

Regional Inspector General for Audit
Tegucigalpa, Honduras

Audit of
USAID/Nicaragua's Assistance Program
Funded by Public Law 101-302 and
Fiscal Year 1991 Appropriations
October 1, 1991 to March 31, 1992

Audit Report No. 1-524-93-13-N
February 5, 1993



U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

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February 5, 1993

MEMORANDUM

TO: D/USAID/Nicaragua, Janet C. Ballantyne

FROM: RIG/A/T, Lou Mundy *Lou Mundy*

SUBJECT: Audit of USAID/Nicaragua's Assistance Program, Funded by Public Law 101-302 and Fiscal Year 1991 Appropriations, October 1, 1991 to March 31, 1992

This report presents the results of a financial audit of USAID/Nicaragua's Assistance Program (Program) for the period October 1, 1991 to March 31, 1992. The audit firm of Price Waterhouse prepared the report which is dated January 6, 1993.

The Program began with \$300 million authorized under Public Law 101-302, which provided economic support funds for assisting in the Nicaraguan economic recovery. Fiscal Year 1991 appropriations provided an additional \$218 million through economic support funds, development assistance and food aid. The purpose of the Program is to provide support for Nicaragua's economic recovery through increases in the levels of sustainable employment and income in Nicaragua.

Two major categories of assistance are provided by the Program:

- Cash transfer assistance--for balance of payments/budget support to assist in implementing an economic program designed to stabilize and reactivate the Nicaraguan economy, and
- Development assistance--for support of the Nicaraguan Government's economic recovery and social programs.

This audit was limited to those implementing entities which conducted their financial and/or administrative operations within Nicaragua, and did not cover funding for the Repatriation of Nicaraguan Resistance and Refugees, USAID/Nicaragua operational expenditures, or assistance provided under the Food Aid Programs.

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The audit included expenditures of A.I.D. funds totaling \$72.9 million during the period under audit. Implementing entities reviewed under this audit were:

- The Central Bank of Nicaragua and other participating banks,
- The Central American Institute of Business Administration,
- Social Investment Emergency Fund,
- Family Planning Association,
- Nicaraguan Association of Non-Traditional Export Producers,
- Ministry of Health¹,
- The Salesian Society's Centro Juvenil Don Bosco ,¹
- The Ministry of Education,¹
- The Confederation of Nicaraguan Professional Associations¹, and
- The General Procurement Office.¹

The objectives of the audit were to determine whether: (1) the implementing entities' consolidated fund accountability statement presents fairly, in all material respects, the local financial activities under the Program during the audit period, (2) the implementing entities' internal control structures were adequate to manage the Program's operations, (3) the implementing entities had complied, in all material respects, with the terms of their individual project and program agreements and applicable laws and regulations, and (4) the implementing entities had corrected deficiencies noted in prior audits of the Program. The scope of the audit included an examination of the implementing entities' activities and transactions, executed within Nicaragua, to the extent considered necessary to issue a report thereon for the period under audit.

The auditors found that the consolidated fund accountability statement, with the exception of \$14,465,012 in questionable costs involving the Central Bank of Nicaragua's operations, presents fairly in all material respects, the local execution of the Program for the audit period. The questionable costs identified are related to: (1) crude oil imports exceeding

¹ *Audit coverage of these implementing entities was limited to their systems for the receipt and delivery of goods under the internal control and compliance objectives*

the approved budget (\$7,502,751) and (2) ineligible or undocumented commodities imported under the cash transfer programs (\$6,962,261).

Price Waterhouse reported six material weaknesses in the internal control structures of four implementing entities. The auditors found that: (1) the Central Bank of Nicaragua's internal control structure needs improvement in three areas--the maintenance of supporting documentation, the recording and classification of foreign currency transactions, and the monitoring of transactions for eligibility and compliance with budget limitations; (2) the Government of Nicaragua's General Procurement Office did not furnish to the Public Property Office detailed information on equipment acquired under the Program; (3) the Ministry of Health lacked effective supervision and security of medicines stored in its warehouses, had weak controls for the distribution and security of medicines at the Juigalpa-Chontales Hospital, and needed to improve its control procedures for the receipt of medicines at hospitals and health centers; and (4) the Family Planning Association of Nicaragua requested reimbursements of certain taxes not allowable under the Program.

The audit report identified three instances of material noncompliance by two implementing entities: (1) the Central Bank of Nicaragua did not ensure that participating banks established appropriate files documenting Program activities, and (2) the Nicaraguan Association of Producers and Exporters of Non-Traditional Products paid salaries at variance with those approved and budgeted by USAID/Nicaragua, and incurred international travel and per diem expenses without USAID/Nicaragua's prior approval.

Regarding audit recommendations to correct weaknesses noted in prior audits of the Program, the auditors found that, the implementing entities had taken corrective actions to correct all reported problems.

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/Nicaragua resolve the questionable costs of \$14,465,012 (\$12,885,253 questioned and \$1,579,759 unsupported) identified in the Price Waterhouse audit report dated January 6, 1993, and recover from the Central Bank of Nicaragua all amounts determined to be unallowable.

Recommendation No. 2

We recommend that USAID/Nicaragua obtain evidence that the Central Bank of Nicaragua has established procedures to: (1) follow-up and

monitor the filing and safeguarding of supporting documentation by participating banks, (2) record and classify properly all foreign currency transactions representing reimbursements, and (3) ensure that all Program transactions meet eligibility requirements specified in the agreement and that purchases do not exceed established line item budget limitations.

Recommendation No. 3

We recommend that USAID/Nicaragua obtain evidence that the Government of Nicaragua's General Procurement Office has furnished to the Public Property Office a detailed list of equipment acquired under the Program and delivered to other institutions.

Recommendation No. 4

We recommend that USAID/Nicaragua obtain evidence that the Ministry of Health has established procedures to: (1) control medicines stored in the Ministry's warehouses and the Juigalpa-Chontales Hospital, and (2) control the receipt, custody and distribution of medicines at community hospitals and health centers.

Recommendation No. 5

We recommend that USAID/Nicaragua obtain evidence that the Family Planning Association of Nicaragua has established procedures to ensure that unallowable costs are not included in requests for reimbursement.

Recommendation No. 6

We recommend that USAID/Nicaragua obtain evidence that the Nicaraguan Association of Producers and Exporters of Nontraditional Products has established procedures to ensure that expenditures for salaries and international travel are made in accordance with agreement and budgetary terms.

Recommendation No. 1 will be considered resolved upon the Mission's determination of the amount of recovery, and will be considered closed upon the recovery of funds, offset of funds, or issuance of a Bill for Collection. Recommendations Nos. 2 to 6 will be considered resolved upon the Mission's presentation of an acceptable firm plan of action to correct the reported deficiencies and will be considered closed upon the Mission's presentation of acceptable evidence that the required procedures have been established or required actions have been taken.

The draft report was discussed with management officials of the various implementing entities and USAID/Nicaragua who expressed general agreement with the report's content.

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/Nicaragua's Assistance Program
Funded by Public Law 101-302 and
Fiscal Year 1991 Appropriations
October 1, 1991 to March 31, 1992**

**Audit Report No. 1-524-93-13-N
February 5, 1993**

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FINANCIAL AUDIT OF THE NICARAGUA ASSISTANCE
PROGRAM FUNDED BY PUBLIC LAW 101-302 AND
FISCAL YEAR 1991 APPROPRIATIONS AS OF
MARCH 31, 1992

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FINANCIAL AUDIT OF THE NICARAGUA ASSISTANCE PROGRAM
FUNDED BY PUBLIC LAW 101-302 AND FISCAL YEAR 1991
APPROPRIATIONS AS OF MARCH 31, 1992

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Price Waterhouse



January 6, 1993

Mr. Lou Mundy
Regional Inspector General
for Audit
RIG/A/T
Tegucigalpa, Honduras

Dear Mr. Mundy:

FINANCIAL AUDIT OF THE NICARAGUA ASSISTANCE PROGRAM
FUNDED BY PUBLIC LAW 101-302 AND FISCAL YEAR 1991
APPROPRIATIONS AS OF MARCH 31, 1992

This report presents the results of our financial audit of the Nicaragua Assistance Program funded by Public Law 101-302 and Fiscal Year 1991 appropriations, which in accordance with the Scope of Work for our engagement was limited to those programs or projects for which USAID/Nicaragua is the official accounting station. Our audit covered the period from October 1, 1991 to March 31, 1992.

I. BACKGROUND

On May 25, 1990, the President of the United States signed Public Law 101-302, the Fiscal Year 1990 Dire Emergency Supplemental Appropriations Act, which provided US\$300 million in Economic Support Funds (ESF) to support the Nicaraguan economic recovery. For Fiscal Year 1991 an additional US\$218 million of assistance was provided through Economic Support Funds, Development Assistance and Food Aid (both Food for Progress and Public Law 480, Title II).

The components of the assistance provided under the 1990 Dire Emergency Supplemental Appropriations Act and the FY 1991 appropriations, and therefore covered by our financial audit, are summarized as follows:

1

A. Cash Transfer Assistance

The principal Nicaraguan Government (GON) entity involved in implementing cash transfer assistance is the Central Bank of Nicaragua. However, starting in Fiscal Year 1992 private banks will also participate in the implementation of this assistance.

