

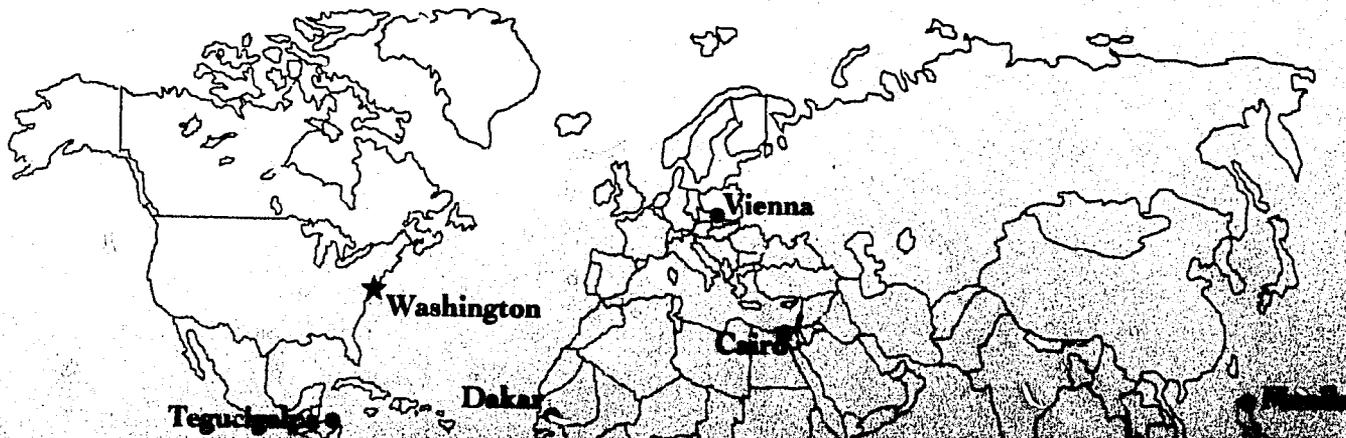
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Regional Inspector General for Audit
Tegucigalpa, Honduras

**Audit of USAID/Peru's
Private Sector Education, Dialogue, Integration, and
Institutional Development Project, Managed by the National
Confederation of Private Enterprise Institutions,
June 23, 1986 to April 30, 1991**

**Audit Report No. 1-527-93-17-N
April 1, 1993**



U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

U. S. MAILING ADDRESS:
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AGENCY FOR INTERNATIONAL DEVELOPMENT

OFFICE OF THE REGIONAL INSPECTOR GENERAL
AMERICAN EMBASSY
TEGUCIGALPA - HONDURAS

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April 1, 1993

MEMORANDUM

TO: D/USAID/Peru, George Wachtenheim

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

SUBJECT: Audit of USAID/Peru's Private Sector Education, Dialogue, Integration, and Institutional Development Project, Managed by the National Confederation of Private Enterprise Institutions, June 23, 1986 to April 30, 1991

This report presents the results of an Agency-contracted financial audit of the Private Sector Education, Dialogue, Integration, and Institutional Development Project, USAID/Peru Project No. 527-0298 (Project), managed by the National Confederation of Private Enterprise Institutions (Confederation) for the period June 23, 1986 to April 30, 1991. The accounting firm of Coleridge y Asociados, the Arthur Andersen & Co. affiliate in Peru, prepared the report dated February 8, 1993.

The purpose of the Project was to provide support to the Confederation in achieving its objective of promoting personal and social development through the free enterprise system. The Project Grant Agreement was signed on June 23, 1986 and the Project completion date was April 30, 1991. The audit coverage included A.I.D. funds of \$2,079,287 disbursed by the Confederation during the audit period.

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

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Coleridge y Asociados found that the fund accountability statement presents fairly, in all material respects, the Project's financial activities for the audit period. Their tests, however, disclosed questionable costs of \$27,666, related to unauthorized and undocumented transactions. Questionable costs relate to unallowable, unapproved, and undocumented expenditures. The auditors also determined that \$1,373 of unexpended Project funds remained in the Confederation's bank account although the activities had been completed.

Regarding the Confederation's internal control structure, the auditors identified three reportable conditions which they did not consider to be material weaknesses.

With respect to the Confederation's compliance with Agreement terms and applicable laws and regulations, the Coleridge y Asociados identified eleven material instances of noncompliance. In summary the auditors reported:

- the absence of documents supporting certain Project expenses,
- charges to the Project for sales taxes, first class air transportation, and security equipment which are unallowable under the Agreement,
- charges to the Project for unapproved overtime,
- absence of a required cooperative agreement with another organization that was to carry out certain Project objectives,
- fund requests were not presented to USAID/Peru on a timely basis,
- absence of a system to identify fixed assets acquired under the Project,
- the Agreement objective for the Confederation to become financially self-sufficient by the end of the Project was not achieved,
- absence of documentation supporting required counterpart contributions of \$1.8 million, and
- absence of an inventory or final disposition of equipment, materials, and supplies purchased under the Project.

Although this Project has been completed, USAID/Peru officials informed RIG/A/T that it has another project under which the Mission enters into direct services contracts with the Confederation for short-term studies. **For this reason we suggest that USAID/Peru obtain assurance from the Confederation that material instances of noncompliance identified in**

this report have been corrected, where applicable, before it provides Agency funds under such contracts with the Confederation.

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/Peru resolve the questionable costs of \$27,666 (\$26,738 questioned, \$928 unsupported) identified in the Coleridge y Asociados report dated February 8, 1993, and recover from the National Confederation of Private Enterprise Institutions the amounts determined to be unallowable.

Recommendation No.2

We recommend that USAID/Peru recover unexpended Project funds, identified as \$1,373 by the Coleridge y Asociados audit report, from the National Confederation of Private Enterprise Institutions.

Recommendation No.3

We recommend that USAID/Peru require the National Confederation of Private Enterprise Institutions to: (1) prepare an inventory schedule covering any items of equipment, materials and supplies which were funded under the Project and which remain in its custody and (2) provide evidence of the proper disposition of any such items.

Recommendation Nos. 1 and 2 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. Recommendation No. 3 can be resolved when the Mission presents an acceptable firm plan of action to correct the reported deficiency and can be closed when the Mission presents evidence of its determination of the disposition of any items of equipment, materials, and supplies still remaining in the custody of the Confederation.

The report was discussed with representatives from the Confederation who generally agreed with the auditors' conclusions. Written management comments are included as the Annex to the audit report.

