

Regional Inspector General for Audit
San José, Costa Rica

Audit of USAID/Bolivia's
Cochabamba Regional Development Project
Component Managed by the
Program of Alternative Regional Development
January 1 to December 31, 1992

Audit Report No. 1-511-94-10-N
June 16, 1994



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



AGENCY FOR INTERNATIONAL DEVELOPMENT
OFFICE OF THE REGIONAL INSPECTOR GENERAL
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June 16, 1994

MEMORANDUM

TO: Director USAID/Bolivia, Carl H. Leonard

FROM: RIG/A/San José, *Coinage N. Gothard*
Coinage N. Gothard

SUBJECT: Audit of USAID/Bolivia's Cochabamba Regional Development Project, Component Managed by the Program of Alternative Regional Development, January 1 to December 31, 1992

This report presents the results of a financial audit of the Cochabamba Regional Development Project, USAID/Bolivia Project No. 511-0617, component managed by the Program of Alternative Regional Development (PDAR) for the period January 1 to December 31, 1992. The audit firm of Coopers & Lybrand prepared the report dated February 11, 1994.

The Cochabamba Regional Development Project is the follow-on project to the Chapare Regional Development Project, USAID/Bolivia Project No. 511-0543, which ended on June 30, 1992. Under the new project, many of the activities started under the predecessor project have been continued, being expanded to a wider geographical area.

The goal of the project is to increase the level of investments, productivity, and employment in legal activities as Bolivia transforms its economy based on coca. Its purpose is to develop alternative sources of income and employment for the population in the project area, the department of Cochabamba. The project will concentrate on the development and improvement of local markets and the export of raw and processed agricultural products, increasing in this way employment and income. The project assistance completion date is September 30, 1997. During the period audited, PDAR reported project expenditures of \$1,779,910.

PDAR is one of four Government of Bolivia implementing entities for the project. At the Cochabamba level, PDAR is responsible for both technical and financial control of the entire project.

The objectives of the audit were to determine whether: (1) PDAR's fund accountability statement presents fairly, in all material respects, the financial situation of the project activities managed by PDAR during the audited period, (2) the internal control structure of PDAR is adequate to manage its project operations, (3) PDAR complied with the terms of the agreement and applicable laws and regulations, and (4) PDAR has taken corrective actions to resolve recommendations contained in a previous audit of the entity. The scope of the audit included an examination of PDAR's activities and transactions to the extent considered necessary to issue a report thereon for the period audited.

Coopers & Lybrand were of the opinion that the fund accountability statement presents fairly, in all material respects, the cash receipts and disbursements of the activities managed by PDAR under the project. No questionable costs were noted.

Regarding PDAR's internal control structure, the auditors identified five material weaknesses: (1) the kardex systems in certain project warehouses were not valued and kept up-to-date, (2) there was no evidence that PDAR conducted monthly reconciliations with the Government organizations supported by the project in order to keep its accounting records up-to-date, (3) PDAR did not perform periodic reconciliations of its accounting records with those of the different financiers of the project, (4) PDAR had not implemented its recently updated administrative procedures manuals, and (5) PDAR had not timely prepared quarterly technical reports on all of its subprojects.

With respect to PDAR's compliance with agreement terms and applicable laws and regulations, the auditors did not identify any instances of noncompliance.

In their follow-up on the status of implementation of audit recommendations made to PDAR during the last financial audit of the Chapare Regional Development Project, the auditors found that certain audit recommendations remained unimplemented. Of particular interest were two recommendations regarding noncompliance with tax and labor laws or regulations that remained unaddressed.

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

Recommendation No. 1

We recommend that USAID/Bolivia obtain evidence that the Program of Alternative Regional Development: (a) maintains up-to-date warehouse kardex systems which contain information on the value of inventory items, (b) performs monthly reconciliations of its accounting records with those of its project financiers and those of the entities that it provides project funding to, (c) has implemented its updated administrative procedures manuals, (d) prepares timely quarterly technical reports on all of its subprojects, (e) has resolved the contingent tax liability remaining from the Chapare Regional Development Project as a result of not having made and not having withheld from its employees' salaries the required contributions to Bolivia's National Housing Fund, and (f) strictly complies with Bolivia's labor regulations regarding the renewal of personal services contracts and the signing of such contracts by the Ministry of Labor, and giving the required days notice or salary payment when terminating project employees.

Recommendation No. 1 can be resolved when USAID/Bolivia presents an acceptable firm plan of action to correct the reported deficiencies and can be closed when its presents acceptable evidence that the required actions have been taken.

The report was discussed with representatives from PDAR who disagreed with certain of the auditors' observations regarding the adequacy of its controls, but in most cases agreed to establish or strengthen controls as recommended.

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

**Regional Inspector General for Audit
San José, Costa Rica**

**Audit of USAID/Bolivia's
Cochabamba Regional Development Project
Component Managed by the
Program of Alternative Regional Development
January 1 to December 31, 1992**

**Audit Report No. 1-511-94-10-N
June 16, 1994**

AUDIT OF THE COCHABAMBA REGIONAL DEVELOPMENT PROJECT
USAID/BOLIVIA PROJECT No. 511-0617
COMPONENT MANAGED BY THE
PROGRAM OF ALTERNATIVE REGIONAL DEVELOPMENT
FROM JANUARY 1 TO DECEMBER 31, 1992

**AUDIT OF THE COCHABAMBA REGIONAL DEVELOPMENT PROJECT
USAID/BOLIVIA PROJECT No. 511-0617
COMPONENT MANAGED BY THE
PROGRAM OF ALTERNATIVE REGIONAL DEVELOPMENT
FROM JANUARY 1 TO DECEMBER 31, 1992**

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February 11, 1994

Mr. Coinage N. Gothard
Regional Inspector General for Audit
U.S. Agency for International Development
San José, Costa Rica

Dear Mr. Gothard:

This report presents the results of our financial audit of the Cochabamba Regional Development Project (CORDEP), USAID/Bolivia Project No. 511-0617, component managed by the Program of Alternative Regional Development (PDAR), for the period from January 1 to December 31, 1992.

BACKGROUND

On July 5, 1991, USAID/Bolivia approved the Cochabamba Regional Development Project (CORDEP), USAID/Bolivia Project No. 511-0617, which provides \$80,000,000 in grant funds to the Republic of Bolivia. As part of the grant agreement, the Government of Bolivia (GOB) agreed to provide a counterpart contribution of \$40,000,000 channeled through the PL-480 Executive Secretariat and the Directorate of External Finance and Monetization. The project assistance completion date is September 30, 1997.

