow up tests indicate that the AUTONOMOUS EXECUTIVE PORTS COMMISSION (CEPA) has adopted adequate corrective measures regarding the matters included in the document described in the third paragraph of this report.

This report is intended for the use of the AUTONOMOUS EXECUTIVE PORTS COMMISSION (CEPA) 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.

Arthur Andersen & Co

June 3, 1992

- 21 -

AWARD SURVEY OF USAID/EL SALVADOR'S
PUBLIC SERVICES IMPROVEMENT PROJECT 519-0320
MANAGED BY THE AUTONOMOUS EXECUTIVE PORTS COMMISSION (CEPA)
REPORT ON FOLLOW UP TO PREVIOUS YEAR'S CONSULTING RECOMMENDATIONS

FINDING

1. Lack of implementation of some recommendations of the DEVRES report

CEPA has not implemented the following recommendations that come from reviewing the area of inventories and fixed assets, practiced by the Consultant Company DEVRES Inc., whose report was issued August 23, 1991.

- Establish a system that requires estimates be established so that commodities can be properly recorded in a timely manner. Documentation for imports is often delayed in order to include even the most minor costs.
- Take steps to remove obsolete items. At Port of Acajutla there are many obsolete items in warehouses which use space needed for active stocks which in turn are often stored in field warehouses.
- Have CEPA re-define responsibility for physical inventories and ensure that they are carried out on a regular basis. Physical inventories of consumable items are not currently carried out on a regular basis. In addition, this function is assigned to the Internal Audit Department, which is not appropriate.
- Require CEPA's Central Office to assign responsibility for all fixed assets to one department so that one system can be used for all operating units which will include all the necessary information and controls. Fixed asset records and controls for most of CEPA's operations are inadequate. In addition, responsibility for fixed assets is fragmented and often in wrong hands, e. g. the Internal Auditing Department.
- Replace the central computer and purchase terminals and software as appropriate to implement the recommendations regarding inventories to be carried out efficiently for all of CEPA. Existing equipment in the Data Processing Department is obsolete.

These items were confirmed in our normal evaluation of the control procedures in the area of inventories, fixed assets and electronic data processing.

Recommendation

CEPA should implement in the shortest time possible the recommendations of DEVRES Inc. for purposes of the project.

AWARD SURVEY OF USAID/EL SALVADOR'S

PUBLIC SERVICES IMPROVEMENT PROJECT 519-0320

MANAGED BY THE AUTONOMOUS EXECUTIVE PORTS COMMISSION (CEPA)

LIST OF REPORT RECOMMENDATIONS

Management capability

1. CEPA should: (1) prepare job descriptions (with the exception of the Technical Assistance and Projects Department), (2) evaluate the impact that the project activities will have on the normal activities, and (3) determine the additional personnel and equipment that will be needed to execute the project.
2. CEPA should require its key officers to prepare a disclosure questionnaire attesting to their lack of involvement in situations that could be in conflict with activities carried under the project.
3. CEPA should prepare a training plan to update personnel involved in AID projects on the requirements to be met in the development of such projects, and especially Internal Audit personnel who are responsible for verification of compliance with these requirements.

Internal control structure

1. CEPA should define within the accounting manual the policies and procedures about year end closing of accounting records, capitalization of fixed assets and reconciliation of balance between auxiliary records and general ledger, especially in the area of fixed assets and inventories.
2. CEPA/FENADESAL should modify the structure of the report of acquired commodities under the agreement, to include the following information: (1) all commodities acquired in US dollars and the conversion to local currency (including the uninstalled commodities), (2) the execution of project by budget line item, (3) the number of commitment letters through which the commodities were acquired. Such report should be prepared in a separate form for each agreement and sent monthly to USAID/El Salvador.
3. CEPA should prepare the personnel manual on the basis of existing procedures. The manual should include the following as a minimum: (1) the current procedures for the recruitment, selection and personnel contracting and (2) updated descriptions of key positions in accordance with CEPA's present needs.
4. CEPA should create a Systems Committee whose function will be, among others:

- Definition of the competitive strategy to be followed in the short, medium and long terms, including considerations about the system architecture, central and peripheral equipment, operational system, programming languages, application programs, and others.
 - Estimate and approve the characteristics of the design, as well as the final product of each application.
 - Solve design conflicts that could arise.
 - Supervise the system through reviews or periodic reports
 - Consult and approve any change to the system after they are converted to operate.
5. CEPA should replace its present equipment with a more recent technological system that has the following characteristics: enough space in the main memory as well as in the disk memory; capacity to support the growth of CEPA and its operational units; and that can process in line as well as in batch.
 6. CEPA should implement measures to assure that the identification code of the user are temporarily changed, eliminate the passwords of those people who do not work for the institution any more and assign new identification codes to the current users.