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/Peru's
Private Sector Education, Dialogue, Integration, and
Institutional Development Project, Managed by the National
Confederation of Private Enterprise Institutions,
June 23, 1986 to April 30, 1991**

**Audit Report No. 1-527-93-17-N
April 1, 1993**

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AUDIT OF THE PRIVATE SECTOR EDUCATION, DIALOGUE,
INTEGRATION AND INSTITUTIONAL DEVELOPMENT PROJECT

USAID/PERU PROJECT N° 527-0298

MANAGED BY THE NATIONAL CONFEDERATION OF

PRIVATE ENTERPRISE INSTITUTIONS

FROM JUNE 23, 1986 TO APRIL 30, 1991

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AUDIT OF THE PRIVATE SECTOR EDUCATION, DIALOGUE,
INTEGRATION AND INSTITUTIONAL DEVELOPMENT PROJECT

USAID/PERU PROJECT N° 527-0298

MANAGED BY THE NATIONAL CONFEDERATION OF

PRIVATE ENTERPRISE INSTITUTIONS

FROM JUNE 23, 1986 TO APRIL 30, 1991

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COLERIDGE Y ASOCIADOS
REPRESENTANTES DE
ARTHUR ANDERSEN & Co.

February 8, 1993

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

Dear Mr. Mundy:

This report presents the results of our financial closeout audit of the Private Sector Education, Dialogue, Integration and Institutional Development Project USAID/Peru N°527-0298, managed by the National Confederation of Private Enterprise Institutions (Confederación Nacional de Instituciones de la Empresa Privada - CONFIEP) for the period June 23, 1986 to April 30, 1991.

BACKGROUND

The National Confederation of Private Enterprise Institutions (CONFIEP) is a nonprofit association of Peru's main business organizations. Its objective is to promote personal and social development through the free enterprise system.

Founded in 1984, CONFIEP is made up of 30 local competitive business associations pertaining to all sectors of the economic activity, and 61 Regional Chambers of Commerce.

CONFIEP's aim is to achieve national objectives in terms of development and growth with social evolution to serve national interests and to secure a system of private enterprise based on private initiative, private property, and adequate profits from investment, within a social market economy. USAID/Peru has been working with CONFIEP in the Private Sector Education, Dialogue, Integration and Institutional Development Project.

The related grant agreement was signed on June 23, 1986, which provided US\$2,080,910 in USAID/Peru funding, and its Project Assistance Completion Date (PACD) was estimated to be May 31, 1990. Through subsequent amendments the PACD was extended to April 30, 1991.

The project purposes were to support CONFIEP in the achievement of the following objectives:

1. To promote actions that expand private sector production, investment, savings, exports and employment and, thereby, encourage Peruvian economic growth and development.
2. To research, analyze, and publicize key problems that hinder the growth of private enterprise in Peru.
3. To carry out public education and information campaigns on actions needed to promote private sector production, investment, savings, exports and employment and the important role in private enterprise in Peruvian development.
4. To work with the public sector to overcome problems hindering the growth of private enterprise in Peru.
5. To facilitate improved cooperation among private sector groups in Peru.
6. To promote greater integration and cooperation between the Peruvian formal and informal private sectors and between private associations located in Lima and in the provinces.
7. To strengthen private sector organizations outside Lima and encourage their participation in CONFIEP.
8. To develop the technical and institutional capacity of CONFIEP on a continuing basis to become financially self-sufficient by the end of the project.

AUDIT OBJECTIVES AND SCOPE

We were engaged to perform a closeout financial audit of the project activities managed by CONFIEP from June 23, 1986 to April 30, 1991.

Our audit was performed in accordance with generally accepted auditing standards and the United States Comptroller General "Government Auditing Standards" (1988 Revision) and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary to determine whether:

- o The fund accountability statement presents fairly, in all material respects, the financial situation of the project activities managed by CONFIEP as of April 30, 1991, and costs reimbursed by USAID/Peru

during the period are allowable, allocable, and reasonable in accordance with the terms of the agreement, and applicable laws and regulations;

- o The internal control structure of CONFIEP is adequate to manage the project's operations; and
- o CONFIEP complied with the terms of the agreement and applicable laws and regulations which may affect the project's goals and incurred costs.

The scope of our work consisted of the following:

Fund accountability statement

1. Review direct and indirect costs reimbursed by USAID/Peru, as well as their adequate recording, identifying and quantifying any questionable costs which are not fully supported by adequate documentation, or which are not reasonable, allocable and allowable in accordance with the applicable terms of the agreement, the standard provisions and policies established.
2. Determine whether the project funding, provided by USAID/Peru, is appropriately supported and recorded in CONFIEP's accounting records, and periodically reconciled with the information provided by the banks.
3. Review direct payments and purchases made by USAID/Peru on behalf of the project to evaluate procedures used by CONFIEP as applicable, to properly record and control the assets, commodities and technical assistance received.
4. Determine whether salary rates are reasonable for each position in Peru and salaries paid are supported by appropriate payroll records. Determine if overtime is charged to the project and whether it is allowable under the terms of the agreement.

Internal control structure

1. Evaluate the policies and procedures followed by CONFIEP to record, process, summarize and report financial data consistently with the fund accountability statement, and establish policies for planning and evaluating the project activities and accomplishments.
2. Evaluate if CONFIEP's procurement system in regard to project operations is adequate and determine if the system follows sound commercial practices and meets AID regulations.

Compliance with the terms of the agreement
and applicable laws and regulations

1. Identify the terms of the agreement, project implementation letters and pertinent laws and regulations, and determine which of those not observed could have a direct and material effect on the project fund accountability statement.
2. Assess the internal control procedures in place to assure compliance with the terms of the agreement and applicable laws and regulations.
3. Determine if counterpart contribution and technical assistance were obtained in time and in accordance with the terms of the agreement and the project needs.
4. Verify the approval of transfers between budgeted components greater than 15% over the total budgeted components as required by the agreement.

RESULTS OF AUDIT

Fund Accountability Statement

Our tests and the application of auditing procedures we considered appropriate in the circumstances lead us to consider that the cash receipts and disbursements of USAID/Peru project No.527-0298 between June 23, 1986 to April 30, 1991 are fairly stated, in all material respects. We found questioned costs amounting to US\$26,738 as well as unsupported costs amounting to US\$928.

Internal control structure

Our evaluation of the internal control structure of CONFIEP disclosed certain reportable conditions which we did not consider to be material weaknesses. These are the following:

- o Lack of evidence and documentation of the procedures followed in the acquisition of goods and services.
- o Lack of an adequate identification of costs reimbursed by AID.
- o Lack of adequate controls over safekeeping and inadequate documentation of employees personnel files.

Compliance with agreement terms,
applicable laws and regulations

Our tests for compliance with agreement terms and applicable laws and regulations disclosed the following items which we consider to be material instances of non-compliance:

- o Lack of expense supporting documents.
- o Report of expenses which are unallowable, unreasonable and unallocable according to the terms of the agreement: sales tax, overtime, first class air travel tickets, acquisition of security/surveillance equipment and personal expenses not allocable to the Project.
- o The agreement between CONFIEP and the Institute of Libertad and Democracia (ILD) was not executed.
- o Timeliness of presentation of fund requests.
- o Control of fixed assets purchased with project funds.
- o Lack of adequate controls over the counterpart contribution.
- o No disposition of fixed assets has been made.
- o Noncompliance with the purposes of the agreement: self-financing of CONFIEP activities.
- o Safekeeping of books, records and project documents.