The CORDEP project is the follow-on project to the Chapare Regional Development Project, USAID/Bolivia Project No. 511-0543, which ended on June 30, 1992. Under the CORDEP project many of the activities started under the Chapare Regional Development Project have been continued, being expanded to a wider geographical area. Although the CORDEP project was approved on July 5, 1991, PDAR did not begin to receive funds under the project until 1992. The present audit is the first for PDAR under the CORDEP project.

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PROJECT PURPOSE AND OBJECTIVE

The goal of the project is to increase the level of investments, productivity, and employment in licit activities as Bolivia transforms its economy based on coca. The purpose of the project is to develop alternative sources of income and employment for the population in the project area. This will be met by focusing on coca growers as well as people involved in activities not related with coca in order to develop a social and organizational atmosphere at the local level to sustain the changes desired.

The geographical area in which the project focuses is the department of Cochabamba, and eventually other areas near this territory could be included (Santa Cruz, Potosí and Chuquisaca). Although the majority of the activities will be concentrated on the rural areas of the department, the urban and suburban areas of the city of Cochabamba are also included in the geographical area of the project.

The project is an effort of five years to develop alternatives for income and employment in the department of Cochabamba and its areas of influence. The project will concentrate on the improvement and the development of new local markets and the export of raw and finished agricultural products, increasing in this way employment and income. Although the purpose of the project is to increase rural family income, the project is based on a market-oriented design that will lead to an increase in licit economic activities.

PROJECT COMPONENTS

The project has four interrelated components: Commercialization, Capital Resources, Small Agricultural Production, and Project Administration.

1) Commercialization

Keeping within the market driven strategy of the project, the principal objective of this component is to facilitate the processing and commercialization of agricultural products of rural families located within the area of the project. The components of capital resources and small agricultural production will take advantage of the commercial opportunities identified.

2) Capital Resources

Capital resource needs will be identified and provided to producers to take maximum advantage of market opportunities.

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3) Small Agricultural Production

This component is designed to increase the agricultural production of the rural family to meet market demand and increase family income. Research and extension activities related to the market are being made by IBTA/Chapare, IBTA/Valleys, and some NGOs. The experimental products are being selected based on preliminary research of the market and the estimation of potential profit for rural families.

4) Project Administration

USAID/Bolivia provides the global administration related to USAID requirements of the CORDEP project through personnel contracted by USAID/Bolivia in La Paz and the office of the project in Cochabamba. The Cochabamba office is structured to handle the daily responsibilities of project implementation and coordination, and mainly requires La Paz office assistance only for major decisions or actions.

IMPLEMENTING UNITS OF THE PROJECT

1. Subsecretary of Alternative Development (SUBDESAL)

This organization is a subsecretary of the Ministry of Agriculture and Campesino Affairs located in La Paz. SUBDESAL provides overall direction and policy guidance for the project and it works closely with the Program of Alternative Regional Development (PDAR).

Due to the key role of SUBDESAL, this subsecretary in conjunction with USAID/Bolivia, approves the implementation plan throughout the life of the project and will be responsible for the GOB's role in the implementation of the plan. Personnel of SUBDESAL that work with the CORDEP project are financed through counterpart funds of the GOB. Since SUBDESAL works with other grantees in a series of activities in alternative development, arrangements are being made to finance other personnel with local currency that is not part of the CORDEP project.

2. Program of Alternative Regional Development (PDAR)

At the Cochabamba level, PDAR is responsible for both technical and financial control of the entire project.

PDAR coordinates and supervises the activities of the GOB in the area of the project, collaborating with the technical assistance contractor, and gives pertinent information to the contractor and USAID/Bolivia. PDAR also serves as liaison between the beneficiaries of the project or potential beneficiaries that

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request the assistance of the GOB for alternative development activities.

PDAR personnel that work with the project are financed through counterpart funds of the GOB. Since PDAR works with other grantees in a series of activities, arrangements are being made to finance other personnel with local currency not part of the CORDEP project.

3. Bolivian Institute for Agricultural Technology (IBTA)

IBTA/Chapare is responsible for providing agricultural research and extension services in the Chapare region, particularly to former coca growers. IBTA/Chapare maintains two agricultural experimental farms - one in La Jota (agriculture) and the other in Chipiriri (farm animals).

Based on the success of IBTA/Chapare, IBTA in the valleys should be strengthened. The project provides resources for research in alternative crops, as well as training and extension programs to support agricultural subprojects and NGOs in the area. Financing of the two IBTAs is being channelled through PDAR.

4. National Roads Service (SNC)

SNC was legally created in 1964 and functions as a decentralized institution of the Ministry of Transportation and Communications with relative technical and administrative autonomy. Its basic function is to control and supervise Bolivia's national roads system through studies, construction, improvements and maintenance.

Within the SNC organizational structure at a national level, there is the "Camino Vecinales" (CCVV) division which is currently working under the CORDEP project in the city of Cochabamba.

The roads program of SNC for the productive market zones of the project is being financed through the commercialization component of CORDEP. SNC participates in annual planning meetings to develop project priorities for the next two years. The activities of SNC will be implemented with the assistance of USAID/Bolivia and be financed through PDAR.

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AUDIT OBJECTIVES AND SCOPE

Coopers & Lybrand (Bolivia) was contracted, under Delivery Order No. 1 IQC 511-0598-C-00-1012-00, to conduct a financial audit of the Cochabamba Regional Development Project (CORDEP), USAID/Bolivia Project No. 511-0617, component managed by the Program of Alternative Development (PDAR), for the period January 1 to December 31, 1992.

The specific objectives of our audit were to determine whether:

1. The fund accountability statement presents fairly, in all material respects, the financial situation of the project activities managed by PDAR for the period from January 1 to December 31, 1992, and costs reported as incurred and reimbursed by USAID/Bolivia during the period are allowable, allocable, and reasonable in accordance with agreement terms, and applicable laws and regulations.
2. The internal control structure of PDAR is adequate to manage the project's operations.
3. PDAR complied with agreement terms, and applicable laws and regulations which may affect the project's goals and incurred costs.
4. PDAR has taken corrective actions to resolve recommendations contained in previous audits of the project.

The scope of our work consisted of:

1. Examining the fund accountability statement for the project component managed by PDAR for the period January 1 to December 31, 1992.
2. Reviewing and evaluating PDAR's internal control structure during the audit period to determine its adequacy for project purposes.
3. Determining whether PDAR complied with the agreement terms, and applicable laws and regulations that may have a material effect on its fund accountability statement.