Compliance with agreement terms and applicable laws and regulations

1. CEPA should make a petition to USAID/El Salvador through the Technical Secretariat of External Financing of El Salvador (SETEFE) for the approval of the action plan for the enlargement of the rock barrier of the access dock to Acajutla Port prior to its implementation.
2. CEPA should implement auxiliary records (Main Office and Port of Acajutla) for the control of commodities acquired with A.I.D. funds and include them into its accounting records. In addition, CEPA should send USAID/El Salvador, at least once every six months, a report about the use of the commodities.
3. CEPA should prepare monthly, annual and biannual reports referring to the progress and advance of the project that include the detailed development and use of the funds by budget line.
4. CEPA through the Government of El Salvador's Planning Ministry (MIPLAN) should present USAID/El Salvador with a semiannual and accumulated reports regarding the counterpart contribution for the project.

Follow up to previous year's consulting
recommendations

1. CEPA should implement in the shortest time possible the recommendations of DEVRES Inc. for purposes of the project.

COMISION EJECUTIVA PORTUARIA AUTONOMA

EDIF. TORRE ROBLE, BOULEVARD LOS HEROES
APARTADO POSTAL 2667, SAN SALVADOR, EL SALVADOR, C. A.

	TELEFONOS	TELEX	FACSIMILE		TELEFONOS
OFICINA CENTRAL	24-1133	28194	24-1355	FENADESAL	22-8000
PUERTO DE AGAJUTLA	92-3208	27080	82-4801	PUERTO DE GUTUZO	84-4222
AEROPUERTO INTERNACIONAL EL SALVADOR	38-8455	.	38-8245		

19 de noviembre de 1992

Señores Arthur Andersen
Auditores de USAID
Presente

001351

Estimados señores:

Hacemos referencia a su informe sobre el estudio de adjudicación, relativo al Proyecto de Mejoramiento de Servicios Públicos USAID/El Salvador, Proyecto No.519-0320/Componente I, a la reunión celebrada el día 12 del presente mes, en las oficinas de USAID, para la presentación de dicho informe por parte de ese despacho de auditoría.

Como quedó previsto al final de la mencionada reunión, continuación exponemos nuestros comentarios al informe:

I. CAPACIDAD ADMINISTRATIVA

1. FALTA DE DESCRIPCION DE PUESTOS, POLITICAS Y PROCEDIMIENTOS DE CONTROL INTERNO PARA LOS PROPOSITOS DEL PROYECTO.

En consideración a que la CEPA aún no está ejecutando el proyecto, estimamos que el hallazgo no resulta válido bajo la forma en que ha sido planteado, ya que en todo caso debe sugerir los requerimientos para cuando comience la ejecución del mismo; consecuentemente, proponemos que en el documento final se modifique la redacción en ese sentido.

2. NO EXISTE UNA POLITICA DEFINIDA SOBRE CONFLICTO DE INTERESES.

COMISION EJECUTIVA PORTUARIA AUTONOMA

Señores Arthur Andersen/USAID
Comentarios a estudio de adjudicación
19 de noviembre de 1992

2 HOJA

Consideramos que la CEPA si cuenta con una política definida en la materia, puesto que el Art.36 de su Ley Orgánica regula este aspecto, y el procedimiento de contratación del personal tiene en cuenta lo regulado por el mencionado artículo. Por lo tanto, proponemos una reorientación en la redacción del hallazgo, incluido el título, de manera que no niegue que existe una política definida al respecto.

Por otra parte, tal y como fuera expuesto en la reunión antes relacionada, este tipo de regulación no es competencia del Reglamento Interno de Trabajo, por lo que solicitamos la eliminación de este tópico en el hallazgo.

En cuanto al cuestionario sobre conflicto de intereses, entendemos su aplicación para los funcionarios involucrados en la ejecución del proyecto, por lo que sugerimos que la redacción del hallazgo sea específica en este sentido.

En lo que se refiere al cuestionario en si mismo, USAID proveerá un modelo, como fue acordado en la reunión.

3. FALTA DE CAPACITACION AL PERSONAL DE AUDITORIA INTERNA RELATIVA A LOS REQUERIMIENTOS DE AID.

Sobre este aspecto reiteramos que el personal de la CEPA no ha recibido la capacitación necesaria y suficiente para el manejo de proyectos USAID, que permita la extensión de los conocimientos al personal de Auditoria Interna, u otras áreas, ya que el poco entrenamiento se limitó al proceso de compras y el personal que lo recibió actualmente no labora para la CEPA; por lo tanto, proponemos que el hallazgo manifieste la necesidad que SETEFE-USAID provea a la CEPA de una capacitación integral, que garantice un buen manejo y control de los proyectos.