MANAGEMENT COMMENTS:

The exit conference was held on December 1, 1992, with the participation of USAID/Peru's representatives, CONFIEP's management and the external auditors. At this meeting, the Auditor's report was approved. Attached in Annex 1 is CONFIEP's management letter with their comments in which the entity generally agreed with the points stated in this report.

PRIVATE SECTOR EDUCATION, DIALOGUE,
INTEGRATION AND INSTITUTIONAL DEVELOPMENT PROJECT
MANAGED BY THE NATIONAL CONFEDERATION OF
PRIVATE ENTERPRISE INSTITUTIONS
FROM JUNE 23, 1986 TO APRIL 30, 1991
FUND ACCOUNTABILITY STATEMENT
INDEPENDENT AUDITORS' REPORT

We have audited the fund accountability statement of the USAID/Peru project managed by CONFIEP: Private Sector Education, Dialogue, Integration and Institutional Development Project (N° 527-0298) from June 23, 1986 to April 30, 1991. The project fund accountability statement is the responsibility of CONFIEP. Our responsibility is to express an opinion on the fund accountability statement based on our audit.

Except as discussed in the next paragraph, we conducted our audit in accordance with generally accepted auditing standards and the financial audit requirements of the Government Auditing Standards issued by the Comptroller General of the United States (1988 Revision). Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the fund accountability statement is free of material misstatements. 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 the management, as well as evaluating the overall fund accountability statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

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

In our opinion the fund accountability statement examined by us presents fairly, in all material respects, the revenues and costs incurred and reimbursed by the USAID/Peru project of the Private Sector Education, Dialogue, Integration and Institutional Development managed by CONFIEP for the period from June 23, 1986 to April 30, 1991, on the accounting basis described in Note 2.

Regarding project execution for USAID/Peru purposes, our audit tests disclosed costs for US\$27,666 which have been considered questionable for the reasons explained in Note 4 to the consolidated fund accountability statement.

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

Coleridge y Asociados

Countersigned by:

Luis Coleridge

Luis Coleridge
C.P.C. Register No.1234

Lima, Perú,
September 4, 1992.

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PRIVATE SECTOR EDUCATION, DIALOGUE,
INTEGRATION AND INSTITUTIONAL DEVELOPMENT PROJECT
USAID/PERU PROJECT N° 527-0298
MANAGED BY THE NATIONAL CONFEDERATION OF
PRIVATE ENTERPRISE INSTITUTIONS
FUND ACCOUNTABILITY STATEMENT
FOR THE PERIOD FROM JUNE 23, 1986 TO APRIL 30, 1991
(In U. S. dollars)

	<u>Budget</u>	<u>Actual</u>	<u>Available</u>	<u>Questionable costs</u> (Note 4)	
				<u>Questioned</u>	<u>Unsupported</u>
INCOME:					
Funds provided by USAID/Peru	2,109,000	2,080,910	28,090		
DISBURSEMENTS:					
Institutional development -					
Personnel expenses		401,895			
Technical assistance		171,409			
Research and publications		679,512			
Training		24,094			
Installation expenses		114,887			
Total	1,375,766	<u>1,391,797</u>	(16,031)	26,002	365
Education and Information -					
Personnel expenses		6,124			
Technical assistance		1,232			
Research and publications		122,759			
Installation expenses		14,982			
Total	150,256	<u>145,097</u>	5,159	-	168

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	<u>Budget</u>	<u>Actual</u>	<u>Available</u>	<u>Questionable costs</u> (Note 4)	
				<u>Questioned</u>	<u>Unsupported</u>
Promotion of relations between sectors -					
Research and publication		129,311			
Total	128,310	129,311	(1,001)		
Regional chambers development -					
Personnel expenses		6,584			
Technical assistance		4,840			
Research and publications		175,849			
Training		32,778			
Installation expenses		1,632			
Total	235,840	221,683	14,157		395
Dialogue between the public and private sectors on economic stabilization -					
Research and publications		191,399			
Total	218,828	191,399	27,429	736	
Total expenses	2,109,000	2,079,287	29,713	26,738	928
BALANCE	-	1,623	(1,623)		

PRIVATE SECTOR EDUCATION, DIALOGUE,
INTEGRATION AND INSTITUTIONAL DEVELOPMENT PROJECT
MANAGED BY THE NATIONAL CONFEDERATION OF
PRIVATE ENTERPRISE INSTITUTIONS
FROM JUNE 23, 1986 TO APRIL 30, 1991
NOTES TO THE FUND ACCOUNTABILITY STATEMENT

1. Background

This agreement which provided US\$2,080,910 in USAID/Peru funding was signed on June 23, 1986. Its Project Assistance Completion Date (PACD) was estimated to be May 31, 1990. Through subsequent amendments the PACD was extended to April 30, 1991.

The project purpose was to support CONFIEP in the achievement of the following objectives:

- a. Promote actions that expand private sector production, investment, savings, exports and employment and, thereby, encourage Peruvian economic growth and development.
- b. Research, analyze, and publicize key problems that are hindering the growth of private enterprise in Peru.
- c. Carry out public education and information campaigns on actions needed to stimulate private sector production, investment, savings, exports and employment and the important role of the private enterprise in Peruvian development.
- d. Work with the public sector to overcome problems hindering the growth of private enterprise in Peru.
- e. Facilitate improved cooperation among private sector groups in Peru.
- f. Promote greater integration and cooperation between the Peruvian formal and informal private sectors and between private associations located in Lima and in the provinces.
- g. Strengthen private sector organizations outside of Lima and encourage their participation in CONFIEP, and

- h. Develop the technical and institutional capacity of CONFIEP on a continuing basis to become financially self-sufficient by the end of the project.

2. Significant Accounting Practices

- (a) The Fund Accountability Statement is prepared on the basis of cash receipts and disbursements which is a comprehensive basis of accounting, other than generally accepted accounting principles.
- (b) Local currency costs are incurred in "nuevos soles" and the procedure for translating them into U. S. dollars is based on the oldest advance of funds pending liquidation. The U. S. dollar equivalent is determined by USAID/Peru when the remittance of funds is granted to the project.
- (c) Expenditures are related to the disbursements of funds provided by USAID/Peru for the project development.

3. Funds Provided

The following is a detail of the funds provided by USAID/Peru to CONFIEP to carry out the project.