Fiscal Year 1990

1. Economic Stabilization and Recovery Program (USAID/Nicaragua Project No. 524-0300)

This program for US\$60 million was responsive to the GON's urgent call for help to address the unsatisfied needs of the country's productive sector. The assistance was to increase the GON's foreign exchange reserves to meet the demands for essential commodity imports for both the public and private sectors. This program was fully disbursed during prior audit periods.

2. Economic Stabilization and Recovery Program (USAID/Nicaragua Project No. 524-0311)

This cash transfer program for US\$118 million was designed to provide the Nicaraguan economy with access to fuel, raw materials, spare parts and other goods during a transition period. US\$50 million of the overall amount was earmarked for the repayment of obligations to multilateral development institutions.

Fiscal Year 1991

1. Economic Stabilization and Recovery Program (USAID/Nicaragua Project No. 524-0319)

This cash transfer program for a total of US\$162.5 million provided assistance to the Government of Nicaragua in its efforts to stabilize the economy and enact structural reforms in the areas of financial markets, privatization and trade liberalization. US\$25.0 million of these funds were earmarked for debt repayment to multilateral

development institutions. The remainder was used to finance private and public sector imports, including petroleum and its derivatives. As a condition precedent, the Central Bank was required to deposit the equivalent amount in local currency into a separate account. The local currency was to be used only for mutually agreed-upon activities.

B. Development Projects

To assist the new government and to support Nicaragua in its efforts toward a national reconciliation and economic recovery, the U.S. Government was to finance the following development projects and subprojects.

Fiscal Year 1990

1. Economic Growth Development Project (USAID/-Nicaragua Project No. 524-0301) consisting of the following subprojects:
 - a) Technical Assistance and Training Subproject (524-0301.01), which is being implemented by INCAE in an effort to provide technical assistance to the GON and training to both the public and the private sectors.
 - b) Employment Generation Subproject (524-0301.03), implemented by INIFOM/FISE with the objective of utilizing a portion of Nicaragua's unemployed workforce to repair basic urban infrastructure.
 - c) Public Sector Support Subproject (524-0301.04), implemented by Government of Nicaragua's Ministries and Offices. This subproject was designed to provide office equipment, including computers, typewriters, desks, etc. and vehicles for a number of Government Ministries and Offices.
 - d) Medicines Subproject (524-0301.05), which is being implemented by the Ministry of Health (MINSa) to procure medicines and distribute such medicines to government health facilities throughout Nicaragua.

- e) Community Hospitals Subproject (524-0301.22). This subproject was designed to provide support to four community hospitals in Nicaragua to improve the quality of care by funding supplies and medicines, an interchange program of medical specialists from both within and outside Nicaragua, and certain training. Project HOPE, the implementing entity, agreed to make a counterpart contribution of medicines worth at least US\$ 3.5 million.
 - f) Textbooks Subproject (524-0301.23), which is being implemented by the Regional Technical Aid Center II (RTAC II) with the objective of increasing the availability and use of U.S. technical books and materials in Spanish to primary, secondary and university students and development professionals in Central America.
2. USAID/Nicaragua Project No. 524-0308, granted to the American Institute for Free Labor Development (AIFLD) for funding a program in support of the Confederation of Labor Unity (CUS) and other independent democratic unions in their efforts to play leadership roles in Nicaragua's organized labor movement.
 3. USAID/Nicaragua Project No. 524-0309, to fund the costs of purchasing and shipping a new transmitter, communications tower, and studio equipment to enable Radio Corporation to resume its country-wide operations providing a forum for free discussion and the advancement of democratic ideas. Delphi International, a nonprofit, nonpartisan organization devoted to international communication and cooperation, agreed to serve as the National Endowment for Democracy's U.S. grantee for this grant.
 4. Non-Formal Vocational Education Project (USAID/Nicaragua Project No. 524-0310), which is being implemented by the Salesian Society in its efforts to provide vocational training through six schools located in Managua, Granada, and Masatepe.

5. Natural Resources Management Project (USAID/-Nicaragua Project No. 524-0314), which is being implemented by IRENA. The purpose of this project is to improve the management of renewable natural resources, protect biological diversity in selected sites, and support sound and environmentally safe pest management practices.
6. Private Agricultural Services Project (USAID/-Nicaragua Project No. 524-0315), which was designed to strengthen private agricultural organizations in order to improve agricultural productivity. The project's two implementing agencies are the Nicaraguan Association of Non-Traditional Export Producers (APENN) and the Nicaraguan Union of Agricultural Producers (UPANIC).
7. Strengthening Democratic Institutions Project (USAID/Nicaragua Project No. 524-0316). The purpose of this project is to strengthen democratic institutions and the values and attitudes that nurture them.
8. Private Sector Support Project (USAID/Nicaragua Project No. 524-0317). The purpose of this project is to improve Nicaragua's environment for investment and international trade. The project supports the Private Enterprise Higher Council (COSEP) and Nicaragua's Ministry of Economy and Development (MEDE) in developing programs of trade and investment promotion. It also supports the National Public Sector Corporation (CORNAP) in the process of the divestiture of state-held enterprises; the new Superintendency of Banks in establishing its operations; and the new private sector banks in providing services essential to economic development.
9. Development Training Project (USAID/Nicaragua Project No. 524-0318), which combines the Nicaragua component of the Caribbean and Latin American Scholarship Program II (CLASP II) and a traditional development training component. The purpose of this project is to provide skilled human resources critical to democratic transition and economic recovery in Nicaragua.

Fiscal Year 1991

1. Family Planning Project (USAID/Nicaragua Project No. 524-0312), which is being implemented by PROFAMILIA, the Nicaraguan affiliate of the International Planned Parenthood Federation. The purpose of this project is to expand PROFAMILIA's community-based distribution of contraceptives, its gynecological services, and its information and education services.
2. PVO Co-Financing Project (USAID/Nicaragua Project No. 524-0313), which is being implemented by numerous private voluntary organizations (PVOs) with the purpose of assisting Nicaragua in restoring social services in the areas of health, family planning, employment, microenterprise, and protection against environmental degradation.
3. Expanded Program of Immunizations Project (USAID/Nicaragua Project No. 524-0321), by which the USAID effort in immunizations is coordinated with three other donors: The Pan American Health Organization, Rotary International and UNICEF.

The purpose of this project is to increase vaccination coverage of children less than one year old in all municipalities of Nicaragua and strengthen the national epidemiological research and surveillance systems.
4. Atlantic Coast Electrification Project (USAID/-Nicaragua Project No. 524-0324), which is being implemented by the Nicaraguan Energy Institute (INE). This project's purpose is to provide sufficient, stable and sustainable electric power to meet current and future demand over the next three years in Bluefields and Puerto Cabezas.
5. Caribbean Conservation Project (USAID/Nicaragua Project No. 524-0708), which is being implemented by the Caribbean Conservation Corporation, a Florida-based private organization. The purpose of this project is the creation of a Miskito Cays marine reserve and a protected coastal area.

C. Repatriation of Nicaraguan Resistance and Refugees
(USAID/Nicaragua Project No. 524-0307)

The Department of State provided funds under this project to the Organization of American States, the United Nations Observer Group for Central America, and the International Commission for Support and Verification to finance repatriation and relocation activities including food, shelter, agricultural and other self-help and training programs.

II. OBJECTIVES

The general objective of our work was to perform a financial audit of all initiated Assistance Program activities for which USAID/Nicaragua is the official accounting station, with emphasis on the management and control of cash transfers for balance of payments and budget support.

In accordance with the terms of our engagement, our audit work was limited to the activities for all initiated programs and projects which can be reviewed through records available in Nicaragua. Our current audit covered the period from October 1, 1991 to March 31, 1992.

The specific objectives of our current financial audit were to determine whether:

1. The consolidated fund accountability statement presents fairly the financial activities of the Assistance Program for the period October 1, 1991 to March 31, 1992, and costs reported as incurred during the period are allowable, allocable and reasonable in accordance with the terms of individual project and program agreements and with applicable laws and regulations;
2. The internal control structures of the implementing entities are adequate to manage the Assistance Program's operations;
3. The implementing entities have complied with the terms of their individual project and program agreements and with applicable laws and regulations which may affect the Assistance Program's goals and incurred costs; and
4. The implementing entities have corrected the deficiencies noted in prior audit reports on the Assistance Program.

III. SCOPE OF WORK

Our financial audit was performed in accordance with generally accepted auditing standards and the U.S. Comptroller General's Government Auditing Standards. In performing our work we were alert to situations or transactions that could be indicative of fraud, abuse, or illegal expenditures and acts.

To meet stated objectives, our audit work included: 1) examining, on a test basis (except for commodity imports under USAID/Nicaragua Projects Nos. 524-0311 and 524-0319 which were reviewed 100%), evidence supporting the amounts and disclosures in the consolidated fund accountability statement; 2) assessing the accounting principles and practices used and significant estimates made by management; 3) evaluating the overall fund accountability statement presentation; 4) evaluating program/project implementation actions and accomplishments to determine if costs incurred are allowable, allocable, and reasonable under the individual agreement terms; 5) reviewing direct and indirect costs reimbursed by USAID/Nicaragua, quantifying questionable costs, if any; 6) reviewing, for each implementing entity, the control environment, the accounting system, and the internal accounting control procedures; 7) determining compliance with agreement terms, PILs, and applicable laws and regulations; and 8) complying, to the extent considered necessary, with the specific auditing procedures included in the statement of work for our current examination. The local execution under the Assistance Program for the period covered by our audit, from October 1, 1991 to March 31, 1992, amounted to US\$72,934,616.