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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 (1988 Revision) issued by the Comptroller General of the United States and accordingly it included such tests of the accounting records and documentation, evaluation of the internal control structure and other auditing procedures as we considered necessary in the circumstances.

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

During the audit we were alert to situations or transactions that could be indicative of fraud, abuse and illegal expenditures and acts.

RESULTS OF AUDIT

Fund Accountability Statement

The Program of Alternative Regional Development (PDAR) records its operations on the basis of cash receipts and disbursements; consequently, revenues are recognized when received rather than when earned and expenses are recognized when paid rather than when the obligation is incurred. This is a comprehensive basis of accounting for transactions other than generally accepted accounting principles.

In our opinion, the fund accountability statement examined by us presents fairly, in all material respects, the cash receipts and disbursements of the activities managed by the Program of Alternative Regional Development, under the Cochabamba Regional Development Project, USAID/Bolivia Project No. 511-0617, for the year ended December 31, 1992, in accordance with the accounting basis described in the previous paragraph.

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Internal Control Structure

The results of our study and evaluation of PDAR's internal control structure disclosed the following reportable conditions which we consider to be material weaknesses except for Nos. 6 and 7.

1. Deficiencies in accounting control over purchase of materials and its recording in warehouses.
2. There is no written evidence that reconciliations with government organizations are performed.
3. No balances reconciliations are done with financiers.
4. Delay in implementing administrative procedures manuals.
5. Deficiencies in technical supervision of subprojects.
6. Petty cash control deficiencies at project camps.
7. Deficiencies in control over existing fixed assets in camps.

Compliance with Agreement Terms and Applicable Laws and Regulations

The results of our evaluation disclosed that for all the items tested PDAR complied with agreement terms and applicable laws and regulations.

Follow up of Prior Audit Findings and Recommendations

Under the CORDEP project PDAR continues to implement many of the activities of the now completed Chapare Regional Development Project, USAID/Bolivia No. 511-0543, which ended June 30, 1992. Annex 1 includes the status of unresolved recommendations from prior financial audits of the Chapare Regional Development Project, the last audit being as of December 31, 1991.

Management Comments

The reports on internal control structure and compliance with agreement terms and applicable laws and regulations were discussed with PDAR's management on May 12, 1993. PDAR generally agreed with the audit findings and the contents of this report. Specific comments are reproduced in Annex 2 of this report.

La Paz, Bolivia

Coopers & Lybrand

**AUDIT OF THE COCHABAMBA REGIONAL DEVELOPMENT PROJECT
USAID/BOLIVIA PROJECT Nº 511-0617
COMPONENT MANAGED BY THE
PROGRAM OF ALTERNATIVE REGIONAL DEVELOPMENT
REPORT ON THE FUND ACCOUNTABILITY STATEMENT
FROM JANUARY 1 TO DECEMBER 31, 1992**

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying fund accountability statement of the Cochabamba Regional Development Project, USAID/Bolivia Project No. 511-0617, component managed by the Program of Alternative Regional Development (PDAR) for the year ended December 31, 1992. The fund accountability statement is the responsibility of PDAR's management. 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 (1988 revision), 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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.

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 Bolivia. We believe that the effect of this departure from the financial audit requirements of Government Auditing Standards is not material because we participate in the Coopers & Lybrand worldwide internal quality control program which requires the Coopers & Lybrand (Bolivia) office to be subjected, every three years, to an extensive quality control review by partners and managers from other Coopers & Lybrand offices.

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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 referred to above fairly presents, in all material respects, project revenues collected and expenses disbursed for the year ended December 31, 1992 on the basis of accounting described in Note 2, and costs reported as incurred and reimbursed by USAID/Bolivia during the period are allowable, allocable, and reasonable in accordance with agreement terms, and applicable laws and regulations.

This report is intended solely for the use of the Program of Alternative Regional Development 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.

La Paz, Bolivia
April 15, 1993

Coopers & Lybrand

**AUDIT OF THE COCHABAMBA REGIONAL DEVELOPMENT PROJECT
 USAID/BOLIVIA PROJECT No. 511-0617
 COMPONENT MANAGED BY THE
 PROGRAM OF ALTERNATIVE REGIONAL DEVELOPMENT**

**FUND ACCOUNTABILITY STATEMENT
 FROM JANUARY 1 TO DECEMBER 31, 1992**

(Expressed in Bolivianos - Note 2)

	BUDGET	ACTUAL	AVAILABLE	QUESTIONABLE COSTS	
				QUESTIONED	UNSUPPORTED
	-----	-----	-----	-----	-----
INCOME					
Funds provided by USAID/Bolivia	15,062,466	8,874,823	6,187,643		
DISBURSEMENTS					
Training, studies and communications	6,094,466	3,656,656	2,437,810		
Construction	8,968,000	3,640,974	5,327,026		
Machinery and materials	0	0	0		
Operating costs	0	0	0		
Other	0	0	0		
TOTAL DISBURSEMENTS	15,062,466	7,297,630	7,764,836	-	-
Balance		1,577,193			
		=====			

The accompanying notes are an integral part of this fund accountability statement.

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**AUDIT OF THE COCHABAMBA REGIONAL DEVELOPMENT PROJECT
USAID/BOLIVIA PROJECT No. 511-0617
COMPONENT MANAGED BY THE
PROGRAM OF ALTERNATIVE REGIONAL DEVELOPMENT**

**NOTES TO THE FUND ACCOUNTABILITY STATEMENT
FROM JANUARY 1 TO DECEMBER 31, 1992**

NOTE 1: DESCRIPTION OF THE PROJECT AND NATURE OF OPERATIONS

On July 5, 1991, USAID/Bolivia approved the Cochabamba Regional Development Project (CORDEP), USAID/Bolivia Project No. 511-0617, which provides \$80,000,000 in grant funds to the Republic of Bolivia. As part of the grant agreement, the Government of Bolivia (GOB) agreed to provide a counterpart contribution of \$40,000,000 channeled through the PL-480 Executive Secretariat and the Directorate of External Finance and Monetization. The project assistance completion date is September 30, 1997.

The goal of the project is to increase the level of investments, productivity, and employment in licit activities as Bolivia transforms its economy based on coca. The purpose of the project is to develop alternative sources of income and employment for the population in the project area. This will be met by focusing on coca growers as well as people involved in activities not related with coca in order to develop a social and organizational atmosphere at the local level to sustain the changes desired.

The geographical area in which the project focuses is the department of Cochabamba, and eventually other areas near this territory could be included (Santa Cruz, Potosí and Chuquisaca).

