

PD-ABS-478

Isn 90682

**REVIEW OF THE COMMODITY  
MANAGEMENT SYSTEM OF THE  
ROADS AND HIGHWAYS NATIONAL  
DIRECTORATE (DGC)**

**Public Services Improvement Project (PSIP)  
Project No. 519-0320-I-00-1067-00  
Delivery Order No. 10**

**Final Report  
April 29, 1994**

**FINAL REPORT**

**REVIEW OF THE COMMODITY MANAGEMENT SYSTEM  
OF THE ROADS AND HIGHWAYS NATIONAL DIRECTORATE (DGC)**

**PUBLIC SERVICES IMPROVEMENT PROJECT (PSIP)  
PROJECT No. 519-0320**

**ENGLISH/APRIL 29, 1994**

**Prepared for:  
U.S. Agency for International Development  
Mission to El Salvador  
Office of the Controller**

**Prepared by:  
Price Waterhouse**

**Performed under:  
Contract No. 519-0349-I-00-1067-00  
Delivery Order No. 10**

*Price Waterhouse*



April 29, 1994

Armand Lanier  
Audit Management Officer  
Office of the Controller  
U.S. Agency for International Development  
Mission to El Salvador  
San Salvador, El Salvador

Dear Mr. Lanier:

Attached please find the Price Waterhouse final report on the Review of the Commodity Management System of the Roads and Highways National Directorate (DGC), for the Public Services Improvement Project (PSIP) (519-0320).

This review was performed in accordance with the Statement of Work Contract No. 519-0320-I-00-1-67-00, Delivery Order No. 10.

We would like to extend our appreciation to your office for the support provided during the performance of this engagement. Should you wish to contact us, please feel free to call Mr. Oscar Cordon in (503) 790 - 745, or Ms. Bettina Garcia Welsh at (202) 861 - 6263.

Sincerely yours,

*Bettina Garcia - Welsh for O.C.*

Oscar Cordon  
Price Waterhouse

**REVIEW OF THE COMMODITY MANAGEMENT SYSTEM  
OF THE ROADS AND HIGHWAYS NATIONAL DIRECTORATE (DGC)**

**PUBLIC SERVICES IMPROVEMENT PROJECT (PSIP)  
PROJECT NO. 519-0320**

**TABLE OF CONTENTS**

	<u>PAGE</u>
I. Introduction and Summary	1 - 8
A. Program Background	
B. DGC Participation	
C. Objectives, Scope and Methodology	
D. Summary of Review Results	
E. DGC Management Comments	
F. Conclusions on the DGC Commodity Management System	
II. Commodity Management System Internal Control Structure	9 - 21
A. Independent Consultant's Report on the Internal Control Structure	
B. Findings and Recommendations	
III. Commodity Management System Compliance with Agreement Terms and Applicable Laws and Regulations	22 - 23
A. Independent Consultant's Report on Compliance with Agreement Terms and Applicable Laws and Regulations	
IV. Status of Prior Review Recommendations for the Commodity Management System	24 - 27

**APPENDICES**

I	- Description of Commodity Management System	A - 1
II	- List of Warehouses Visited	A - 5
III	- List of Persons Interviewed	A - 6
IV	- List of Documents Reviewed and Referenced	A - 8
V	- DGC Management Comments	A - 9

**REVIEW OF THE COMMODITY MANAGEMENT SYSTEM  
OF THE ROADS AND HIGHWAYS NATIONAL DIRECTORATE (DGC)**

**PUBLIC SERVICES IMPROVEMENT PROJECT (PSIP)  
PROJECT NO. 519-0320**

**I. Introduction**

**A. Program Background**

On August 30, 1989, AID signed the Public Services Improvement Project No. 519-0320 with the Government of El Salvador's (GOES) Ministry of Planning and Coordination for Social and Economic Development (MIPLAN). The general purpose of the Project is to support the restoration of services interrupted and facilities damaged or destroyed as a result of the insurgent activity or natural disaster in El Salvador. The original amount of the Project was for US\$ 75 Million in grant funds including US\$28,900,000 for commodities to be purchased using host country procurement and fixed price contracting by Louis Berger International, Inc. (LBII). The agreement is effective for a period of five years, ending September 30, 1994.

The grant agreement established that the GOES would provide \$60 Million in counterpart contribution including ESF and PL-480 Title I generated local currency.

USAID's Major Infrastructure Division supervises the activities of the PSIP program. On behalf of the GOES, eight entities are in charge of implementing project activities, which includes MIPLAN and the Secretaria Tecnica del Financiamiento Externo (SETEFE) as administrative entities and the following six executing entities:

- Machinery and Equipment Administration (AME)
- National Administration of Aqueducts and Sewage (ANDA)
- Lempa River Hydroelectric Executive Commission (CEL)
- Autonomous Ports Executive Commission (CEPA)
- Roads and Highways National Directorate (DGC)
- El Salvador National Railways (FENADESAL)

The three specific purposes of the project are to:

- Restore and preserve vital public services provided by the infrastructure agencies
- Improve and sustain access of rural populations to markets

- Increase access to potable water supply for rural populations, and increase the proper utilization of water and sanitation systems.