<u>For the year ended on</u>	<u>Expressed in U.S. dollars</u>	
	<u>Local currency</u>	<u>Foreign currency</u>
December 31, 1986	75,144	-
December 31, 1987	360,336	-
December 31, 1988	234,431	-
December 31, 1989	515,972	302,933
December 31, 1990	176,137	354,817
April 30, 1991	19,599	41,541
	-----	-----
	1,381,619	699,291
	=====	=====

4. Questionable Costs (Questioned and Unsupported)

Questioned costs are those costs not allowable under the respective Agreement terms. Unsupported costs are those costs not fully supported by adequate documentation and/or not located in CONFIEP files.

The questionable costs refer mainly to liquidated expenses whose documentation is not located in CONFIEP files. The amount involved is US\$27,666, as explained below:

<u>Month</u>	<u>Document number</u>	<u>Description</u>	<u>Questionable cost</u>	
			<u>Questioned</u>	<u>Unsupported</u>
July 1986	0005/275	Office furniture (***)	1,251	
August 1986	0002	Office furniture (***)	1,938	
September 1986	0485/520/560	Office equipment (***)	8,626	
October 1986	0726/1001	Office furniture (***)	3,751	
January 1988	3463	Office furniture (***)	939	
October 1988	0191	Office supply (*)		173
October 1988	0172/207	Fees (*)		192
November 1988	0002/203/204	Regional Chambers support (**)		115
December 1988	0001/004	Various (*)		8
April 1989	0026	Computer PC/AT (***)	3,278	
June 1989	0008/017	Various (*)		160
July 1989	0006	Regional Chambers support (*)		174
August 1989	0011	Regional Chamber Cuzco (*)		106
November 1988	0150/175	Sales Tax reported as expense	30	
December 1988	0129/130	Sales Tax reported as expense	21	
April 1989	0024/026/ 10310	Sales Tax reported as expense	265	
May 1989		Security equipment acquisition	4,739	
September 1989	0044/320	Air ticket: F. Ortiz de Zevallos	337	

<u>Month</u>	<u>Document number</u>	<u>Description</u>	<u>Questionable cost</u>	
			<u>Questioned</u>	<u>Unsupported</u>
February 1990	4-018	First class air tickets	134	
March 1990	4-175	Legal counsel: overtime fees	1,164	
September 1990	9-293	First class air tickets	265	
			-----	---
			26,738	928
			=====	===

(*) Voucher without supporting documents

(**) Voucher and supporting documents not available

(***) Voucher without quotations

Cash balance

In relation to the balance of US\$1,623, presented at the end of the period, USAID has recovered US\$250. The remaining US\$1,373 is pending reimbursement by CONFIEP to USAID/Peru.

Materials and Supplies

All materials and supplies were used during the project's execution, so there was no remaining balance.

PRIVATE SECTOR EDUCATION, DIALOGUE, INTEGRATION

AND INSTITUTIONAL DEVELOPMENT PROJECTS

MANAGED BY THE NATIONAL CONFEDERATION

OF PRIVATE ENTERPRISE INSTITUTIONS

FROM JUNE 23, 1986 TO APRIL 30, 1991

INTERNAL CONTROL STRUCTURE

INDEPENDENT AUDITORS' REPORT

We have audited the fund accountability statement of the USAID/Peru project managed by CONFIEP: Private Sector Education, Dialogue, Integration and Institutional Development Project (Project N°527-0298) from June 23, 1986 to April 30, 1991, for which we have issued our report dated September 4, 1992.

Except for not conducting an external quality control review by an unaffiliated audit organization as described further in our opinion on the fund accountability statement, 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 (1988 Revision). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statement is free of material misstatement.

In planning and performing our audit of the fund accountability statement for the period ended April 30, 1991, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the fund accountability statement and not to provide assurance on the internal control structure.

Management of CONFIEP is responsible for establishing and maintaining an internal control structure to manage the project operations. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide Management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with Management authorization and properly recorded to permit the preparation of the fund accountability statement. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the effectiveness of the design and operations of policies and procedures may deteriorate.

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

- Accounting system
- Procurement system in regard to project operation
- Policies for the control of the project bank accounts
- Policies for planning and evaluating project activities and accomplishments

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

We noted certain matters involving the internal control structure and its operation that we considered to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure, which, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the fund accountability statements. The conditions noted are described in more detail in findings 1 to 3 in the following pages and are summarized as follows:

- o Lack of evidence and documentation of procedures followed in the purchase of goods and services.
- o Lack of an adequate identification of costs reimbursed by AID.
- o Lack of adequate controls over safekeeping and inadequate documentation of employees personnel files.

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

Our consideration of the internal control structure would not necessarily disclose all matters in the 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 none of the reportable conditions described above is a material weakness.

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

Coleridge y Arce

Countersigned by:

Luis Coleridge

Luis Coleridge
C.P.C. Register No.1234

Lima, Perú,
September 4, 1992.

INTERNAL CONTROL STRUCTURE

FINDINGS

1. Documents supporting purchases

Condition

We observed that the entity does not have the required quotations for purchases of goods as required by USAID regulations.

Criteria

According to Optional Standard Provision N°5 (Procurement of Goods and Services) of the Agreement signed by CONFIEP and USAID/Peru, incurred costs must be adequately supported by documentation of acquisition process followed (v.g. quotation, comparative table, selected vendor, invoice).

Cause

Lack of an adequate supervision of purchasing procedures.

Effect

The entity is incurring in questionable costs of US\$19,783, as detailed below:

<u>Month</u>	<u>Voucher number</u>	<u>Description</u>	<u>US\$</u>
July 1986	0005	Office furniture	636
July 1986	0275	1 Directory table	615
August 1986	0002	25 chairs	1,938
September 1986	0485	2 calculators	332
September 1986	0520	3 type writers	5,187
September 1986	0560	1 photocopier	3,107
October 1986	0726	Office furniture	465
October 1986	1001	Office furniture	3,286

<u>Month</u>	<u>Voucher number</u>	<u>Description</u>	<u>US\$</u>
January 1988	3463	5 ventilators	939
April 1989	0026	Computer PC/AT	3,278

Recommendation

We recommend that CONFIEP in future USAID Projects indicate the purchase order number in the voucher and enclose the quotations required to evaluate if acquisitions are made according to the organization policies.

2. Identification of costs reimbursed by AID

Condition

In our review of the documents supporting the expenses incurred by CONFIEP in relation to the Project, we observed that invoices and receipts in some cases have the AID stamp, in other cases the CONFIEP stamp or no stamp at all.

Criteria

CONFIEP must define an accounting system that records, processes and reports consistently the information included in the fund accountability statement to ensure compliance with the terms of the agreement and an adequate control of the operations of the project.

Cause

CONFIEP has not defined a criteria to identify the financing source of an expense.

Effect

The financing source of the expenses is not identified in the invoices; this could result in a loss of control of the invoices and their final disposition as a support of the fund accountability statement.

Recommendation

We recommend that CONFIEP in future USAID Project stamp the invoices identifying their financing source.