The project is an effort of five years to develop alternatives for income and employment in the department of Cochabamba and its areas of influence. The project will concentrate on the improvement and the development of new local markets and the export of raw and finished agricultural products, increasing in this way employment and income. Although the purpose of the project is to increase rural family income, the project is based on a market-oriented design that will lead to an increase in licit economic activities.

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**AUDIT OF THE COCHABAMBA REGIONAL DEVELOPMENT PROJECT
USAID/BOLIVIA PROJECT No. 511-0617
COMPONENT MANAGED BY THE
PROGRAM OF ALTERNATIVE REGIONAL DEVELOPMENT**

**NOTES TO THE FUND ACCOUNTABILITY STATEMENT
FROM JANUARY 1 TO DECEMBER 31, 1992**

**NOTE 1: DESCRIPTION OF THE PROJECT AND NATURE OF OPERATIONS
(Cont)**

USAID/Bolivia provides the global administration related to USAID requirements of the CORDEP project.

The Subsecretary of Alternative Development (SUBDESAL) is a subsecretary of the Ministry of Agriculture and Campesino Affairs responsible for providing overall direction and policy guidance for the project and it works closely with the Program of Alternative Regional Development (PDAR).

At the Cochabamba level, PDAR is responsible for both technical and financial control of the entire project.

PDAR coordinates and supervises the activities of the Government of Bolivia in the area of the project, collaborating with the technical assistance contractor, and gives pertinent information to the contractor and USAID/Bolivia. PDAR also serves as liaison between the beneficiaries of the project or potential beneficiaries that request the assistance of the GOB for alternative development activities.

PDAR personnel that work with the project are financed through counterpart funds of the Government of Bolivia.

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**AUDIT OF THE COCHABAMBA REGIONAL DEVELOPMENT PROJECT
USAID/BOLIVIA PROJECT No. 511-0617
COMPONENT MANAGED BY THE
PROGRAM OF ALTERNATIVE REGIONAL DEVELOPMENT**

**NOTES TO THE FUND ACCOUNTABILITY STATEMENT
FROM JANUARY 1 TO DECEMBER 31, 1992**

**NOTE 2: FUND ACCOUNTABILITY STATEMENT PREPARATION BASIS AND
SUMMARY OF ACCOUNTING POLICIES**

The fund accountability statement of the Program of Alternative Regional Development has been prepared in Bolivianos, the local currency in Bolivia, and reflects the proceeds received by the entity provided by USAID/Bolivia under Project No. 511-0617 and the corresponding disbursements in accordance with the premises of the CORDEP project.

In accordance with USAID/Bolivia policies, the above mentioned fund accountability statement does not include purchases of materials and/or services (technical assistance) directly made by USAID/Bolivia on behalf of the project and counterpart contributions provided by the Government of Bolivia.

The fund accountability statement has been prepared on the cash basis of accounting. Consequently, income is recognized when received rather than when earned and expenditures are recognized when paid rather than when the obligation is incurred.

The cost of fixed assets are charged directly to the project and are not depreciated. Using the same procedure, materials and supplies are charged directly to the project when the payment is made and not when the goods are used.

NOTE 3: EXCHANGE RATES

During 1992 the Bolivian currency devalued against the United States dollar from Bs3.75 per US\$ 1 on January 1, 1992 to Bs4.10 on December 31, 1992.

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**AUDIT OF THE COCHABAMBA REGIONAL DEVELOPMENT PROJECT
USAID/BOLIVIA PROJECT No. 511-0617
COMPONENT MANAGED BY THE
PROGRAM OF ALTERNATIVE REGIONAL DEVELOPMENT**

**REPORT ON THE INTERNAL CONTROL STRUCTURE
FROM JANUARY 1 TO DECEMBER 31, 1992**

INDEPENDENT AUDITOR'S REPORT

We have audited the fund accountability statement of the Cochabamba Regional Development Project, USAID/Bolivia Project No. 511-0617, component managed by the Program of Alternative Regional Development (PDAR) for the year ended December 31, 1992, and have issued our report thereon dated April 15, 1993.

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 financial audit requirements of the Government Auditing Standards (1988 revision) 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 Cochabamba Regional Development Project component managed by PDAR for the year ended December 31, 1992 we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on that fund accountability statement and not to provide assurance on the internal control structure.

The management of PDAR is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded

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against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the fund accountability statement in accordance with the accounting basis described in Note 2 to the fund accountability statement.

Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the 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:

- Cash receipts and disbursements,
- Budgeting controls,
- Bank accounts and funds controls,
- Procurement system, and
- Subproject monitoring

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

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect PDAR's ability to record, process, summarize and report financial data consistent with the assertions of management in the fund accountability statement. The reportable conditions noted are described in finding Nos. 1 to 7 in the following pages.

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

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Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we consider finding Nos. 1 to 5 to be material weaknesses.

We also noted other matters involving the internal control structure and its operation that we reported to the management of PDAR in a separate communication dated April 15, 1993.

This report is intended solely for the information of the management of the Program of Alternative Regional Development 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.

La Paz, Bolivia
April 15, 1993

Coopers & Lybrand

**AUDIT OF THE COCHABAMBA REGIONAL DEVELOPMENT PROJECT
USAID/BOLIVIA PROJECT No. 511-0617
COMPONENT MANAGED BY THE
PROGRAM OF ALTERNATIVE REGIONAL DEVELOPMENT**

**INTERNAL CONTROL SYSTEM - REPORTABLE FINDINGS
FROM JANUARY 1 TO DECEMBER 31, 1992**

**1. DEFICIENCIES IN ACCOUNTING CONTROL OVER PURCHASE OF MATERIALS
AND ITS RECORDING IN WAREHOUSES**

CONDITION

Our audit noted the following control deficiencies in the warehouses of the Immediate Impact Communication Works Subproject - High Valleys:

- a. The accounting section does not keep a valued kardex system on warehouse stock, and the exiting kardex on assets is not kept up-to-date since outlays are recorded with considerable delays.
- b. In warehouses, some urgent purchases handed over directly to contractors of the subprojects are not recorded.

CRITERIA

Suitable controls should be kept on purchases and turnover of materials.

CAUSE

Even though PDAR has procedures manuals addressing controls over inventories, these procedures have not been implemented at all warehouses.

EFFECT

It is not possible to establish balances of materials through the kardex systems due to the lack of suitable controls assuring their reliability (accuracy and integrity). Moreover, this deficiency could cause an adverse effect on procurement or other operating problems due to lack of materials for works which, according to the records, do exist in stock.