We did not audit the assistance for the Repatriation of Nicaraguan Resistance and Refugees, the USAID Mission expenses, the Food Aid Programs, or other activities for which audit work would have to be performed outside of Nicaragua.

IV. RESULTS OF AUDIT

A. Consolidated Fund Accountability Statement

As further explained in Note 4 to the consolidated fund accountability statement, our audit tests disclosed questionable costs (questioned and unsupported) in the amount of U.S.\$14,465,012, all of which pertain to the Central Bank of Nicaragua, one of the more than twenty entities managing funds under the Assistance Program.

B. Internal Control Structure

The internal control structures of the Central Bank of Nicaragua, the commercial banks, and other entities participating in the Assistance Program audited by us contained the following conditions which we consider to be material weaknesses:

1. CENTRAL BANK OF NICARAGUA -BCN- (USAID Projects 524-0300, 524-0311, and 524-0319)

- a) The support and control units at BCN and the participating commercial banks did not apply adequate follow-up and monitoring procedures to ensure that all vouchers in support of transactions entered were properly filed and adequately safeguarded.
- b) The BCN has not implemented procedures for a proper and prompt identification of certain foreign currency transactions representing reimbursements to BCN from the separate account and determine their proper classification, by type of disbursement, in the fund accountability statement submitted to USAID/Nicaragua.
- c) Lack of adequate follow-up procedures and monitoring to ensure that all transactions were eligible according to the agreement terms, regulations and applicable laws, and purchases were made in excess of the budget for petroleum and its derivatives.

2. GON's GENERAL PROCUREMENT OFFICE (Public Sector Support Project No. 524-0301.04)

The GON's General Procurement Office (Proveeduría General de la Republica -PGR) did not inform the Public Property Office (Dirección de Bienes del Estado) the details of the goods purchased with grant funds that were delivered to other government offices.

3. MINISTRY OF HEALTH -MINSA- (Community Hospitals Subproject No.524-0301.22)

- a) Due to the lack of supervision and weaknesses in security at one of the Ministry's warehouses, some USAID donated medicines were pilfered on November 14, 1992.
- b) Control procedures over the distribution of medicines at the Juigalpa - Chontales Hospital were weak.

4. MINISTRY OF HEALTH - MINSA - (Medicines Subproject No. 524-0301.05)

Established control procedures over the reception of medicines at hospitals and health centers need improvement.

5. FAMILY PLANNING ASSOCIATION OF NICARAGUA (Family Planning Project, No. 524-0312).

PROFAMILIA incurred in certain costs (taxes) which are not allowable by USAID under the Project.

C. Compliance with Agreement Terms, and Applicable Laws and Regulations

The Central Bank of Nicaragua, the commercial banks and other entities participating in the Assistance Program, as summarized below, did not comply with certain terms of the agreements and applicable laws and regulations:

- 1. CENTRAL BANK OF NICARAGUA (Economic Stabilization and Recovery Programs, Projects No. 524-0300, 524-0311 and 524-0319)
 - a) Regarding Agreement No. 524-0319, 122 import files lacked, at the date of our audit, some supporting documents. Also, 53 files were not made available for our review.
 - b) Some transactions were neither fully identified nor properly classified as to which bank entered into the transaction or which were the products being imported.

c) Some funds of Projects Nos. 524-0300, 524-0311, and 524-0319, were not classified by type of disbursement in the fund accountability statement submitted by BCN to USAID/Nicaragua.

2. NICARAGUAN ASSOCIATION OF PRODUCERS AND EXPORTERS OF NON- TRADITIONAL PRODUCTS -APENN- (Private Agricultural Services Project, No. 524-0315)

a) Salaries were paid in amounts which differed from those approved by USAID.

b) Certain travel and per diem expenses for travel abroad were not approved in advance by USAID.

D. Follow up on Recommendations of Prior Audits

Our review and evaluation of recommendations previously made by the external auditors in connection with their financial audits of the Assistance Program to Nicaragua up to September 30, 1991 confirms that corrective action on all previous recommendations officially made has been taken.

V. MANAGEMENT COMMENTS

On December 1 and 2, 1992, a series of exit conferences were held with representatives of the GON, the BCN and of the other institutions responsible for the implementation of projects or subprojects under the Assistance Program to Nicaragua. The general purpose of these meetings, which were also attended by representatives of USAID/Nicaragua and the RIG/A/T, was to explain the audit findings and recommendations and to receive from the auditees explanations, additional information, if any, and reach whenever possible agreement as to the actions to be taken regarding questionable costs and to carry out the report recommendations.



The contents of our draft report have been changed or modified, when appropriate, based on our assessment of the additional information furnished to us. The revised contents of this final report met, in general, with the approval of the auditees' representatives at the exit conferences held on December 1 and 2, 1992, who in general expressed agreement with the report findings and recommendations after giving effect to the agreed upon changes or modifications.

D. Lee Winterhance

Price Waterhouse



FINANCIAL AUDIT OF THE NICARAGUA ASSISTANCE
PROGRAM FUNDED BY PUBLIC LAW 101-302
AND FISCAL YEAR 1991 APPROPRIATIONS

CONSOLIDATED FUND ACCOUNTABILITY STATEMENT

FOR THE PERIOD OCTOBER 1, 1991 TO MARCH 31, 1992

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying consolidated fund accountability statement (cash basis) for the local execution by the Government of Nicaragua (GON) and other Program Implementing entities, as indicated therein, of the Nicaragua Assistance Program funded by Public Law 101-302 and Fiscal Year 1991 appropriations, for the period October 1, 1991 to March 31, 1992. This statement is the responsibility of the Government of Nicaragua (GON), the Central Bank of Nicaragua (CBN), and the other Program implementing entities. Our responsibility is to express and opinion on this statement based on our audit. The audit for the prior period, from April 1 to September 30, 1991, was performed by other auditors whose opinion dated February 24, 1992 was qualified for certain costs considered questionable and for a scope limitation.

We conducted our audit in accordance with generally accepted auditing standards and the 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 program's fund accountability statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the fund accountability statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.



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

As further explained in Note 4 to the consolidated fund accountability statement, our audit tests disclosed questionable costs (questioned and unsupported) in the amount of U.S.\$14,465,012, all of which pertain to the Central Bank of Nicaragua, one of more than twenty entities managing funds under the Assistance Program.

In our opinion, except for the effects, if any, of the questionable costs explained in more detail in Note 4, the consolidated fund accountability statement examined by us presents fairly, in all material respects, the local execution (cash receipts and locally incurred disbursements) of the Assistance Program funded by Public Law 101-302 and Fiscal Year 1991 appropriations for the period from October 1, 1991 to March 31, 1992, in accordance with the accounting policy and the basis of accounting described in Note 2.

This report is intended solely for the use of the Government of Nicaragua, the Central Bank of Nicaragua, other participating implementing units' management, and the United States Agency for International Development. This restriction, however, is not intended to limit distribution of this report which, upon acceptance by the Office of the Regional Inspector General for Audit (RIG/A/T), is a matter of public record.

Eric Waterhouse

July 7, 1992

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NICARAGUA ASSISTANCE PROGRAM FUNDED BY PUBLIC LAW 101-302
AND FISCAL YEAR 1991 APPROPRIATIONS AS OF MARCH 31, 1992

FUND ACCOUNTABILITY STATEMENT
(expressed in US\$ Dollars)
U N A U D I T E D

Title FISCAL YEAR 1990	Grant No.	Budgeted Amount	Obligated Amount	Disbursements Accumulated as of March 31, 1992	USAID Direct Disbursement ac- cumulated as of March 31, 1992	Local execution	October 1,	Questionable cost in	
						1991 to March 31, 1992 USAID Direct Disbursement in the audi- ted period	31, 1992 Local execu- tion in the audited period	the audited period	Unsupported
I. Cash Transfers									
Economy Recovery Program I	524-0300	60,000,000	60,000,000	60,000,000					
Economy Recovery Program II	524-0311	118,000,000	118,000,000	118,000,000		4,000,000		633,148	79,078
Subtotal Cash Transfers		178,000,000	178,000,000	178,000,000		4,000,000		633,148	79,078
II. Development Projects									
Economic Growth and Development Project									
Technical Assistance and training subproject (INCAE)	524-0301.01	3,190,000	3,190,000	2,311,191			726,154		
Employment Generation subproject (INIFOM-FISE)	524-0301.03	20,900,000	20,900,000	10,515,274	1,183,370	599,554	5,446,216		
Public Sector Support subproject (Government Ministries and Office)	524-0301.04	7,780,000	7,780,000	3,128,678	3,128,678	2,827,048			
Medicines subproject (PASA-MINSA)	524-0301.05	1,500,000	1,500,000						
Community Hospitals subproject	524-0301.22	2,500,000	2,500,000						
Text Books subproject	524-0301.23	12,200,000	12,200,000						
American Institute for Free Labor Development (AIFLD)	524-0308	700,000	700,000	700,000	700,000	71,782			
National Endowment for Democracy Project (NED)	524-0309	235,000	235,000	192,811	192,811	20,000			
Hon Formal Vocational Education Project (Salesians Mission)	524-0310	1,700,000	1,700,000	1,199,987	1,199,987	712,318			
Natural Resources Management Project (IRENA)	524-0314	8,000,000	8,000,000						
Private Agricultural Services Project	524-0315	1,500,000	1,500,000	201,602			116,616		
Strengthening Democratic Institutions Project	524-0316	3,000,000	3,000,000	150,480	150,480	122,789			
Private Sector Support Project	524-0317	1,000,000	1,000,000						
Development Training Project	524-0318	2,000,000	2,000,000	52,955	52,855	52,855			
Subtotal Developments Projects		66,205,000	66,205,000	18,452,978	6,608,181	4,406,346	6,288,986		
III. Repatriation of Nicaraguan Resistance of Refugees	524-0307	45,000,000	43,750,000	43,750,000					
IV. USAID Expenses									
Project Development and Support		4,065,000	3,951,000	2,703,717					
Operating expenses		6,730,000	5,032,000	4,725,000					
Subtotal Mission Expenses		10,795,000	8,983,000	7,428,717					
Total FY-90 Dire Supplemental		300,000,000	296,938,000	247,631,695	6,608,181	4,406,346	10,288,986	633,148	79,078