3. Safekeeping and documentation of the employees' personnel files

Condition

The personal files of two former workers Arturo Tangoa and Carlos Zamorano, (who left CONFIEP before 1989) were not found. In addition, the ten files that were reviewed did not have formal work contracts and the documentation included is not standardized.

Criteria

All the personal files of people that have worked or are now working at CONFIEP, should be safely kept and contain a formal work contract and relevant documentation.

Cause

There are no adequate policies defined for the safekeeping or uniform criteria for filing documentation.

Effect

It has not been possible for us to review the personal file of two workers or to prove that all the people included in the payroll have really worked in CONFIEP.

Recommendation

We recommend that CONFIEP in future USAID Projects establish a filing policy in order to ensure that the documentation can be safely kept and easily found. In addition, formal work contracts should be signed and, in the case of the workers that resign, the file should contain the resignation letter as well as a copy of the receipt of payment of social benefits signed by the worker in evidence of having been paid.

PRIVATE SECTOR EDUCATION, DIALOGUE, INTEGRATION
AND INSTITUTIONAL DEVELOPMENT PROJECT
MANAGED BY THE NATIONAL CONFEDERATION
OF PRIVATE ENTERPRISE INSTITUTIONS
FROM JUNE 23, 1986 TO APRIL 30, 1991

COMPLIANCE WITH THE TERMS OF THE AGREEMENT
AND APPLICABLE LAWS AND REGULATIONS
INDEPENDENT AUDITORS' REPORT

We have audited the fund accountability statement of the USAID/Peru project managed by CONFIEP: Private Sector Education, Dialogue, Integration and Institutional Development Project (Project N°527-0298) from June 23, 1986 to April 30, 1991, for which we have issued our report dated September 4, 1992.

Except for not conducting an external quality review by an unaffiliated audit organization as described further in the opinion on the fund accountability statement, we conducted our audit in accordance with generally accepted auditing standards and the financial audit requirements of the Government Auditing Standards issued by the Comptroller General of the United States (1988 Revision). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statement is free of material misstatement.

Compliance with laws, regulations, contracts and grants applicable to CONFIEP is the responsibility of CONFIEP's management. As part of obtaining reasonable assurance about whether the fund accountability statement is free of material misstatement, we performed tests of compliance to determine if project objectives and incurred costs have been performed according to the agreement, laws and applicable regulations. However, our objective 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 comply with 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 these failures or violations is material for the fund accountability statements. The results of our tests of compliance disclose the material instances of noncompliance described in more detail in findings 1 to 11 in the following pages and are summarized as follows:

- o Lack of expense supporting documents.
- o Reporting of expenses which are unallowable, unreasonable and unallocable according with the terms of the agreement: sales tax, overtime, first class air travel tickets, acquisition of security/surveillance equipment and personal expenses not allocable to the Project.
- o The agreement between CONFIEP and the Institute Libertad y Democracia (ILD) was not executed.
- o Timeliness of presentation of fund requests.
- o Control of fixed assets purchased with project funds.
- o Noncompliance with the purposes of the agreement: self-financing of CONFIEP activities.
- o Lack of adequate control over the counterpart contribution.
- o No disposition of fixed assets has been made.
- o Safekeeping of books, records and project documents.

We considered these instances of noncompliance in forming our opinion on whether the above fund accountability statement is presented fairly, in all material respects, in conformity with the accounting principles described in Note 2 to the fund accountability statement and this report does not affect our report dated September 4, 1992 and the fund accountability statement.

Except as described above, the results of our tests of compliance indicate that, with respect to items tested, CONFIEP 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 CONFIEP had not complied, in all material respects, with those provisions.

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

Coleridge y Asociados

Countersigned by:

Luis Coleridge

Luis Coleridge
C.P.C. Register No.1234

Lima, Perú,
September 4, 1992.

COMPLIANCE WITH THE TERMS OF THE AGREEMENT

AND APPLICABLE LAWS AND REGULATIONS

FINDINGS

1. Absence of expense supporting documents

Condition

During our review of the project expenses we observed that some vouchers did not have the related supporting documents. In other instances, the documents we found were not sufficient to validate the expense.

Criteria

According to mandatory Standard Provision N°2 (Accounting, Audit and Records) of the Agreement signed by CONFIEP and USAID/Peru, all costs reimbursed by USAID/Peru must have valid supporting documents "(invoices in the name of CONFIEP, stamped in evidence of payment or signed by the vendor as evidence of having been paid)".

Cause

An appropriate control of the transaction documents does not exist, especially in respect to the regional chambers of commerce.

Effect

The expenses reported to USAID/Peru are not supported by an adequate or valid documentation. This results in questionable costs of US\$928, as detailed below:

<u>Month</u>	<u>Voucher number</u>	<u>US\$</u>
October 1988	172/191/207	365
November 1988	0002/203/204	115
December 1988	004	8
June 1989	017/008	160
July 1989	0006	174
August 1989	0005	106

Recommendation

We recommend CONFIEP, in any future USAID project, to provide adequate and sufficient documentation to support the purchases of goods and services for US\$928 (unsupported costs) as indicated in this finding.

2. Sale tax reported as costs eligible for reimbursement

Condition

In our review of project expenses, we observed that in the Fund Accountability Statements, in some cases, expenses reported include the sales tax.

Criteria

In accordance with Attachment 3 to the Agreement (Mandatory Standard Provisions), the sales tax is considered an unallowable cost.

Cause

Lack of knowledge of the terms of the agreement and inadequate supervision of accounting records.

Effect

The entity is incurring in questionable costs. The amount involved is US\$316, detailed below:

<u>Month</u>	<u>Document N°</u>	<u>Description</u>	<u>US\$</u>
December 1988	0130	Training	6
December 1988	0129	Annual Subscription	15
November 1988	0150	LAU CHUN	5
November 1988	0175	Larousse Dictionary	25
April 1989	0024	Office Supplies	3
April 1989	0025	Supplement	256
April 1989	10310	LOGICA S. A.	6

Recommendation

We recommend that CONFIEP in future USAID Projects communicate to the appropriate personnel the stipulations of the Agreement. Management should supervise closely that the approval, recording and reporting of expenses meet the agreement terms.

3. Air travel transportation cost

Condition

We noted the following cases where international trips were made using first class tickets:

<u>Month</u>	<u>Document N°</u>	<u>Description</u>	<u>US\$</u>
September 1989	9-044	LIMA TOURS S. A. (Executive class ticket New York - Lima New York)	337
February 1990	4-018	LIMA TOURS S. A. (First class ticket in return flight from Mexico to Lima)	134
September 1990	9-293	LIMA TOURS S. A. (First class ticket in return flight from Washington - Miami to Lima)	265

Criteria

According to Attachment 3 to the Agreement (Mandatory Standard Provisions), first class air tickets are considered as unallowable costs.