CJN

1. DEFICIENCIES IN ACCOUNTING CONTROL OVER PURCHASE OF MATERIALS AND ITS RECORDING IN WAREHOUSES (Cont.)

RECOMMENDATION

We recommend that PDAR develop a program for training concerning inventory controls for all its employees in charge of the warehouses.

CH

2. THERE IS NO WRITTEN EVIDENCE THAT RECONCILIATIONS WITH GOVERNMENT ORGANIZATIONS ARE PERFORMED

CONDITIONS

There is no written evidence that the entity prepares periodic reconciliations of balances and operations with the different Government organizations partially financed by the project.

CRITERIA

Periodic reconciliations must be done on the balances between the implementing entity and the different Government organizations.

CAUSE

Noncompliance with basic controls and procedures manuals.

EFFECT

The mentioned internal control weakness does not insure the accuracy and integrity of the recorded transactions and balances that arise from the accounting records.

RECOMMENDATION

We recommend that PDAR conduct monthly reconciliations with the Government organizations supported by the project in order to keep up-to-date both its accounting records and the financial information derived therefrom.

CU

3. NO BALANCES RECONCILIATIONS ARE DONE WITH FINANCIERS

CONDITION

In our audit we noted that PDAR does not perform periodic reconciliations of balances with financiers of the project.

CRITERIA

Periodic reconciliations must be done of the funds disbursed by project's financiers and discharged by PDAR.

CAUSE

Noncompliance with procedures manuals, and basic control procedures.

EFFECT

Weaknesses in the accounting internal control reduce the assurance that the information arising from the records of the implementing unit is integral and accurate.

RECOMMENDATION

We recommend that PDAR prepare monthly reconciliations with the different financiers of the project covering funds disbursed and discharged.

CGU

4. DELAY IN IMPLEMENTING ADMINISTRATIVE PROCEDURES MANUALS

CONDITION

During 1992, a management consultant firm was engaged to update PDAR's administrative procedures manuals. The updated manuals were completed and delivered to the entity in October 1992 but up to now there is no evidence of the project having implemented the mentioned manuals.

CRITERIA

The entity should have updated administrative procedures manuals and its operations should be processed in accordance with the provisions of such manuals.

CAUSE

Delay in implementing the administrative procedures manuals.

EFFECT

Noncompliance with the procedures set forth in the manuals prevents a timely strengthening of administrative and control procedures.

RECOMMENDATION

We recommend that PDAR implement the administrative procedures manuals as soon as possible.

CU

5. DEFICIENCIES IN TECHNICAL SUPERVISION OF SUBPROJECTS

CONDITION

There is no evidence of PDAR's technical unit having prepared the quarterly technical reports on all of its subprojects.

CRITERIA

The project's supervisory unit must prepare the quarterly technical reports as part of the supervision of the mentioned subprojects.

CAUSE

According to entity's persons in charge, it is due to delays in the transcription process.

EFFECT

From the internal control view, lack of evidence is the same as not performing the control. The lack of technical control over the subprojects reduces the assurance that funds have been properly used and the physical progress level is reasonable given the funds provided to the subprojects.

RECOMMENDATION

We recommend that PDAR prepare timely quarterly technical reports to comply with the procedures manuals and the agreement with USAID, as well as to document that proper and timely technical controls are being exercised over the subprojects.

CA

6. PETTY CASH CONTROL DEFICIENCIES AT PROJECT'S CAMPS

CONDITIONS

During our visits to the Villa Tunari and Aiquile camps, we detected the following deficiencies in petty cash control:

- a) During the cash count in Villa Tunari, the person in charge of petty cash left the office telling the auditor that he would bring a missing receipt for Bs410, but on returning brought cash money for that amount. With this amount, the cash count totalled Bs3,490.70 with a difference of Bs9.30 in comparison with the authorized petty cash of Bs3,500.
- b) The petty cash count in Aiquile totalled Bs1,395.20 while the authorized petty cash amount was Bs1,500. The difference of Bs86.80 could not be explained by the person in charge.

CRITERIA

Petty cash funds should be properly controlled by the appointed person in charge. Moreover, delivery of funds should not be authorized without the correspondent receipt signed by the beneficiary.

CAUSE

Lack of proper petty cash controls at the camps, and individuals in charge of the funds are not made responsible for the management of these funds.

EFFECT

Controls over petty cash turnover at the camps are not reliable, thus enabling the unauthorized use of funds. The amounts involved are not material.

RECOMMENDATION

We recommend that PDAR establish proper petty cash controls to be followed by all the camps. These controls should include periodic unprogrammed visits from the main office for petty cash counts.

equ

7. DEFICIENCIES IN CONTROL OVER EXISTING FIXED ASSETS IN CAMPS

CONDITION

During our visit to PDAR's camps in Mizque and Aiquile, we noted that there were no auxiliary records on fixed assets detailing the assets existing in the camp.

CRITERIA

Proper controls must be kept on fixed assets.

CAUSE

Noncompliance with accounting-management procedures manuals on administration and control procedures.

EFFECT

Lack of a record on receipts and outlays of fixed assets prevents the exercise of an adequate control on the entity's assets and therefore any inadequate management of the assets would not be detected. Moreover, physical controls cannot be established to determine whether those are all the camp's assets, as there is no accounting basis to compare with.

RECOMMENDATION

We recommend that PDAR's camps implement an auxiliary record of their fixed assets, thus enabling them to control the accuracy and integrity of the recorded assets by comparing the auxiliary records with the results of the physical counts of the project's assets.

CAH

**AUDIT OF THE COCHABAMBA REGIONAL DEVELOPMENT PROJECT
USAID/BOLIVIA PROJECT Nº 511-0617
COMPONENT MANAGED BY THE
PROGRAM OF ALTERNATIVE REGIONAL DEVELOPMENT**

**REPORT ON COMPLIANCE WITH AGREEMENT TERMS AND APPLICABLE
LAWS AND REGULATIONS
FROM JANUARY 1 TO DECEMBER 31, 1992**

INDEPENDENT AUDITOR'S REPORT

We have audited the fund accountability statement of the Cochabamba Regional Development Project, USAID/Bolivia Project No. 511-0617, component managed by the Program of Alternative Regional Development (PDAR), for the year ended December 31, 1992, and have issued our report thereon dated April 15, 1993.

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 financial audit requirements of the Government Auditing Standards (1988 revision) 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.