The accompanying 8 Notes are
an integral part of this financial statement

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NICARAGUA ASSISTANCE PROGRAM FUNDED BY PUBLIC LAW 101-302
AND FISCAL YEAR 1991 APPROPRIATIONS AS OF MARCH 31, 1992

FUND ACCOUNTABILITY STATEMENT
(expressed in US\$ Dollars)
U N A U D I T E D

Title	Grant No.	Budgeted Amount	Obligated Amount	Disbursements Accumulated as of March 31, 1992	USAID Direct Disbursement accumulated as of March 31, 1992	Local execution October 1, 1991 to March 31, 1992 USAID Direct Disbursement in the audited period	Local execution in the audited period	Questionable cost in the audited period	cost in period Unsupported
FISCAL YEAR 1991									
I. Cash Transfers									
Economy Recovery Program	524-0319	162,500,000	162,500,000	162,500,000		62,500,000		12,215,780	1,537,006
II. Development Projects									
Economic Growth and Development Project									
Technical Assistance and training subproject	524-0301.01	110,000	110,000						
Family Planning Project (PROFAMILIA)	524-0312	1,000,000	1,000,000	392,389			145,630		
PVO Co-Financing Project	524-0313	4,281,000	4,281,000	59,545	59,545	59,545			
Private Sector Support Project	524-0317	300,000	300,000	27,621	27,621	27,621			
Expanded Program of Immunizations Project	524-0321	1,219,000	1,219,000	390,130	390,130	390,130			
Atlantic Coast Electrification (HPECA)	524-0324	5,000,000	5,000,000						
Caribbean Conservation (CCC)	598-0780	150,000	150,000						
Subtotal Developments Projects		12,060,000	12,060,000	869,685	477,296	477,296	145,630		
III. Repatriation of Nicaraguan Resistance of Refugees									
Subtotal Repatriation	524-0307	11,600,000	11,600,000	11,600,000					
IV. Food Aid Programs									
Food for Progress (GOM)		28,800,000	28,800,000	28,800,000					
Food for Peace (CARE)		2,181,000	2,181,000	2,181,000					
Food for Peace (ADRA)		443,000	443,000	443,000					
Subtotal Food Aid		31,424,000	31,424,000	31,424,000					
V. USAID Mission Expenses									
Project Development and Support		100,000	100,000	12,528					
Total FY-91 ESF, DA, and food Aid		217,684,000	217,684,000	206,406,213	477,296	477,296	62,645,630	12,215,780	1,537,006

The accompanying 8 Notes are
an integral part of this financial statement

FINANCIAL AUDIT OF THE NICARAGUA ASSISTANCE
PROGRAM FUNDED BY PUBLIC LAW 101-302
AND FISCAL YEAR 1991 APPROPRIATIONS

NOTES TO THE CONSOLIDATED FUND ACCOUNTABILITY STATEMENT

FOR THE PERIOD OCTOBER 1, 1991 TO MARCH 31, 1992

NOTE 1 - BACKGROUND:

On May 25, 1990, the President of the United States signed Public Law 101-302, the Fiscal Year 1990 Dire Emergency Supplemental Appropriations Act which provided US\$300 million in Economic Support Funds (ESF) to support the Nicaraguan economic recovery. For Fiscal Year 1991 an additional US\$218 million of assistance was provided through Economic Support Funds, Development Assistance and Food Aid (both Food for Progress and Public Law 480, Title II).

A major portion of the Economic Support Funds for each year was used to provide cash transfer assistance to support a rational economic program to stabilize and reactivate the Nicaraguan economy. The remaining Economic Support Fund, the Development Assistance Fund and, in one case, local currency proceeds from the sale of Public Law Title II food commodities were used for development projects supporting the new government's economic recovery and social programs.

NOTE 2 - BASIS OF ACCOUNTING:

The consolidated fund accountability statement reflects the local execution of those projects under the Assistance Program for which USAID/Nicaragua is the official accounting station, and has been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Consequently, funding provided is recognized when received and expenditures are recognized when paid, not when the obligations are incurred.

NOTE 3 - RATE OF EXCHANGE AND EXCHANGE RESTRICTIONS:

According to the Exchange Control Law of September 9, 1978, all foreign currency acquired must be reported to the Central Bank of Nicaragua and all remittances must have the approval of this bank.

On May 3, 1990 the Central Bank of Nicaragua (BCN) established a new monetary unit (Cordoba Oro) at par with the U.S. Dollar. Subsequently, on March 3, 1991, a new parity of the monetary unit (Cordoba Oro) was established at C\$5.00 per US\$1.00.

The BCN has allowed the operation of a free market for currency exchange, provided transactions are handled by authorized agents (foreign currency bureaus). The rate of exchange in this market varies 5 to 10% above the official rate.

NOTE 4 - QUESTIONABLE COSTS:

The following costs have been considered questionable for the reasons explained therein:

	<u>Questioned</u> <u>U.S.\$</u>	<u>Unsupported</u> <u>U.S.\$</u>	<u>Detail</u> <u>Annex</u>
A. CASH TRANSFER ASSISTANCE- CENTRAL BANK OF NICARAGUA			
Fiscal Year 1990-Economic Stabilization and Recovery Program (USAID/Nicaragua Project No. 524-0311)	\$ 633,148	\$ 79,078	I
Fiscal Year 1991-Economic Stabilization and Recovery Program (USAID/Nicaragua Project No. 524-0319)	<u>12,252,105</u>	<u>1,500,681</u>	I
TOTALS	<u>\$12,885,253</u>	<u>\$ 1,579,759</u>	

NOTE 5 - LOCAL CURRENCY GENERATION:

On May 15, 1991, the Central Bank of Nicaragua (BCN) and USAID/Nicaragua signed a Memorandum of Understanding which states that local currency generated according to Agreement No. 524-0319 may be used for the following:

- Budget support to the Central Government of Nicaragua,
- Offsetting exchange losses of BCN, and
- Repaying debt of the Government to the BCN.

The situation of the local currency (LC) generation (Cordobas Oro) as of March 31, 1992, was as follows:

LC available at September 30, 1991	C\$ 505,325,596
LC generated during the period from October 1, 1991 to March 31, 1992	325,677,569
Less - LC used for allowable purposes	<u>(774,001,599)</u>
LC available at March 31, 1992	<u>C\$ 57,001,566</u>

NOTE 6 - DISBURSEMENTS ACCUMULATED
AS OF MARCH 31, 1992:

The disbursements accumulated as of March 31, 1992 represent both expenditures and advances.

NOTE 7 - FOOD AID PROGRAMS:

Amounts reported represent the assigned value of commodities, not the actual cost.

NOTE 8 - DISBURSEMENTS NOT REPORTED
BY USAID/NICARAGUA:

As of March 31, 1992, the Community Hospitals and Textbook Subprojects, USAID/Nicaragua subprojects Nos. 524-0301.22 and 524-0301.23, had accumulated disbursements of US\$ 1,384,000 and US\$ 12,200,000, respectively, which were not reported by USAID/Nicaragua, as USAID/Washington is the accounting station for these subprojects.

Price Waterhouse



FINANCIAL AUDIT OF THE NICARAGUA ASSISTANCE
PROGRAM FUNDED BY PUBLIC LAW 101-302
AND FISCAL YEAR 1991 APPROPRIATIONS

INTERNAL CONTROL STRUCTURE

INDEPENDENT AUDITOR'S REPORT

We have audited the consolidated fund accountability statement of the Assistance Program funded by Public Law 101-302 and Fiscal Year 1991 appropriations, and managed by the Government of Nicaragua (GON), the Central Bank of Nicaragua (BCN) and other implementing units for the period from October 1, 1991 to March 31, 1992, and have issued our report thereon dated July 7, 1992.

We conducted our audit in accordance with generally accepted auditing standards and the 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 statement is free of material misstatement.

In planning and performing our audit of the consolidated fund accountability statement of the Assistance Program managed by the GON, BCN and the other participating implementing institutions for the six months ended March 31, 1992, we considered their internal control structures in order to determine our auditing procedures for the purpose of expressing our opinion on the consolidated fund accountability statement, and not to provide assurance on their internal control structures.

The GON, the management of the BCN and that of the other implementing institutions are 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 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 categories: a) accounting and budgetary control systems; b) procurement of goods, commodities and services; c) fixed assets and inventories management; d) cash management; and e) payroll procedures.