Cause

Lack of an adequate planning of the activities related to executive trips (v.g.: reservation of tickets in the class permitted under the grant).

Effect

The entity is incurring in a questionable cost of US\$736.

Recommendation

We recommend CONFIEP in future USAID Project to be more strict in selection of air travel tariffs.

4. Overtime reported as cost eligible for reimbursement

Condition

In our review of project expenses, we observed that in the Fund Accountability Statement the following overtime expense was reported.

<u>Month</u>	<u>Document N°</u>	<u>Description</u>	<u>US\$</u>
March 1990	4-175	Estudio Osterling (legal advisor): hours worked in excess in February	1,164

Criteria

According to Attachment B to OMB Circular A-122, overtime is considered an allowable cost, only when previously authorized by USAID/Peru.

Cause

Consultations were made which were not covered by the legal advisor monthly fee.

Effect

The entity is incurring in questionable costs for US\$1,164.

Recommendation

We recommend that CONFIEP in future USAID Project obtain advance authorization for overtime and more closely supervise the approval and recording of such expenses.

5. Agreement between CONFIEP and ILD

Condition

A cooperative agreement between the Institute of Liberty and Democracy (ILD) and CONFIEP has not been made. Consequently, no disbursements of funds were made.

Criteria

According to the grant between CONFIEP and USAID, CONFIEP and ILD should have made a cooperative agreement, in order to promote the integration of the formal and informal private sector.

Cause

Incompatibility between the points of view of the representatives of each institution.

Effect

This is a situation of noncompliance with the agreement between USAID and CONFIEP.

Recommendation

We recommend that CONFIEP in future USAID Project adopt procedures to promptly advise USAID/Peru of these types of situations.

6. Timeliness of presentation of fund requests

Condition

We noted in a sample of 18 fund requests from the period 1986-1991 that 16 of them were made after the deadline.

The following are the exceptions we noted:

<u>Period</u>	<u>Date request was prepared</u>	<u>Date of presentation to AID</u>
July/September 1986	No date is indicated in the fund request	07/02 in the fund request
January/February 1987	No date is indicated in the fund request	No date is indicated in the fund request
March/May 1987	02/25	02/25
June/August 1987	06/25	No date is indicated
January/March 1988	02/26	02/26
April/June 1988	05/04	05/09
October 1988	10/05	10/06
February 1989	02/08	02/11
April 1989	04/14	No date is indicated

<u>Period</u>	<u>Date request was prepared</u>	<u>Date of presentation to AID</u>
June 1989	05/17	05/19
May 1990	05/18	05/22
August 1990	07/26	07/30
January 1991	12/12/90	01/22/91
February 1991	01/15	01/16
April 1991	04/23	04/24

Criteria

According to the Agreement, funds request must be sent to AID no later than the 15th day of the month in which the funds are requested.

Cause

Delay in negotiation between AID and CONFIEP about which costs were going to be considered as eligible, especially in the case of fixed assets acquisitions.

Effect

Money is not received on time. This can result in bank overdrafts (the resulting penalty or interest is not considered by AID as an allowable cost).

Recommendation

We recommend that CONFIEP in any future USAID Project coordinate the required actions in order to send the fund requests on a timely basis to AID.

7. Security equipment purchases

Condition

In our review of the analytical ledger as of December 31, 1989, we noted that the railing and the electric fence installed around CONFIEP premises were bought using AID funds.

Criteria

According to "Optional Standard Provision for non U. S. non governmental grantees", section G, Ineligible and Restricted Goods and Services, it is not allowed to buy security equipment with AID funds.

Cause

The management at CONFIEP considered it was necessary to provide the greatest protection possible for the offices in order to protect the project's assets. In addition, the management did not know that this was an ineligible cost. Furthermore, this cost was approved by written by AID'S Project Manager.

Effect

This is a situation of noncompliance with the terms of Attachment 4 to the Agreement. This results in a questionable cost of US\$4,739.

Recommendation

We recommend that CONFIEP management in future USAID Project review the terms of the Agreement and communicate them to the appropriate personnel.

8. Fixed assets control

Condition

The only control over the fixed assets bought with USAID funds are the analytical ledgers for the years 1986-1991. This evidences that no system was maintained that would allow a quick identification and location of the assets. No closeout physical inventory was made.

Criteria

Optional Standard Provision for Non-U.S., Non-Governmental Grantees N°17 Title to and Use of Property (Grantee Title) states that with respect to non expendable property having an acquisition cost of US\$1,000 or more, the grantee agrees to report such items to the grant officer as they are acquired and to maintain a control system which will permit their ready identification and location.

Cause

Lack of knowledge of the Standard Provisions.

Effect

This is a situation of noncompliance with section F Special Dispositions Attachment 1 to the agreement between AID and CONFIEP.

Recommendation

We recommend that CONFIEP management in future USAID Project inform the related personnel of the Agreement terms.

9. Capability of CONFIEP to self-finance its operations

Condition

At the end of the Agreement, CONFIEP is not able to self-finance its activities.

Criteria

According to objective 8 of the Agreement, at the end of the grant's period, CONFIEP should be financially self-sufficient.

Cause

Many of CONFIEP's member associations are not paying their dues. Some have ceased to be members of CONFIEP.

Presently, according to a decision of the Executive Committee, those members who are in arrears for more than three months lose their right to have a representative on the Executive Committee, and eventually they can lose their membership. However, this is not enforced as CONFIEP wants to remain as a representative institution of the private sector.

Effect

This is a situation of noncompliance with the terms of the Agreement.

Recommendation

We recommend that CONFIEP should impose stricter sanctions on those members who do not pay their fees. These sanctions should be executed without exception.

10. Counterpart's contribution (CONFIEP)

Condition

We were not able to review the counterpart contribution for the periods June 1986 - December 1988 and July 1990 - April 1991 because the quarterly financial report files of Project N° 527-0298 were not found.

Criteria

The Agreement states the amount of counterpart's contribution through the grants' period. These should have totalled US\$1,829,000.

Cause

Lack of an adequate policy for the safekeeping of the reports sent to AID.

Effect

It has not been possible for us to verify that the counterpart contributions were made in compliance with the terms of the Agreement.

Recommendation

We recommend that CONFIEP in future USAID Project establish a policy to ensure that its contributions to the project are adequately documented.

11. Dispositions of fixed assets

Condition

As of the date of our report, no inventory has been taken and neither has there been any indication of the disposition made of such property.

Criteria

According to point C of Mandatory Standard Provision per Non-U. S. non governmental grantees: "Title to and care of property (cooperating country title)", the grantee shall submit an inventory schedule covering all items of equipment, materials and supplies under the grantee's custody.

Cause

This situation has occurred due to an oversight.

Effect

A situation of non-compliance with the agreement.

Recommendation

We suggest that CONFIEP take an inventory of all items of equipment, materials and supplies under its custody and submit an inventory schedule to USAID/Peru indicating with disposition has been made of such property.