Compliance with agreement terms and laws and regulations applicable to the Cochabamba Regional Development Project component managed by the Program of Alternative Regional Development is the responsibility of PDAR's management. As part of our audit, we performed tests of compliance with significant agreement terms and laws and regulations which may affect the project's goals and incurred costs. However, it should be noted that we performed those tests of compliance as part of obtaining reasonable assurance about whether the financial statements are free of material misstatement. Our objective was not to provide an opinion on compliance with such provisions.



The results of our tests of compliance indicate that with respect to items tested, PDAR complied, in all material respects, with the terms and provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that PDAR had not complied, in all material respects, with those terms and provisions.

We noted certain immaterial instances of noncompliance with agreement terms, and applicable laws and regulations that we have reported to the management of PDAR in a separate letter dated April 15, 1993.

This report is intended solely for the information of the management of the Program of Alternative Regional Development 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.

Coopers & Lybrand

La Paz, Bolivia
April 15, 1993

**AUDIT OF THE COCHABAMBA REGIONAL DEVELOPMENT PROJECT
USAID/BOLIVIA PROJECT No. 511-067
COMPONENT MANAGED BY THE
PROGRAM OF ALTERNATIVE REGIONAL DEVELOPMENT**

**LIST OF REPORT RECOMMENDATIONS
FROM JANUARY 1 TO DECEMBER 31, 1992**

A. INTERNAL CONTROL SYSTEM

1. DEFICIENCIES IN ACCOUNTING CONTROL OVER PURCHASE OF MATERIALS AND ITS RECORDING IN WAREHOUSES

We recommend that PDAR develop a program for training concerning inventory controls for all its employees in charge of the warehouses.

2. THERE IS NO WRITTEN EVIDENCE THAT RECONCILIATIONS WITH GOVERNMENT ORGANIZATIONS ARE PERFORMED

We recommend that PDAR conduct monthly reconciliations with the Government organizations supported by the project in order to keep up-to-date both its accounting records and the financial information derived therefrom.

3. NO BALANCES RECONCILIATIONS ARE DONE WITH FINANCIERS

We recommend that PDAR prepare monthly reconciliations with the different financiers of the project covering funds disbursed and discharged.

4. DELAY IN IMPLEMENTING ADMINISTRATIVE PROCEDURES MANUALS

We recommend that PDAR implement the administrative procedures manuals as soon as possible.

5. DEFICIENCIES IN TECHNICAL SUPERVISION OF SUBPROJECTS

We recommend that PDAR prepare timely quarterly technical reports to comply with the procedures manuals and the agreement with USAID, as well as to document that proper and timely technical controls are being exercised over the subprojects.

CH

6. PETTY CASH CONTROL DEFICIENCIES AT PROJECT'S CAMPS

We recommend that PDAR establish proper petty cash controls to be followed by all the camps. These controls should include periodic unprogrammed visits from the main office for petty cash counts.

7. DEFICIENCIES IN CONTROL OVER EXISTING FIXED ASSETS IN CAMPS

We recommend that PDAR's camps implement an auxiliary record of their fixed assets, thus enabling them to control the accuracy and integrity of the recorded assets by comparing the auxiliary records with the results of the physical counts of the project's assets.

CA

**AUDIT OF THE COCHABAMBA REGIONAL DEVELOPMENT PROJECT
USAID/BOLIVIA PROJECT No. 511-0617
COMPONENT MANAGED BY THE
PROGRAM OF ALTERNATIVE REGIONAL DEVELOPMENT**

FOLLOW UP OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

A. INTERNAL CONTROL SYSTEM

1. EXCESSIVE LIQUIDITY IN CHECKING BANK ACCOUNT BALANCES

CONDITION

We established that during entire CY 1991 high balances were held in checking accounts. Shown below are monthly average balances for the period September through November 1991.

	<u>MONTHLY AVERAGE OF DAILY BALANCES (US\$)</u>		
	<u>September</u>	<u>October</u>	<u>November</u>
A.I.D.	524,475	463,274	282,403
PL-480 E.S.	270,229	176,290	398,561
DIFEM	603,579	1,011,542	467,247
T.G.N.	6,083	8,417	9,949

The above situation resulted because PDAR requested and received excessive amounts of funds in advance and because certain entities receiving funds from PDAR did not comply timely with support documentation requirements for their reimbursement requests.

RECOMMENDATION

When the delays are continual and for substantial amounts, those responsible for the financed projects should be requested to refund the amounts disbursed to the project. These amounts together with those allotted to slow-moving projects should be reprogrammed to other projects within the same financing objective.

Request from the responsible authorities that permission be given to deposit excess funds to value-maintaining bank accounts, to prevent purchasing power loss, since PDAR's policy is not geared to profit making but only to prevent diminishing its financing capacity.

CR

**1. EXCESSIVE LIQUIDITY IN CHECKING BANK ACCOUNT BALANCE
(Cont.)**

STATUS

As a result of our recommendations, in December 1992, PDAR obtained authorization from USAID and the PL-480 Executive Secretariat to open dollar value maintenance current accounts. However, there is still pending the corresponding authorization of DIFEM.

2. UNTIMELY ACCOUNTING OF FUNDS TO PDAR BY SOME NGOs AND GOs

CONDITION

We established that there are considerable delays in accounting of funds to PDAR by the following NGOs and GOs:

<u>NGOs and GOs</u>	<u>Period Accounted for:</u>	<u>US\$</u>	<u>Submission Date</u>
RVT-Dif. and Org. Rad.	7-31/8-31	830	12-16-91
SENARB-animal disease Diagnosis and Control	5-15/7-31	10,551	12-16-91
RE-Part.Com.Des.Forest.	1-1 /7-31	16,013	12-21-91
IBSE-BIOMA Ap.Ing.Med.Amb.	1-1 /6-30	24,924	12-31-91
ASONG-Fom.Per.Com.Sal.	1-1 /6-30	33,369	12-09-91
CARE - BOLIVIA - Irrigation System Implementation	11-91/6-91	27,538	12-18-91

RECOMMENDATION

We recommend that PDAR request the above NGOs and GOs to submit statements accounting for funds received, in a timely manner. Should the NGOs and GOs continue to have problems in timely submissions, they should be requested to report in writing on the situations causing this weakness. In addition, to comply with the terms of the Letters of Understanding, letters should be written advising the organizations, that if statements accounting for the funds are not submitted in an established period, the organizations will be requested to refund the amounts received.

CRV

2. UNTIMELY ACCOUNTING OF FUNDS TO PDAR BY SOME NGOS AND GOS (Cont.)

For this year 1992 and the CORDEP project, funding to NGOs and GOS is made directly by Planning Assistance without the participation of PDAR. Nevertheless, NGOs and GOS are still finding it difficult to comply with such requirement.