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

We noted certain matters involving the internal control structures and their 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 an 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 consolidated fund accountability statement. These reportable conditions are described as findings No. 1 to 6 in the following pages of this section of our 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 fund accountability statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structures would not necessarily disclose all matters in the internal control structures 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 all of the reportable conditions referred to above are material weaknesses.

This report is intended solely for the use of the Government of Nicaragua, the Central Bank of Nicaragua, other participating implementing units' management, and the United States Agency for International Development. This restriction, however, is not intended to limit distribution of this report which, upon acceptance by the Office of the Regional Inspector General for Audit (RIG/A/T), is a matter of public record.

Price Waterhouse

July 7, 1992

FINANCIAL AUDIT OF THE NICARAGUA ASSISTANCE
PROGRAM FUNDED BY PUBLIC LAW 101-302
AND FISCAL YEAR 1991 APPROPRIATIONS

INTERNAL CONTROL STRUCTURE

FINDINGS

CENTRAL BANK OF NICARAGUA

1. The Internal Control Structures of the Central Bank of Nicaragua (BCN) and of the Commercial Banks Participating in the Assistance Program Require Improvement.

Condition:

Our evaluation of internal accounting controls established by the Central Bank and the commercial banks participating in the cash transfer programs revealed the following weaknesses:

- a) The support and control units at BCN and the participating commercial banks did not carry out adequate follow up and monitoring procedures to ensure that all vouchers supporting transactions were adequately filed and safeguarded.
- b) The BCN has not implemented procedures for a proper and prompt identification of certain foreign currency transactions representing reimbursements to BCN from the separate account and determine their proper classification, by type of disbursement, in the fund accountability statement submitted to USAID/Nicaragua.
- c) Lack of adequate follow-up procedures and monitoring to ensure that all transactions were eligible according to the agreement terms, regulations and applicable laws, and purchases were made in excess of the budget for petroleum and its derivatives.

Criteria:

The management of the BCN and the participating commercial banks are responsible for establishing and maintaining adequate internal control structures, including an internal audit and financial monitoring functions capable of providing proper assurances regarding the safeguarding of all documents supporting the

transactions processed under the cash transfer programs and the classification of disbursements by type of transaction, to satisfy project eligibility and USAID/Nicaragua information requirements.

Cause:

Lack of sufficiently clear instructions to the support and control units to carry out the actions required to prevent the situations covered by the condition.

Effect:

Errors or irregularities may occur and not be detected on a timely basis by employees during the normal execution of their assigned duties and not comply with some terms of the agreement, regulations and applicable laws. Because of the conditions noted, U.S.\$14,465,012 of program costs have been questioned (see Note 4 to the consolidated fund accountability statement).

Recommendation:

The BCN and the commercial banks should instruct their support and control units to apply, as part of their assigned functions, follow-up and monitoring procedures to ensure the adequate filing and safeguarding of supporting documentation; the proper recording and classification of all foreign currency transactions; and that all project transactions are eligible according to agreement terms. Additionally, the BCN and the participating commercial banks should implement follow-up procedures to ensure that their support and control units implement the above procedures.

GON'S GENERAL PROCUREMENT OFFICE-
(Public Sector Support Subproject, No. 524-0301.04)

2. The PGR Has Not Furnished to the Public Property Office the Detailed Information on the Equipment Donated to the GON under the Subproject.

Condition:

The GON's General Procurement Office (Proveeduría General de la República -PGR) has not provided the Public Property Office (Dirección de Bienes del Estado) with sufficient information regarding the goods purchased with grant funds and delivered to other government institutions.

Criteria:

An adequate control structure and related procedures would dictate that the information on goods received from USAID should be properly communicated to other GON institutions charged with the responsibility of maintaining an inventory of all state-owned assets and/or of providing assurance that project assets are being used as intended.

Cause:

PGR has considered that its responsibility is limited to receiving the goods in question and deliver them to the intended beneficiaries of the assistance.

Effect:

Lack of proper and sufficient assurance regarding accounting control over the location and proper use of the equipment acquired with project funds.

Recommendation:

PGR should immediately provide the Public Property Office (Dirección de Bienes del Estado) with all the details regarding the equipment received under the grant and delivered to other GON Ministries and Offices.

MINISTRY OF HEALTH (MINSA)
(Medicines Subproject No. 524-0301.05)
(Community Hospitals Subproject No. 524-0301.22)

3. On November 14, 1991 Some USAID Donated Medicines Were Pilfered.

Condition:

According to information supplied and our review of the related documentation for the Community Hospitals project, on November 14, 1991 some USAID donated goods were pilfered from a MINSA warehouse (gentamicin and ampicillin for US\$5,271, in the aggregate).

Criteria:

The internal control procedures in place require appropriate controls over the receipt, custody and distribution of products up to their final destination. COFARMA committed itself to make some changes in the warehouse premises, but as of the date of our visit such changes had not been made.

Cause:

Lack of supervision and control over the custody of the above mentioned goods at the warehouse or storing depots.

Effect:

The lack of appropriate controls may result in pilferages such as those described above.

Recommendation:

The Ministry of Health should implement procedures to ensure that the custody of goods stored in its warehouses is more closely supervised, in order to prevent any future product pilferage.

4. Distribution and Control Procedures at the Juigalpa-Chontales Hospital Were Weak.

Condition:

In reviewing controls established for the Community Hospitals project, and during our visit to the above mentioned hospital, we noted the following situations:

- a) The supervision of the hospital activities by MINSA authorities is not up to standard.
- b) High warehouse employees turnover and no procedures in place concerning formal delivery of the stocks on hand to the successor warehousemen.
- c) Lack of formal printed and prenumbered forms to control delivery of products to their ultimate users (the patients).

Criteria:

The cooperative agreement covering the Community Hospitals subproject imposes upon MINSA the responsibility for establishing an adequate control system through the hospitals network for the custody and distribution of the products up to their final destination.

Cause:

Lack of an adequate control and administration system over donated medicines, including an appropriate supervision plan thereon.

Effect:

Deficient management of both product handling and distribution.

Recommendation:

MINSA should reinforce the control procedures surrounding the custody, supervision and formal delivery of the stocks to the hospital warehouses through the consistent use of preprinted and prenumbered product delivery forms and through more timely supervision over the hospitals.

5. Established Control Procedures Over The Reception of Medicines at Hospitals and Health Centers Need Improvement.

Condition:

During our scheduled visits to hospitals and health centers we noted the following situations:

- a) The Ministry does not effectively supervise the hospitals and health centers to monitor the Medicines Sub-Project related activities.
- b) At some of the locations visited in connection with our audit of the Medicines subproject, auxiliary cards to control the movements of inventory items are not used, and an adequate filing system for the documents in support of receipts and deliveries/consumptions is lacking.

Criteria:

The memorandum of understanding signed by MINSA establishes the requirement of maintaining a control structure and adequate files for the reception, distribution and usage or consumption of the inventories provided under the grant agreement.

Cause:

Untimely and insufficient supervision by MINSA over the hospitals and health centers.

Effect:

Lack of appropriate controls over these inventories and non-compliance with the conditions of the Memorandum of Understanding.

Recommendation:

MINSA should improve the controls over donated inventory items, both accounting and physical, at all locations and ensure that the accountability provisions of the memorandum of understanding with USAID are complied with at all times.

FAMILY PLANNING ASSOCIATION OF NICARAGUA (PROFAMILIA)
(Family Planning Project, No. 524-0312)

6. PROFAMILIA Incurred in Certain Taxes Which Are Not Allowable By USAID Under the Project.

Condition:

PROFAMILIA has requested reimbursement under the project for some tax payments made, which are clearly not allowable in accordance with USAID applicable regulations.

Criteria:

Charges to an award are to be made only for direct and indirect expenditures which are reasonable, allowable and allocable in conformity with generally accepted accounting principles and USAID approved cost principles.

Cause:

Management failed to identify the disbursements in question as being non-allowable under the project.

Effect:

Costs that are not allowable in accordance with USAID regulations will not be reimbursed by USAID/Nicaragua under the project.

Recommendation:

PROFAMILIA should remind its accounting staff, responsible for entering the project data to the accounting system, of all those concepts that should not be charged to the USAID funded project in accordance with agreement terms and applicable USAID regulations.

Price Waterhouse



FINANCIAL AUDIT OF THE NICARAGUA ASSISTANCE
PROGRAM FUNDED BY PUBLIC LAW 101-302
AND FISCAL YEAR 1991 APPROPRIATIONS

COMPLIANCE WITH AGREEMENT TERMS AND
APPLICABLE LAWS AND REGULATIONS

INDEPENDENT AUDITOR'S REPORT

We have audited the consolidated fund accountability statement of the Assistance Program funded by Public Law 101-302 and Fiscal Year 1991 appropriations and managed by the Government of Nicaragua (GON), the Central Bank of Nicaragua (BCN), and the other participating implementing units for the six months ended March 31, 1992, and have issued our report thereon dated July 7, 1992.

We conducted our audit in accordance with generally accepted auditing standards and the 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 consolidated fund accountability statement is free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the GON, the BCN, and the other participating implementing units is the responsibility of their management. As part of obtaining reasonable assurance about whether the consolidated fund accountability statement for the Assistance Program is free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

Material instances of noncompliance are failures to follow requirements, or violations of prohibitions, contained in statutes, regulations, contracts, or grants that cause us to conclude that the aggregation of the misstatements resulting from those failures or violations is material to the financial statements. The results



of our tests of compliance disclosed the material instances of noncompliance which are more fully described as findings No. 1 to No. 3 in the following pages of this section of the report.