Para que la capacitación siga el ordenamiento adecuado, es necesario que toda gestión relacionada sea tramitada a través de la Gerencia de Recursos Humanos de la CEPA.



24

Señores Arthur Andersen/USAID
Comentarios a estudio de adjudicación
19 de noviembre de 1992

; HOJA

Estamos de acuerdo que la recomendación se redacte en el sentido que el personal de Auditoria Interna de CEPA que reciba los cursos de capacitación, debe transmitir los conocimientos al resto del personal que se involucre en los proyectos.

II. ESTRUCTURA DE CONTROL INTERNO

1. LAS POLITICAS Y PROCEDIMIENTOS CONTABLES NECESITAN SER MEJORADOS.

Pese a que no todos los procedimientos están escritos, si se cuenta con algunos de ellos aunque no compilados en un solo documento, como calendarización de flujo de documentos, de procesos en computador y de cierres contables, así como con el procedimiento de aplicación de cuentas; por lo tanto, consideramos que la negación absoluta de la existencia de políticas y procedimientos escritos no es apropiada, por lo que proponemos que el hallazgo se redacte en los términos adecuados que sugieran un mejoramiento en este aspecto, como es contemplado por el título.

Aunque comprendemos que no es materia del informe, estimamos conveniente indicar a manera de anotación y como fue expuesto a USAID en la reunión, que la CEPA requiere de una consultoria que permita modernizar su administración, cuya realización sujetamos a un posible financiamiento de USAID.

2. DEFICIENCIAS EN LOS INFORMES DE BIENES COMPRADOS CON FONDOS DE LA AID.

Estimamos que el hallazgo obedece a las deficiencias ocurridas en la información y comunicación del Ministerio de Planificación hacia la CEPA/FENADESAL; no obstante, hemos tomado debida nota de lo señalado por la auditoria y procederemos a realizar las correcciones del caso. Solicitamos que en el hallazgo se haga ver la falta de información y comunicación antes señalada.

CEPA

COMISION EJECUTIVA PORTUARIA AUTONOMA

Señores Arthur Andersen/USAID
Comentarios a estudio de adjudicación
19 de noviembre de 1992

HOJA

3. FALTA DE UN MANUAL DE PERSONAL.

Como la CEPA cuenta con procedimientos actualizados para el reclutamiento, selección y contratación de personal, aunque no reunidos en un solo documento, se propone que el título del hallazgo se denomine "Unificación de procedimientos en un manual de personal", y que se redacte en ese sentido. En lo que se refiere específicamente a la recomendación, se sugiere su redacción como sigue: "CEPA debe incorporar todos sus procedimientos relativos al reclutamiento, selección y contratación de personal, en un solo manual para facilitar su conocimiento y aplicación".

4. INCONGRUENCIA ENTRE LA LEY ORGANICA DE LA CEPA Y EL DECRETO LEGISLATIVO NO. 276 (REGIMEN GENERAL DE EXENCIONES)

Aunque la Ley de la CEPA tiene carácter especial para el cumplimiento de sus objetivos, y con tal propósito se aplica con preferencia a cualesquiera leyes, ello no es óbice para que se le de cumplimiento a lo dispuesto en leyes generales, como es el caso de lo legislado en materia impositiva; resultando que no es necesaria la adaptación de la Ley de la CEPA, a que se refiere el hallazgo, por lo que se acordó en la reunión eliminarlo del informe.

5. FALTA DE UNA ESTRATEGIA DEFINIDA A MEDIANO Y LARGO PLAZO PARA EL DEPARTAMENTO DE PED.

La CEPA está de acuerdo con el hallazgo. En cuanto a la recomendación, informamos que ya se tomaron medidas para la creación del Comité de Sistemas de Información.

6. EL EQUIPO DE COMPUTACION IBM 4331 ES OBSOLETO.

La CEPA está de acuerdo con el hallazgo.



36

COMISION EJECUTIVA PORTUARIA AUTONOMA

Señores Arthur Andersen/USAID
Comentarios a estudio de adjudicación
19 de noviembre de 1992

5 HOJA

7. CONTROL INADECUADO DE CLAVES DE ACCESO.

La CEPA está de acuerdo con el hallazgo.