3. THE BALANCES BETWEEN IBTA AND SNC ARE NOT RECONCILED PERIODICALLY

CONDITION

We verified that PDAR does not make periodic reconciliations of its balances with IBTA and SNC concerning (a) the funds transferred by PDAR and (b) charges related to expenses PDAR makes on behalf of IBTA and SNC.

RECOMMENDATION

We recommend that such reconciliations be made monthly or quarterly in order to strengthen integrality and accuracy controls over these balances and in addition the financing institution should report to IBTA and/or SNC the amount and date of the transfers of funds they were to receive through PDAR's bank account.

STATUS

So far, no action has been taken.

4. HARDWARE PURCHASED NOT INTEGRATED INTO COMPUTER NETWORK

CONDITION

We determined that the entity purchased computers in August 1991 but did not integrate them into the network and that they are only being used as specific software (Lotus 1-2-3, Word Processing, etc.).

CH

**4. HARDWARE PURCHASED NOT INTEGRATED INTO COMPUTER NETWORK
(Cont.)**

RECOMMENDATION

With a view to make the best possible use of the entity's computer network, we recommend a detailed analysis of the current information needs be conducted, taking into account at least the following areas:

- Nature of the information required and frequency thereof.
- Volume of the information currently being issued as well as the volume foreseen for the future.
- Identification of the users of each type of information.
- Database interrelation with the other entities participating in the Chapare Regional Development Project.

In addition, access regulations should be issued to ensure control over changes made in permanent and transitory files as well as for file consultation (i.e.: issuance of individual access passwords for the different databases).

STATUS

During the period of 1992 the project didn't implement the network's software.

5. PROCEDURES MANUAL NOT UPDATED

CONDITION

The procedures manual in use is not updated and therefore, fails to address the entity's current operational needs.

RECOMMENDATION

PDAR should update its procedures manual at least once a year based on the current operational needs of the entity.

ch

5. PROCEDURES MANUAL NOT UPDATED (Cont.)

STATUS

At the date of our visit the procedures manuals had been updated, but PDAR had not yet implemented them because they were received in November, 1992.

B. COMPLIANCE WITH AGREEMENT TERMS AND APPLICABLE LAWS AND REGULATIONS

1. IMPORTANT ASPECTS CONCERNING TAX SITUATIONS AND SOCIAL SECURITY CONTRIBUTIONS SHOULD BE CORRECTED

CONDITION

During the course of our review we noted the following:

- a) The entity does not make the required contributions to the National Housing Fund, nor does it withhold the corresponding amounts from employees or accrue employer contributions.

We determined that the effect of the above omission approximates the following amounts:

	Withholding from Employees <u>Bs</u>	Employer Contribution <u>Bs</u>	Total <u>Bs</u>
Contributions at current values	12,959	144,282	157,241
Interest	1,613	18,728	20,341
Delinquency fine	<u>161</u>	<u>1,873</u>	<u>2,034</u>
	<u>14,733</u>	<u>164,883</u>	<u>179,616</u>

- b) Because of the nature of the project, PDAR is exempt from corporate profit tax payments; however a formal exemption should be obtained from the Internal Taxation Directorate.

RECOMMENDATION

We recommend that the above points be resolved in order to avoid potential loss arising from fines and financial charges.

cl

1. IMPORTANT ASPECTS CONCERNING TAX SITUATIONS AND SOCIAL SECURITY CONTRIBUTIONS SHOULD BE CORRECTED (Cont.)

STATUS

- a) During 1992 and under the new CORDEP project, PDAR made the required payments but the contingency for payments not made during the life of the Chapare Regional Development Project still exists.
- b) So far, no action has been taken.

2. LABOR AREAS REQUIRING IMPROVEMENT

CONDITION

During our review we noted the following weaknesses in this area:

- a) Fixed term personal service contracts (PSCs) are renewed on a yearly basis which is in violation of Art. 2 of Government Decree 16189 which prohibits more than two continuous PSCs renewals.
- b) Termination of Engineer Gastón Miranda without the entity having issued the required 90 day notice or pay 90 days salary, as established by Art. 12 of the General Labor Law.
- c) The entity's personal service contracts are not signed by the Ministry of Labor as required by Art. 22 of the General Labor Law.

RECOMMENDATION

We recommend that strict compliance be given to each of the above labor law regulations.

STATUS

So far, no action has been taken.

eh

AUDIT OF THE COCHABAMBA REGIONAL DEVELOPMENT PROJECT
USAID/BOLIVIA PROJECT No. 511-0617
COMPONENT MANAGED BY THE
PROGRAM OF ALTERNATIVE REGIONAL DEVELOPMENT
FROM JANUARY 1 TO DECEMBER 31, 1992

ANNEX 2: MANAGEMENT COMMENTS

1. PAGOS EFECTUADOS POR CONCEPTOS NO PRESUPUESTADOS, SIN APROBACION PREVIA DEL FINANCIADOR: (CARTA ADMINISTRATIVA)

El pago de beneficios sociales efectuado a José Décker fueron realizados porque conforme a ley corresponde hacerlo en casos de retiro forzoso. Por otra parte resulta difícil hacer una estimación de este tipo de pagos porque como se puede demostrar en nuestros registros es de carácter excepcional; asimismo esta pago tiene plazo perentorio de acuerdo a ley.

En esta oportunidad, por la explicación anterior, solicitamos se de por aceptada esta observación, ya que estos beneficios sociales son cancelados contra la provisión de beneficios sociales que es aprobado anualmente por USAID/Bolivia y SUBDESAL.

2. INCREMENTO DE SUELDOS SUPERIORES AL PORCENTAJE ESTABLECIDO (CARTA ADMINISTRATIVA)

La Administración de salarios prácticamente es manejada por SUBDESAL y USAID/Bolivia, debido a que con carácter anual esas Oficinas autorizan una escala salarial a la cuál se da estricto cumplimiento.

A empleados nuevos se les asigna inicialmente un salario inferior al autorizado en la mencionada escala salarial hasta el cumplimiento de un año de trabajo, oportunidad en que se le nivela el monto correspondiente, acorde con la condición profesional o antigüedad del funcionario, en ningún caso este importe fue superior al aprobado en esa escala salarial, lo que significa que se ha respetado las cifras aprobadas por SUBDESAL y USAID/Bolivia; sin embargo, es evidente de que debiera existir normas para proceder a estas nivelaciones, las que serán implementadas en la presente gestión.