LIST OF RECOMMENDATIONS

INTERNAL CONTROL STRUCTURE

1. Documents supporting purchases

We recommend that CONFIEP in future USAID Projects indicate the purchase order number in the voucher and enclose the quotations required to evaluate if acquisitions are made according to the organization policies.

2. Identification of costs reimbursed by AID

We recommend that CONFIEP in future USAID Projects stamp the invoices identifying their financing source.

3. Safekeeping and documentation of the employees' personal files

We recommend that CONFIEP in future USAID Projects establish a filing policy in order to ensure that the documentation can be safely kept and easily found. In addition, formal work contracts should be signed and, in the case of the workers that resign, the file should contain the resignation letter as well as a copy of the receipt of payment of social benefits signed by the worker in evidence of having been paid.

COMPLIANCE WITH THE TERMS OF THE AGREEMENT
AND APPLICABLE LAWS AND REGULATIONS

1. Absence of expense supporting documentation

We recommend CONFIEP in any future USAID project to provide adequate and sufficient documentation to support the purchases of goods and services for US\$928 (unsupported costs) as indicated in this finding.

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We recommend that CONFIEP in future USAID Projects communicate to the appropriate personnel. Management should supervise closely that the approval, recording and reporting of expenses meet the agreement terms.

3. Air travel transportation cost

We recommend CONFIEP in future USAID Project to be more strict in selection of air travel tariffs.

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We recommend that CONFIEP in future USAID Project obtain advance authorization for overtime and more closely supervise the approval and recording of such expenses.

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We recommend that CONFIEP in future USAID Project adopt procedures to promptly advise USAID/Peru of these types of situations.

6. Timeliness of presentation of fund requests

We recommend that CONFIEP in any future USAID Project coordinate the required actions in order to send the fund requests on a timely basis to AID.

7. Security equipment purchases

We recommend that CONFIEP management in future USAID Project review the terms of the Agreement and communicate them to the appropriate personnel.

8. Fixed assets control

We recommend that CONFIEP management in future USAID Project inform the related personnel of the Agreement terms.

9. Capability of CONFIEP to self-finance its operations

We recommend that CONFIEP should impose stricter sanctions on those members who do not pay their fees. These sanctions should be executed without exception.

10. Counterpart's contribution (CONFIEP)

We recommend that CONFIEP in future USAID Project establish a policy to ensure that its contributions to the project are adequately documented.

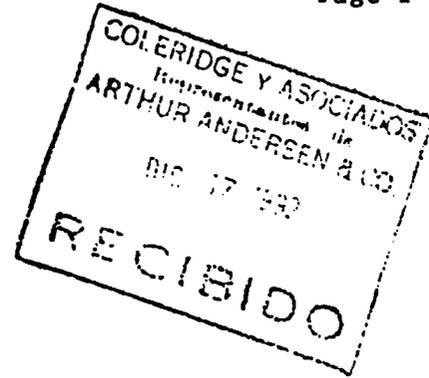
11. Disposition of fixed assets

We recommend that CONFIEP take an inventory all items of equipment, materials and supplies under its custody and submit an inventory schedule to USAID/Peru indicating what disposition has been made of such property.



CONFIEP

San Isidro, Diciembre 15 de 1992.
CONFIEP GE-872/92



Señores
COLERIDGE Y ASOCIADOS S.C.
Representantes de
ARTHUR ANDERSEN & Co.
Av. Arequipa 330 - 2º piso
Lima.-

Muy señores nuestros:

En relación a la Auditoria Financiera de Cierre del Proyecto AID/CONFIEP por el periodo comprendido entre el 23 de Junio de 1986 y el 30 de Abril de 1991 que Uds. han realizado, confirmamos las siguientes manifestaciones hechas a ustedes durante vuestro examen y en la reunión de cierre del Convenio llevada a cabo en las oficinas de AID el 12 de Diciembre último:

1. Se ha observado que no se encuentra en nuestros archivos documentación sustentatoria de gastos aplicados al Proyecto ascendentes a US \$ 7,199.86, de los cuales:
 - 1.1 Se ha encontrado comprobantes originales de los pagos por concepto de sueldos de Humberto Rivera y Ana Maria Martijena por US \$ 688.30 (Diciembre 1988 y Setiembre 1989, páginas 19, 20 y 37).
 - 1.2 Se ha cuestionado US \$ 5,583.18 en la Rendición de Gastos correspondiente al mes de Abril de 1989 por la compra de un Computador PC/AT, verificándose que correspondía sólo US \$ 3,277.50 aplicando el tipo de cambio correcto, habiendo obtenido una Constancia de Venta emitida por la empresa proveedora MICRO AGE CENTER S.A., al no haber podido localizar la factura original por la compra de dicho activo (página 19 y 37).
 - 1.3 Se está solicitando a las Cámaras de Comercio Regionales nos proporcionen a la brevedad posible los recibos y/o constancias de pago de los honorarios financiados a los Coordinadores desde Octubre de 1988 hasta Agosto de 1989 ascendentes a US \$ 714.00 (páginas 19, 20 y 37).
 - 1.4 Estamos de acuerdo con costos cuestionables (no soportados) correspondientes a Octubre 1988, Diciembre 1988 y Junio 1989 por US \$ 214.00, ya que hasta la fecha no se ha encontrado la documentación sustentatoria (páginas 19, 20 y 37).
2. Se está cuestionando desde Julio 1986 hasta Abril 1989 la

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adquisición de equipos y muebles y enseres de oficina por la suma de US \$ 19,072.00 (páginas 19, 27, 38, 43 y 44). Dichas compras están debidamente sustentadas con sus correspondientes facturas, pero no se encuentran en nuestros archivos las tres cotizaciones mínimas que solicitamos siempre para la aprobación de tales adquisiciones.

Cabe señalar que estas adquisiciones son debidamente revisadas conjuntamente con la Gerencia General, por el Tesorero, Pro-Tesorero, Presidente o Vice-Presidentes, de manera que no se trata de una decisión unipersonal sino corporativa. En efecto, el Art. 502 de nuestros Estatutos establece que "son funciones de la Gerencia, las siguientes:

g) Abrir y cerrar cuentas bancarias a nombre de CONFIEP, girar, endosar y protestar cheques, letras, pagarés, autorizar depósitos y pagos, asumir obligaciones, celebrar contratos, comprar y vender valores y bienes muebles en general, manejar los fondos y administrar el patrimonio de CONFIEP, firmando conjuntamente con alguno de los siguientes directores: Tesorero, Pro-Tesorero, Presidente o Vice-Presidentes."

3. Se ha encontrado costos cuestionados por US \$ 9,093.00, de los cuales:

3.1 Estamos de acuerdo que se cuestione US \$ 308.00 (páginas 20, 38 y 39) que corresponde a Impuesto General a las Ventas pagado en compras realizadas desde Noviembre 1988 hasta Abril 1989, que seguramente han sido involuntariamente incluidos en las rendiciones enviadas a AID.