III. LEYES Y REGULACIONES APLICABLES

1. PLANES DE ACCION NO ELEGIBLES DE ACUERDO CON LOS TERMINOS DEL CONVENIO.

Efectivamente la CEPA sometió a la aprobación de SETEFE y de USAID, dos planes de acción, uno para la reparación de las defensas del muelle "B" del Puerto de Acajutla y otro para la ampliación del enrocamiento del muelle de acceso de dicho puerto; los cuales fueron elaborados en coordinación con los mencionados organismos.

No obstante, en reunión conjunta SETEFE-USAID-CEPA celebrada el 16 de junio de 1992, USAID comunicó su decisión de no financiar el proyecto, por considerar que el proyecto no calificaba como obras de emergencia y que existían otras prioridades de carácter nacional.

Como es entendido que la decisión de USAID es definitiva, proponemos que se modifique la redacción del hallazgo en ese sentido.

2. FALTA DE REGISTROS AUXILIARES SEPARADOS PARA BIENES ADQUIRIDOS CON FONDOS DE AID.

La CEPA está de acuerdo con el hallazgo y ha tomado las medidas para registrar por separado los bienes adquiridos con fondos AID.

3. INCUMPLIMIENTO CON LA LEY ORGANICA DE LA CEPA.

En vista que el Artículo 27 de la Ley Orgánica de la CEPA establece el manejo de presupuestos extraordinarios, que es como son manejados los proyectos financiados por USAID; y que la práctica y costumbre garantizan y consolidan el cumplimiento de sus objetivos, se acordó en la reunión eliminar este hallazgo del informe.

Cepa - 31

COMISION EJECUTIVA PORTUARIA AUTONOMA

ANNEX 1
6 of 7

Señores Arthur Andersen/USAID
Comentarios a estudio de adjudicación
19 de noviembre de 1992

HOJA

4. FALTA DE PREPARACION DEL INFORME DE LA EJECUCION DEL PROYECTO POR RENGLON PRESUPUESTARIO.

En la reunión no fue posible definir el tipo de informe aplicable a los pocos suministros que en calidad de donación han sido realizados, y que además no se sujetaron a los procedimientos normales, como los planteados para los proyectos de FENADESAL y para la reparación de las defensas del muelle "B" del Puerto de Acajutla, ya que hubo completa ausencia de información y de requerimientos acerca de un informe, entendiéndose que este último proyecto es el que se ha configurado bajo todos los requisitos de plan de acción y demás requerimientos a cumplir cuando el mismo se ejecute.

Por lo anterior, se solicita reorientar la redacción del hallazgo en un sentido adecuado y más específico, que también indique la forma y naturaleza del informe, o bien que el hallazgo se elimine del informe.

5. FALTA DE INFORME DE APORTES DE CONTRAPARTIDA DEL GOBIERNO DE EL SALVADOR.

En vista que la CEPA ha cumplido con el envío del informe al Ministerio de Planificación y que el hallazgo se refiere a incumplimiento de este Ministerio con USAID/El Salvador, se propone que el mismo se elimine del informe correspondiente al componente CEPA, para que se incorpore en el informe de auditoría relativo a MIFLAN.

INFORME DEL SEGUIMIENTO A LAS RECOMENDACIONES DE CONSULTORIA DEL AÑO ANTERIOR

1. FALTA DE IMPLEMENTACION DE ALGUNAS RECOMENDACIONES DEL INFORME DE DEVRES, INC.

Aunque en general la CEPA está de acuerdo con el hallazgo, cabe señalar que en lo que se refiere a la obsolescencia del equipo para el procesamiento electrónico de datos, ya se habían iniciado

Cepa

COMISION EJECUTIVA PORTUARIA AUTONOMA

Señores Arthur Andersen/USAID
Comentarios a estudio de adjudicación
19 de noviembre de 1992

7 HOJA

gestiones con USAID para la solución del problema, por lo que proponemos se modifique la redacción del documento en ese sentido.

En lo que respecta al resto del hallazgo, la CEPA está tomando las medidas convenientes para su cobertura, estimándose que su parte más compleja, referida a la homogeneización del sistema de información y control del activo fijo, para perfeccionarse debe ser incluida como materia de la consultoría sobre modernización de la administración de la CEPA, indicada en el apartado II.1 de la presente nota, cuyo financiamiento es requerido a USAID.

Atentamente.



Arturo German Martínez
Gerente General



REPORT DISTRIBUTION

U.S. Ambassador El Salvador	1
D/USAID/El Salvador	5
AA/LAC	2
LAC/CEN!	1
XA/PR	1
LEG	1
GC	1
AA/OPS	1
AA/FA	1
FA/FM	1
POL/CDIE/DI	1
FA/MC	1
IG	1
AIG/A	1
AIG/I&S	1
D/AIG/A	1
IG/A/PPO	2
IG/LC	1
IG/RM/GS	5
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