3. DEFICIENCIAS DE CONTROL DE CAJA EN LOS CAMPAMENTOS DEL PROYECTO (OBSERVACION N° 6 - CONTROL INTERNO)

Como es de conocimiento de Auditores de Coopers realizamos algunas visitas sorpresivas a fin de verificar el correcto uso de fondos de Caja Chica y de acuerdo a informes de nuestros responsables en esas oportunidades, no existían observaciones;

sin embargo el comentario que recibimos de ustedes nos obliga a efectuar con mas frecuencia nuestras visitas y ratificar a responsables el cumplimiento a normas escritas que hicimos conocer oportunamente para el manejo de estos fondos.

4. DEFICIENCIAS EN EL CONTROL CONTABLE SOBRE COMPRA DE MATERIALES Y SU REGISTRO EN ALMACENES (OBSERVACION N° 1.- CONTROL INTERNO)

En nuestros Almacenes mantenemos un control adecuado de ingresos y salida de materiales, estas existencias son verificadas por lo menos dos veces al año por el personal de Contabilidad.

En la Central evidentemente no se lleva kardex valorado de existencias; sin embargo este control se lo hace a través de una planilla computarizada.

Los Manuales de Procedimientos serán implementados en el tiempo más breve posible para mejorar el control sobre la compra de materiales.

5. GASTOS EFECTUADOS SIN EVIDENCIAS DE DOCUMENTACION DE RESPALDO (CARTA ADMINISTRATIVA - FONDOS DIFEM)

En este punto creemos que hay exageración en los términos utilizados ya que se habla de falta de adecuado control sobre la documentación procesada al haberse detectado que falta sólo un Comprobante de Egreso (Nº 486).

Como se ha explicado oportunamente a ustedes, toda la documentación completa fue enviada a La Paz para su revisión y aprobación de descargos.

Lamentablemente, cuando solicitamos la devolución de esta documentación, la Oficina de DIFEM se quedó con este Comprobante (no nos toca explicar si por entrepapelado o confusión); sin embargo a la fecha, este Comprobante de Egreso que no fue revisado por ustedes, se encuentra en nuestros archivos. La oportunidad es propicia para sugerir que la revisión de nuestra documentación debería ser en esta Oficina y no enviar a La Paz u otro lugar.

6. FALTA DE DOCUMENTACION DE RESPALDO POR ENTREGA DE DONACIONES A COMUNARIOS (CARTA ADMINISTRATIVA)

Admitimos que la documentación de respaldo por materiales que entregamos a comunarios a través del IBTA/Chapare no se

encontraban en su totalidad archivadas en nuestra Oficina, pero como también saben ustedes hemos solicitado a funcionarios del IBTA/Chapare poner al día la remisión de la documentación firmada por los beneficiarios, a la fecha prácticamente ya tenemos al día toda esta información.

2

7. NO SE EFECTUAN CONCILIACIONES PERIODICAS CON OG's (OBSERVACION N° 2 - CONTROL INTERNO)

Hemos explicado que al procesar un descargo de las OG's verificamos que toda la información solicitada esté contenida en el legajo exigido, lo que nos permite asegurar que las Entidades Ejecutoras presentan documentos confiables. Sin embargo a solicitud de ustedes y a partir de la fecha, nuestra Encargada de la revisión efectuará conciliaciones adicionales planteadas en este punto.

8. NO SE EFECTUAN CONCILIACIONES DE SALDOS CON FINANCIADORES (OBSERVACION N° 3 - CONTROL INTERNO)

Tomaremos debida nota de la recomendación en sentido de efectuar conciliaciones mensuales con las Entidades Financiadoras.

9. DEFICIENCIAS DE CONTROL DE EXISTENCIAS EN CAMPAMENTOS (OBSERVACION N° 7 - CONTROL INTERNO)

Mantenemos control sobre activos fijos ya que disponemos de tarjetas en la Oficina Central y listados en nuestras oficinas de campo; sin embargo para optimizar el control de activos estamos instruyendo seguir fielmente los procedimientos respectivos.

10. RETRASOS EN DESEMBOLSOS A SUBPROYECTOS (CARTA ADMINISTRATIVA FONDOS DIFEM)

En nuestro criterio el manejo de los fondos que efectúa el PDAR es el mas adecuado, si bien es cierto que las entregas de esos fondos a Entidades Ejecutoras es después de 6, 7, 11 ó 12 días, se debe a que esas Oficinas tienen fondos disponibles en Banco en unos casos o anticipos que les entregamos en otros, de modo que siempre existe liquidez; pero en ningún caso

existen perjuicios económicos y operativos para esas OG's ni tampoco existe riesgo que los Subproyectos tengan posibles suspensiones.

**11. DEMORA EN LA IMPLEMENTACION DE MANUALES DE PROCEDIMIENTOS
(OBSERVACION N° 4 -- CONTROL INTERNO)**

Los Manuales de Procedimientos conforme ustedes han podido verificar, algunos están en marcha; sin embargo nuestro propósito es, a fin de fortalecer los procedimientos administrativos, poner en práctica en su totalidad los procedimientos en cuestión, a la brevedad posible.

**12. DEFICIENCIAS EN LA SUPERVISION TECNICA DE LOS SUBPROYECTOS
(OBSERVACION N° 7 - CONTROL INTERNO)**

Nuestra Gerencia Técnica no está de acuerdo con los comentarios incluidos en este punto, ya que los Informes Técnicos elaborados por los responsables de las Entidades Ejecutoras se encuentran en nuestros archivos, los mismos que fueron revisados y evaluados en su oportunidad.

Asimismo, la Unidad Técnica tiene un sistema de seguimiento donde se consigna el avance físico y técnico de cada uno de los Subproyectos, ésta última información tiene carácter mensual. Esto significa que damos cumplimiento a las normas establecidas para el efecto.

APPENDIX I

REPORT DISTRIBUTION

U.S. Ambassador to Bolivia	1
USAID/Bolivia	5
AA/LAC	1
LAC/SAM	1
LPA/XA/PR	1
LPA/LEG/CL	1
GC	1
AA/M	1
M/FA/FM	1
PPC/POL/CDIE/DI	1
M/FA/MC	1
IG	1
AIG/A	1
AIG/I&S	1
D/AIG/A	1
IG/A/SPEC RPTS	2
IG/LC	1
IG/RM/GS	5
IG/A/PSA	1
IG/A/FA	1
RIG/A/Eur/W	1
RIG/A/Bonn	1
RIG/A/Cairo	1
RIG/A/Dakar	1
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