3.2 No estamos de acuerdo que se cuestione US \$ 6,877.00 (páginas 20 y 48) por la construcción de un cerco perimétrico (reja y púas), por las siguientes razones:

3.2.1 Tal como hemos coordinado recientemente con ustedes, el tipo de cambio a ser utilizado es de I/.3.376, equivaliendo I/.16^000,000 sólo a US \$ 4,739.00.

3.2.2 Los funcionarios de AID Robert J. Sparks y Jerry B. Martin nos aprobaron la remesa de fondos correspondiente al mes de Mayo de 1989 por I/.182^062,342.29 incluyendo I/.16^000,000 para la construcción del cerco perimétrico.

3.2.3 Los funcionarios de AID Robert J. Sparks e Israel Negrón nos aprobaron sin observaciones la liquidación de desembolsos efectuados en el mes de Mayo de 1989, incluyendo I/.16^000,000 por la construcción del cerco perimétrico.

Al habernos aprobado AID a través de sus funcionarios la

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construcción del cerco perimétrico, nosotros de buena fe, consideramos que estaba incluido dentro de los bienes financiados por el Proyecto, ya que en las particulares circunstancias de inseguridad que afecta a nuestro país, y considerando la exposición de nuestra institución por su importancia ante la opinión pública, tal adquisición fue hecha para proteger especialmente las instalaciones y bienes ADQUIRIDOS CON FONDOS DE AID. Asimismo, cabe señalar que el costo total fue de I/.23'413,178, financiando CONFIEP I/. 7'413,178 (equivalentes al 31.66%).

3.3 Estamos de acuerdo que se nos cuestione el gasto por US \$ 736.00 (páginas 21, 40 y 41) que corresponde a la diferencia de tarifa aérea de primera clase y clase ejecutiva con la tarifa económica aceptada en este tipo de viajes, si bien es cierto se utilizó en un caso por huelga en la compañía Eastern Airlines y en otro por falta de vacante en clase económica, por reruteo involuntario, debiendo necesariamente el pasajero llegar a Lima para cumplir con el sufragio en las Elecciones Generales de 1990.

3.4 No estamos de acuerdo que se nos cuestione el pago de honorarios profesionales al Estudio Osterling por US \$ 1.164.00 (páginas 21, 42 y 43) en el mes de Marzo de 1990, ya que no constituyen horas extras, sino honorarios por el Informe Especial sobre Bolsa de Trabajo, como se aclara en la Constancia emitida por dicho Estudio de Abogados el 19 de Octubre último.

4. En cuanto a las condiciones que se comentan en las páginas 8, 9, 24 y 25 respecto a la Estructura de Control Interno de CONFIEP hay que tomar en cuenta que el Convenio AID/CONFIEP ha durado casi 5 (cinco) años, habiendo en ese lapso de tiempo un Consejo Directivo renovable cada año, tres Gerencias Generales y diferentes funcionarios a cargo del Proyecto. Inclusive se realizaron dos mudanzas de locales institucionales y muchos cambios internos de oficinas, por lo que dentro del volumen de fondos de AID administrados por CONFIEP a través del Convenio, los costos cuestionables (cuestionados y no soportados) representan un porcentaje minúsculo (menos del 1.6%) que no es material ni significativo y que estamos seguros fueron incurridos involuntariamente.

Estas condiciones comentadas creemos un poco exageradamente por los señores Auditores, se refieren a la "falta de evidencia y documentación de los procedimientos seguidos en la adquisición de bienes y servicios" (hay sólo el flujograma de la aprobación de gastos, mas no se ha encontrado en nuestros archivos procedimientos escritos sobre estas adquisiciones ni las cotizaciones comparativas de precio y calidad) y a la "falta de un sistema de contabilidad apropiado para registrar, procesar, acumular y emitir reportes consistentes", el cual en nuestra opinión satisface plenamente los requerimientos institucionales, legales y tributarios, así como ha

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venido siendo auditado anualmente desde 1988 con un informe limpio. Sin embargo, el procedimiento seguido es perfectible por cuanto se le pueden incorporar fácilmente los mecanismos apropiados que satisfagan también los requerimientos de las entidades financiadoras, como en este caso la Agencia para el Desarrollo Internacional (AID).

5. En cuanto al punto 2. Identificación de costos reembolsados por AID no estamos de acuerdo con el comentario de la página 29 porque selectivamente colocamos un sello "AID" o "CONFIEP" para indicar la fuente de financiamiento. En el Departamento de vouchers de AID también sólo a veces colocaban un sello "PAGADO CON FONDOS AID" luego de aprobar la Rendición de Gastos.

En nuestra opinión es mucho más fácil identificar la fuente de financiamiento de un gasto por el código de la cuenta contable utilizada tanto por el Centro de Costos (901 y 909) o por la cuenta corriente bancaria utilizada para el pago (104.03 y 104.09).

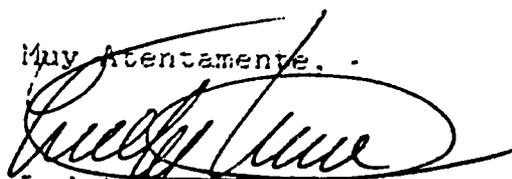
6. En cuanto al punto 3. Archivo y documentación de los files personales de los trabajadores señalado en las páginas 30 y 31, tenemos que manifestar que no sabemos por qué razón no se ha podido ubicar los files personales de José Arturo TANGO PEREZ y Carlos ZAMORANO, habiendo trabajado dichas personas en Confiep sólo hasta Agosto de 1988.

No estamos de acuerdo en cuanto al efecto, en el sentido que "no fue posible probar que todas las personas incluidas en la planilla han trabajado realmente en CONFIEP", ya que existe documentación elaborada por dichas personas, trabajos realizados y comprobantes firmados por las remuneraciones que se les ha pagado.

7. En cuanto al punto 6. Convenio entre CONFIEP y el ILD (páginas 44 y 45) se firmó un Convenio con fecha 09 de Diciembre de 1986 y se siguió coordinando para la firma y ejecución de un Convenio mucho más amplio. Dichas coordinaciones inclusive fueron publicitadas en televisión y diarios, pero lamentablemente surgieron discrepancias entre representantes de ambas instituciones, por lo que no fue posible cristalizarlo.

Sin otro particular estamos a su disposición para cualquier coordinación posterior que sea pertinente.

Muy Atentamente, .



Ludwig Meier Cornejo
Gerente General

APPENDIX I

REPORT DISTRIBUTION

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LAC/SAM	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/Bonn	1
RIG/A/Cairo	1
RIG/A/Dakar	1
RIG/A/Nairobi	1
RIG/A/Singapore	1