We considered these material instances of noncompliance in forming our opinion on whether the GON, the BCN, and the other participating implementing unit's March 31, 1992 consolidated fund accountability statement is presented fairly, in all material respects, in conformity with the cash basis of accounting adopted for the Assistance Program, and this report does not affect our report dated July 7, 1992 on the Program's consolidated fund accountability statement.

Except as described above, the results of our tests of compliance indicate that, with respect to the items tested the GON, the BCN, and the other implementing units complied, in all material respects, with the provisions referred to in the third paragraph of this report, and with respect to items not tested, nothing came to our attention that caused us to believe that they had not complied, in all material respects, with those provisions.

This report is intended solely for the use of the Government of Nicaragua, the Central Bank of Nicaragua, other participating implementing units' management, and the United States Agency for International Development. This restriction, however, is not intended to limit distribution of this report which, upon acceptance by the Office of the Regional Inspector General for Audit (RIG/A/T), is a matter of public record.

Eric Winterhouse

July 7, 1992

FINANCIAL AUDIT OF THE NICARAGUA ASSISTANCE
PROGRAM FUNDED BY PUBLIC LAW 101-302
AND FISCAL YEAR 1991 APPROPRIATIONS

COMPLIANCE WITH AGREEMENT TERMS
AND APPLICABLE LAWS AND REGULATIONS

FINDINGS

CENTRAL BANK OF NICARAGUA

1. The Central Bank of Nicaragua Did Not Comply With Some of the Terms of the Agreement, and the Commercial Banks Executing the Financial Assistance Program Did Not Establish Appropriate Filing Systems For All The Transactions' Supporting Documentation.

Condition:

- a) Regarding Agreement No. 524-0319, 122 import files lacked some supporting documents (commercial invoice, bill of lading, import documents, evidence of payment to the supplier, import certification duly approved by de BCN, etc.). Also, 53 files were not made available for our review. These cases of noncompliance were incurred by the following commercial banks:

	<u>Number of transactions</u>	<u>Transactions with no file made available</u>
BANIC	98	42
BANPRO	2	2
BND	8	9
BAC	13	
BANCENTRO	<u>1</u>	—
	<u>122</u>	<u>53</u>

- b) The following transactions were neither fully identified nor properly classified as to which bank entered into the transaction or what was the product being imported:

National Bank Int'l. Miami (524-0311)	\$ 61,067
National Bank Int'l. Miami (524-0319)	346,218
Chemical Bank Corporation (524-0319)	<u>103,117</u>
	<u>\$510,402</u>

- c) The following funds, used from BCN reimbursements and deposited in the separate account, were not classified by type of disbursement in the fund accountability statement submitted by BCN to USAID/Nicaragua:

ESF 524-0300	\$ 1,038,258
ESF 524-0311	810,446
ESF 524-0319	<u>27,698,717</u>
	<u>\$29,547,421</u>

Criteria:

The BCN and the participating commercial banks are required to comply with the following applicable terms and regulations:

- Section IV of the agreement for program No. 524-0319 entitled "Control and required documentation" of the special separate account operation procedures which dictates that BCN will ensure that files for each approved transaction should have the respective approval of the documentation and payment of imports with funds from the special separate account.
- Section VII-"CBN Reports", Caption A-3-g), of the separate special account operation procedures indicate that agreement funded transaction listings should include in addition to the imported product name, its classification i.e. capital assets, consumer goods, raw material, crude oil (petroleum) agriculture supplies, etc..

Cause:

The BCN overlooked the importance of complying with agreement terms and other applicable requirements and of monitoring the commercial banks' transactions funded by the grant agreement.

Effect:

The lack of sufficient documentation, data and classification by type of disbursement makes it extremely difficult to adequately evaluate the eligibility of all transactions. Also, the cases of noncompliance have resulted in questionable and unsupported costs of US\$ 14,465,012 (see Note 4 and Annex I).

Recommendation:

BCN should require the commercial banks to establish controls necessary to ensure that the documents files properly evidence compliance with agreement terms and applicable laws and regulations. Also the BCN should monitor the quality and completeness of the content of the files on imports funded by the grant agreement.

NICARAGUAN ASSOCIATION OF PRODUCERS AND EXPORTERS OF NON
TRADITIONAL PRODUCTS (APENN)
(Private Agricultural Services Project, No. 524-0315)

2. Payment of Salaries At Variance With Those Approved by USAID.

Condition:

The salaries paid to APENN officials and employees do not agree with those approved and included in the budget.

Criteria:

All salaries should be paid according to the USAID approved budget, so that personnel costs are met as intended.

Cause:

Employees not covered by budget were contracted in view of human resource needs, and salaries paid in excess of budget are considered reasonable by management.

Effect:

Expense liquidations for US\$7,100 may not be approved by USAID.

Recommendation:

APENN should ensure that salaries paid with grant funds follow the budget approved by USAID and that any changes thereon are approved in advance by the Mission.

3. Travel and Per Diem Expenses for Travel Abroad Were Not Approved in Advance by USAID.

Condition:

Travel abroad by Messrs. Denis Arauz and David Bradford was not approved in writing by USAID.

Criteria:

All program costs should comply with the agreement terms, regulations and applicable laws. Some costs require prior USAID approval.

Cause:

Approval from USAID is normally requested, but it is not always obtained on a timely basis.

Effect:

Disbursements for US\$5,734 have been disallowed by USAID.

Recommendation:

APENN should ensure that approval from USAID is processed and obtained well in advance of travel planned to be made abroad.

Price Waterhouse



FINANCIAL AUDIT OF THE NICARAGUA ASSISTANCE
PROGRAM FUNDED BY PUBLIC LAW 101-302
AND FISCAL YEAR 1991 APPROPRIATIONS

FOLLOW UP TO PRIOR AUDIT RECOMMENDATIONS

INDEPENDENT AUDITOR'S REPORT

We have audited the consolidated fund accountability statement of the Assistance Program to Nicaragua funded by Public Law 101-302 and Fiscal Year 1991 appropriations, and managed by the Government of Nicaragua (GON), the Central Bank of Nicaragua (BCN), and other implementing units for the period from October 1, 1991 to March 31, 1992, and have issued our report thereon dated July 7, 1992.

We conducted our audit in accordance with generally accepted auditing standards and the 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 statement is free of material misstatement.

As part of our audit we performed follow up procedures to determine whether corrective action had been taken on all previously submitted recommendations which could have a material effect on our audit's planning and execution.

The results of our follow up tests in connection with the audit reports relative to the Nicaragua Assistance Program for periods up to September 30, 1991, indicate that corrective action has been taken on all previous recommendations officially made which are now considered closed.



This report is intended solely for the use of the Government of Nicaragua, the implementing units participating in the Assistance Program, and the United States Agency for International Development. This restriction, however, is not intended to limit distribution of this report which, upon acceptance by the Office of the Regional Inspector General for Audit (RIG/A/T), is a matter of public record.

Price Waterhouse

September 4, 1992

FINANCIAL AUDIT OF THE NICARAGUA ASSISTANCE
PROGRAM FUNDED BY PUBLIC LAW 101-302
AND FISCAL YEAR 1991 APPROPRIATIONS

LIST OF REPORT RECOMMENDATIONS

Internal Control Structure

Recommendation 1:

The BCN and the commercial banks should instruct their support and control units to apply, as part of their assigned functions, follow-up and monitoring procedures to ensure the adequate filing and safeguarding of supporting documentation; the proper recording and classification of all foreign currency transactions; and that all project transactions are eligible according to agreement terms. Additionally, the BCN and the participating commercial banks should implement follow-up procedures to ensure that their support and control units implement the above procedures.

Recommendation 2:

PGR should immediately provide the Public Property Office (Dirección de Bienes del Estado) with all the details regarding the equipment received under the grant and delivered to other GON Ministries and Offices.

Recommendation 3:

The Ministry of Health should implement procedures to ensure that the custody of goods stored in its warehouses is more closely supervised, in order to prevent any future product pilferage.

Recommendation 4:

MINSA should reinforce the control procedures surrounding the custody, supervision and formal delivery of the stocks to the hospital warehouses through the consistent use of preprinted and prenumbered product delivery forms and through more timely supervision over the hospitals.

Recommendation 5:

MINSA should improve the controls over donated inventory items, both accounting and physical, at all locations and ensure that the accountability provisions of the memorandum of understanding with USAID are complied with at all times.

Recommendation 6:

PROFAMILIA should remind its accounting staff, responsible for entering the project data to the accounting system, of all those concepts that should not be charged to the USAID funded project in accordance with agreement terms and applicable USAID regulations.

Compliance with Agreement Terms and
Applicable Laws and Regulations

Recommendation 1:

BCN should require the commercial banks to establish controls necessary to ensure that the documents files properly evidence compliance with agreement terms and applicable laws and regulations. Also the BCN should monitor the quality and completeness of the content of the files on imports funded by the grant agreement.

Recommendation 2:

APENN should ensure that salaries paid with grant funds follow the budget approved by USAID and that any changes thereon are approved in advance by the Mission.

Recommendation 3:

APENN should ensure that approval from USAID is processed and obtained well in advance of travel planned to be made abroad.

CENTRAL BANK OF NICARAGUA (BCN)
DETAIL OF QUESTIONABLE COSTS INCURRED BY BCN
FROM OCTOBER 1, 1991 TO MARCH 31, 1992

Transaction Number	Importer	Questionable costs		Reason for Questioning
		Questioned	Unsupported	
<u>524-0311</u>				
CC-2367-91	CONAL	US\$ 503,000		1
CC-2190-91	Esso Standard Oil, S. A.		US\$ 18,011	3
Several			61,067	7
Bank draft 265	COMALISA	8,595		2
IL-C-0004-92	DICEGSA	14,943		2
Bank draft 178	REFANIC	16,814		2
Bank draft 197	Comercial de Trinidad, S. A.	10,000		2
Bank draft 200	Comercial de Trinidad, S. A.	9,607		2
LC-51-0304-91-8	DICEGSA	9,220		2
LC-51-0303-91-1	DICEGSA	46,167		2
Bank draft 004	Sergio y Armando Núñez, S. A.	12,802		2
Bank draft 263	CEDISA	2,000		2
<u>Totals 524-0311</u>		<u>US\$ 633,148</u>	<u>US\$ 79,078</u>	
<u>524-0319</u>				
Bank draft 546	AGROSA		US\$ 21,800	5
Bank draft 561	AGROSA		10,900	5
Bank draft 567	Syscom-Nicaragua, S. A.		3,293	5
Bank draft 56	Nestlé de Nicaragua, S. A.		3,085	5
Bank draft 553	Servicios Continentales, S. A.	US\$ 21,600		2
Bank draft 72	COSERVISA	14,230		2
Bank draft 511	ENICONS	6,498		1
Bank draft 523	Cruz Lorena, S. A.		13,570	5
Bank draft 522	Serrano Suplisa, S. A.	16,342		2
LC-51-0351	BANIC	2,947		1
Carried forward...		<u>US\$ 61,617</u>	<u>US\$ 52,648</u>	

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<u>Transaction Number</u>	<u>Importer</u>	<u>Questionable costs</u>		<u>Reason for Ques- tioning</u>
		<u>Questioned</u>	<u>Unsupported</u>	
Brought forward...		US\$ 61,617	US\$ 52,648	
Bank draft 547 VGI-1526-91	INFARSA Xerox de Nicaragua, S. A.	10,002 46,179		1 11
VGI-1554-91	Avícola San Felipe, S. A.	7,230		11
T-VGIMP-0780	Imprenta La Salle	17,578		11
T-VGIMP-0846	Mercadeo Industrial, S. A.	2,931		11
T-VGIMP-0884	Tiomno y Kanarek y Cía. Ltda.	4,205		11
Bank draft 148	COSERVISA	26,292		2
LC-51-0219-91	Grupo Omega	17,314		2
Bank draft 529	Comercial E. de Trinidad, S. A.	4,532		2
Bank draft 533	IMFARSA	4,997		2
Bank draft 145	Esso Standard Oil, S. A.		821	5
Bank draft 149	Esso Standard Oil, S. A.		848	5
Bank draft 225	ESANICSA		6,080	5
Bank draft 411	SYSCOM		14,248	5
Bank draft 412	Alvarado & Cía. Ltda.		14,366	5
Bank draft 418	Ferretería Reynaldo Hernández		1,515	5
Bank draft 210	Colgate Palmolive		99,732	5
51-0449-92-4	BANIC	7,170		1 & 2
Bank draft 427	Compañía Nacional Productora de Cemento, S. A.	854		1
Bank draft 453	Randall Clerk		691	3
Bank draft 436	COSERVISA	32,812		2
Bank draft 451	Omega Int'l, S. A.	9,177		2
LC-51-0319-91-5	ENAL	70,666		1
Bank draft 226	Riestra, S. A.	5,373		2
Bank draft 232	Ocalisa	21,006		2
Bank draft 0655	Not issued	27,400		8
Carried forward...		US\$ 377,335	US\$ 190,949	

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<u>Transaction Number</u>	<u>Importer</u>	<u>Questionable costs</u>		<u>Reason for Ques- tioning</u>
		<u>Questioned</u>	<u>Unsupported</u>	
Brought forward...		US\$ 377,335	US\$ 190,949	
TC-0016-92	Tip-Top Industrial, S. A.		5,952	5
TC-0017-92	Tip-Top Industrial, S. A.		23,120	5
TC-005-92	Fletes Alemán		5,877	5
LC-51-351-92-4	BANIC	8,142		1
Bank draft 535	Voided	20,000		9
Bank draft 537	Voided	6,800		9
Bank draft 406	Not issued	21,844		8
Bank draft 84	Noguera y Cía. Ltda.		10,501	5
VG-1469-91	Noguera y Cía. Ltda.		10,906	5
Bank draft 527	GRACSA		142,400	5
Several			449,335	7
Bank draft 587			5,863	7
Bank draft 530			15,345	7
Bank draft 591	Cia. Nacional Produc- tora de Cemento	27,750		1
Bank draft 572			10,000	7
Bank draft 060			20,400	7
Bank draft 105	Industrial Cervecera	45,000		6
Bank draft 437			8,617	7
TC-019.92			5,216	7
T-927771			69,473	7
TC-007-92			18,733	7
T-DGC-000150			19,126	7
T-VGIMP-1326			11,473	7
Bank draft 274	Puschendorf, S. A.	4,002		2
Bank draft 282	COMALISA	8,157		2
Bank draft 266	Bayer Químicas, S. A.	11,139		2
Bank draft 0004	RIESTRA, S. A.	11,655		2
Bank draft 0020	COMALISA	8,873		2
Bank draft 0022	DICEGSA	9,339		2
Bank draft 0043	COMALISA	2,459		2
Bank draft 243	COMALISA	2,842		2
Carried forward...		<u>US\$ 565,337</u>	<u>US\$1,023,286</u>	

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<u>Transaction Number</u>	<u>Importer</u>	<u>Questionable costs</u>		<u>Reason for Ques- tioning</u>
		<u>Questioned</u>	<u>Unsupported</u>	
Brought forward...		<u>US\$ 565,337</u>	<u>US\$1,023,286</u>	
Bank draft 275	Puschendorf	6,167		2
Bank draft 288	CEDISA	2,000		2
Bank draft 289	CEDISA	2,000		2
Bank draft 604	CEDISA	5,000		2
Bank draft 005	COMALISA	16,648		2
Bank draft 006	COMALISA	16,075		2
Bank draft 278	COMALISA	3,050		2
Bank draft 360	Casa Terán, S. A.	9,551		2
Bank draft 367	Casa Terán, S. A.	7,000		2
Bank draft 368	Casa Terán, S. A.	6,319		2
Bank draft 355	Servicio Automotriz Mántica, S. A.		9,060	5
Bank draft 379	Plásticos Modernos		30,213	5
Bank draft 002	Com. Importadora y Exportadora, S. A.		6,840	5
Bank draft 246	El Novillo y Cía.		10,000	5
Bank draft 011	OCALSA		44,325	5
Bank draft 279	Agropecuaria El Atlántico, S. A.		2,500	5
05-026-91	Nicaraguense de Aluminio, S. A.	28,073		1
Bank draft 431	Remodelaciones de Interiores, S. A.		13,937	5
Bank draft 430	Remodelaciones de Interiores, S. A.		7,860	5
Bank draft 435	Remodelaciones de Interiores, S. A.		17,894	5
Bank draft 428	FARCO		2,232	5
Bank draft 429	FARCO		3,378	5
Bank draft 418	Sergio y Armando Núñez	15,000		1
Bank draft 441	Microtec, S. A.		13,000	5
Bank draft 442	Microtec, S. A.		10,000	5
Bank draft 448	Microtec, S. A.		2,535	5
Bank draft 449	Microtec, S. A.		27,465	5
Bank draft 301	Riestra, S. A.	20,671		2
Bank draft 411	DICEGSA	13,117		2
Carried forward...		<u>US\$ 716,008</u>	<u>US\$1,224,525</u>	

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<u>Transaction Number</u>	<u>Importer</u>	<u>Questionable costs</u>		<u>Reason for Ques- tioning</u>
		<u>Questioned</u>	<u>Unsupported</u>	
Brought forward...		US\$ 716,008	US\$1,224,525	
Bank draft 452	Sergio y Armando Núñez	18,000		2
Bank draft 407	Sergio y Armando Núñez	11,000		2
Bank draft 410	DICEGSA	21,329		2
TCE-7-92	Sergio y Armando Núñez	10,000		2
Bank draft 415	Sergio y Armando Núñez	6,000		2
Bank draft 422	DICEGSA	129,259		2
Bank draft 423	Inversa/Diversa	23,811		2
Bank draft 424	Inversa/Diversa	193		2
Bank draft 427	Sergio y Armando Núñez	6,500		2
TCE-35.92	Sergio y Armando Núñez	4,921		2
Bank draft 447	DICEGSA	28,864		2
Bank draft 451	Corp. de Multiser- vicios	10,785		2
Bank draft 653	Riestra, S. A.	7,015		2
Bank draft 014	Avícola la Estrella, S. A.	11,587		2
1-0056-91	CONAZUCAR	85,805		1
1-0058-91	CONAZUCAR	248,211		1
1-0059-91	CONAZUCAR	15,673		1
1-0060-91	CONAZUCAR	110,800		1
1-0082-92	INAA	13,359		1
1-0083-92	INAA	15,821		1
1-0085-92	INAA	38,750		1
Bank draft 0233	CONAZUCAR	3,225		1
Bank draft 0228	CONAZUCAR	3,781		1
Bank draft 0235	Compañía Nacional Productora de Cemento, S. A.	27,750		1
Carried forward...		<u>US\$ 1,568,447</u>	<u>US\$1,224,525</u>	

<u>Transaction Number</u>	<u>Importer</u>	<u>Questionable costs</u>		<u>Reason for Ques- tioning</u>
		<u>Questioned</u>	<u>Unsupported</u>	
Brought forward...		<u>US\$ 1,568,447</u>	<u>US\$1,224,525</u>	
LC-51-355-92-0	Compañía Nacional Productora de Cemento, S. A.	3,264		1
LC-51-347-92-7	SUMAGRO	11,757		1
1-038-92	CONAZUCAR	225,833		1
1-0030-92	CONAZUCAR	65,148		1
1-0027-92	CONAZUCAR	57,043		1
1-0250-92	CONAZUCAR	65,393		1
CC-2995-91	Compañía Nacional Productora de Cemento, S. A.	27,481		1
CC-3007-91	INMINE	39,131		1
CC-3149-91	SUMAGRO	24,665		1
CC-3171-91	SUMAGRO	10,185		1
CC-3211-91	SUMAGRO	23,227		1
LC-0025-91	CONAL	117,018		1
CC-2982-91	Laboratorios Solka	92,748		1
51-0172-91-4	SUMAGRO	19,563		1
51-0178-91-2	Compañía de Productos Atmosféricos	32,139		1
51-0198-91-3	INE	13,364		1
51-0374-92-3	SUMAGRO	17,299		1
51-0422-92-9	SUMAGRO	14,885		1
Bank draft 591	Compañía Nacional Productora de Cemento, S. A.	27,750		1
Bank draft 592	Compañía Nacional Productora de Cemento, S. A.	27,750		1
CC-3103-91	ENIA	538,399		1
Bank draft 506	ENAL	6,534		1
1-0049-91	CONAZUCAR	94,090		1
1-0050-91	CONAZUCAR	93,898		1
1-0051-91	CONAZUCAR	221,700		1
1-0052-91	CONAZUCAR	110,936		1
1-0053-91	CONAZUCAR	221,600		1
1-0055-91	CONAZUCAR	55,400		1
Bank Drafts 353 and 354			<u>14,001</u>	7
Carried forward...		<u>US\$ 3,826,647</u>	<u>US\$1,238,526</u>	

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<u>Transaction Number</u>	<u>Importer</u>	<u>Questionable costs</u>		<u>Reason for Ques- tioning</u>
		<u>Questioned</u>	<u>Unsupported</u>	
Brought forward...		<u>US\$ 3,826,647</u>	<u>US\$1,238,526</u>	
LEG-39339			106,000	7
Bank Draft 0662			81,495	7
Bank Draft 0172	Serrano Suplisa		19,523	5
Bank Draft 422	DICEGSA		39,966	10
1-242-92	FETESA	15,656		11
1-242-93	FETESA	15,656		11
Bank Draft 357			7,547	7
Bank Draft 403	Riestra, S. A.	37,818		2
Bank Draft 404	Riestra, S. A.	12,050		2
Bank Draft 406			7,624	7
Bank Draft 101	Laboratorios Rarpe, S. A.	11,934		2
Bank Draft 74	Serrano Suplisa	6,568		2
Bank Draft 286	Bayer Química, S. A.	8,820		2
Bank Draft 022	DICEGSA	9,339		2
Bank Draft 294	Nicar Química, S. A.	23,935		1
Bank Draft 021	Nicar Química, S. A.	38,063		1
Bank Draft 105	Industrial Cervecera, S. A.	45,000		6
Bank Draft 498	Compañía Licorera, de Nicaragua, S. A.	24,239		6
Bank Draft 478	Compañía Cervecera de Nicaragua, S. A.	32,760		6
Bank Draft 217	Industrial Cervecera, S. A.	26,511		6
Bank Draft 212	Industrial Cervecera, S. A.	19,044		6
LC-51-329-92-1	Compañía de Productos Atmosféricos, S. A.	3,565		1
CC-0268	Compañía Cervecera de Nicaragua, S. A.	3,950		6
Several	Crude oil imports -exceeding approved budget	7,502,751		12
CC-2942-91	Cartonera de Nicara- gua, S. A.	14,838		1
CC-2992-91	INAA	<u>37,572</u>		1
Carried forward...		<u>US\$11,716,716</u>	<u>US\$1,500,681</u>	

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<u>Transaction Number</u>	<u>Importer</u>	<u>Questionable costs</u>		<u>Reason for Ques- tioning</u>
		<u>Questioned</u>	<u>Unsupported</u>	
Brought forward...		<u>US\$ 3,826,647</u>	<u>US\$1,238,526</u>	
LEG-39339			106,000	7
Bank Draft 0662			81,495	7
Bank Draft 0172	Serrano Suplisa		19,523	5
Bank Draft 422	DICEGSA		39,966	10
1-242-92	FETESA	15,656		11
1-242-93	FETESA	15,656		11
Bank Draft 357			7,547	7
Bank Draft 403	Riestra, S. A.	37,818		2
Bank Draft 404	Riestra, S. A.	12,050		2
Bank Draft 406			7,624	7
Bank Draft 101	Laboratorios Rarpe, S. A.	11,934		2
Bank Draft 74	Serrano Suplisa	6,568		2
Bank Draft 286	Bayer Química, S. A.	8,820		2
Bank Draft 022	DICEGSA	9,339		2
Bank Draft 294	Nicar Química, S. A.	23,935		1
Bank Draft 021	Nicar Química, S. A.	38,063		1
Bank Draft 105	Industrial Cervecera, S. A.	45,000		6
Bank Draft 498	Compañía Licorera, de Nicaragua, S. A.	24,239		6
Bank Draft 478	Compañía Cervecera de Nicaragua, S. A.	32,760		6
Bank Draft 217	Industrial Cervecera, S. A.	26,511		6
Bank Draft 212	Industrial Cervecera, S. A.	19,044		6
LC-51-329-92-1	Compañía de Productos Atmosféricos, S. A.	3,565		1
CC-0268	Compañía Cervecera de Nicaragua, S. A.	3,950		6
Several	Crude oil imports exceeding approved budget	7,502,751		12
CC-2942-91	Cartonera de Nicara- gua, S. A.	14,838		1
CC-2992-91	INAA	<u>37,572</u>		1
Carried forward...		<u>US\$11,716,716</u>	<u>US\$1,500,681</u>	

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<u>Transaction Number</u>	<u>Importer</u>	<u>Questionable costs</u>		<u>Reason for Ques- tioning</u>
		<u>Questioned</u>	<u>Unsupported</u>	
Brought forward...		<u>US\$11,716,716</u>	<u>US\$1,500,681</u>	
LC-0010	Complejo Industrial Comandante Gabriel Cardenal	11,151		1
51-0140-91-5	Plastinic, S. A.	87,118		1
51-0159-91-8	SUMAGRO	75		1
Bank Draft 80	Cartonica, S. A.	15,201		1
LC-51-395-92-1	Plastinic, S. A.	36,550		1
1-0083-91	INAA	24,408		1
C-0023	CONAZUCAR	13,625		1
LC-51-238-91-5	Cartonica, S. A.	7,868		1
Bank Draft 487	SUMAGRO	21,239		1
LC-51-290-91-7	Cartonica, S. A.	9,986		1
C-51-436-92	Cartonica, S. A.	6,050		1
C-51-437-92	Cartonica, S. A.	27,838		1
Bank Draft 576	Ingenio Victoria de Julio	27,266		1
Bank Draft 668	COPASA	20,580		2
C-202	CODICASA	76,230		2
Bank Draft 226	CEDISA	1,158		2
Bank Draft 286	Bayer Química, S. A.	8,820		2
Bank Draft 615	Puschendorf, S. A.	5,370		2
Bank Draft 411	DICEGSA	13,117		2
Bank Draft 440	Riestra, S. A.	6,616		2
Bank Draft 665	COSERVISA	15,887		2
Bank Draft 233	Compañía Licorera de Nicaragua	48,484		6
Bank Draft 256	Nicar Química, S. A.	17,504		1
Bank Draft 623	Nicar Química, S. A.	<u>33,248</u>		1
<u>Totals 524-0319</u>		<u>US\$12,252,105</u>	<u>US\$1,500,681</u>	
<u>TOTALS</u>		<u>US\$12,885,253</u>	<u>US\$1,579,759</u>	

See explanations (reasons for questioning) in page 9 of 9.

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CENTRAL BANK OF NICARAGUA

REASONS FOR QUESTIONING

1. Not eligible, as it is a public sector company.
2. Country of origin not eligible according to Grant Agreement.
3. Lack of evidence that goods were received by the importer.
4. No evidence of payment to the exporter.
5. Lack of commercial invoice, bill of lading or customs permit.
6. Products not eligible.
7. The transaction files were not found.
8. Bank draft corresponds to other bank accounts (Not to the USAID funds).
9. Bank draft was voided.
10. Funds were not used.
11. Importations paid for twice.
12. Purchases of petroleum and derivatives in excess of the approved budget.

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APPENDIX I

REPORT DISTRIBUTION

U.S. Ambassador Nicaragua	1
D/USAID/Nicaragua	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