The project has four components each designed to achieve the purposes stated above, as follows:

- Component I: Public Services Restoration
- Component II: Secondary, Tertiary, and Lower Class Rural Road Deferred Maintenance and Repair
- Component III: Potable Water Supply, Sanitation, and Health
- Component IV: Institution Strengthening Technical Assistance, Project Support, and Monitoring and Evaluation
- Component V: Post War Maintenance, Repair, and Reconstruction

## **B. DGC's Participation**

The Roads and Highways National Directorate (DGC) is a branch of the Ministry of Public Works, created by the Executive Decree in August 30, 1916 with the objective to build good communication for El Salvador's industrial and agricultural commercial traffic. Their objectives are to elaborate, administrate and execute projects to satisfy the expansion needs, improvements, restoration and maintenance for the network of existing highways and roads, finally to contribute economic and social development plans to the country; which has received funds originating from loans PL-480/88,89,90,91; grant ESF/89 and 91.

Under components I and II of project No. 519-0320, Public Services Improvement Project, USAID financed commodities inputs to the DGC include light equipment, field machinery, construction materials, and office equipment.

A brief description of the objectives and nature of the projects executed by the Roads and Highways National Directorate (DGC), with funds from the Extraordinary Funds for Economic Stimulation (PERE), channeled through the SETEFE, follow:

1. Rehabilitation of the Tecia-Comasagua Street

2. Improvement of Public Services LD (San salvador - La Paz) San Miguel Tepezontes - San Emigdio.
3. Counterpart A.I.D. 519-0320, public services improvement project intersection of rain route militar Amoros - Nueva Esparta
4. Counterpart A.I.D. 519-0320, public services improvement project, component II. Diferido maintenance and repair of secondary highways, terciarias and rural roads.
5. Chalatenango/88 phase III improvement of rural roads
6. Highway Tacuba Highway
7. Access to Franca El Pedregal Zone
8. Collection of rainwater Zone Franca, La Libertad
9. Access to Zone Franca Industrial Park El Progreso, La Libertad
10. Illuminations Systems Operations and maintenance of protection of bridges Works, Component I, Year 1991/92.
11. Maintenance diferado and repair of secondary roads, terciarias and rural roads.

### **C. Objectives, Scope and Methodology**

#### **1. Objectives of Commodity Management System Review**

The objective of the commodity management system review is to report on whether DGC's system in place is adequate and reliable to properly account for all commodity transactions such that the Controller's Office at USAID/El Salvador can issue a certification of the system. The specific objectives of this review were to:

- Obtain an understanding of DGC's commodity management system and assess the control risk.
- Perform tests of the systems and other procedures related to commodities purchasing, customs clearance, receiving and inspection, claims, warehousing, transfers, issuance

accounting records, reporting, non-expendable property management, and end-use verification to determine whether 1) the actual procedures performed are the same as prescribed, and 2) the organization is complying with agreement terms and conditions.

- Complete the "Basic Standards for Evaluating Entity's Commodity Management System" checklist.
- Determine whether DGC has undergone previous commodity management system studies and whether it has taken adequate corrective actions on prior audit report recommendations related to commodities.

Our objective was not to audit, examine, and render an opinion on DGC's financial statements.

## 2. Scope of Commodity Management System Review

The review of DGC's Commodity Management System was performed in accordance with generally accepted auditing standards, the U.S. Comptroller General's "Government Auditing Standards" (Yellow Book, 1988 Revision), and the USAID/EL Salvador "Basic Standards for Evaluating Entity's Commodity Management System".

The scope of this review included the books and records, policies and procedures, organizational structure, and personnel and facilities of DGC's implementing units.

## 3. Methodology of Commodity Management System Review

The review procedures performed were designed to achieve the stated objectives, through reading the relevant documents, performing selective tests, conducting interviews, and conducting physical observations.

We reviewed the Project Paper, the Grant Agreement including all amendments, the contract between USAID/El Salvador and Louis Berger International, Inc., all Project Implementation Letters (PILs), the annual plans, budgets, action and procurement plans, applicable OMB Circulars, AID Handbooks (1B, 3, 11, 14, and 15), SETEFE Guide 1262, periodic project reports, all prior reviews of DGC's commodity management system, and DGC's purchasing, receiving and inspection, warehousing and issuance, and general operations policies and procedures. Based upon these documents, we identified the agreement terms and applicable laws and regulations where noncompliance could have a material effect.

We secured an understanding of the design and operation of DGC's commodity management system and its internal control structure through the review of DGC manuals and interviews with USAID/El Salvador and DGC personnel. To confirm our understanding of the design of the system and its operating procedures, we performed "walk-throughs" of transactions. Based upon the established policies and procedures, we assessed control risk.

In order to confirm that actual practices are in conformity with the prescribed procedures, we selectively tested transactions at DGC project offices, USAID/El Salvador, and the warehouses visited. (See Appendix I for a list of the warehouses physically inspected.)

The findings and recommendations of prior reviews of the DGC's commodity management system were discussed with both USAID/El Salvador and DGC to ascertain if these prior findings had been resolved and the recommendations addressed. DGC's comments to our draft report are included in Appendix VII.

#### **D. Summary of Review Results**

The findings and recommendations of the DGC commodity management system review are presented in three substantive areas: Internal Control Structure, Compliance with Agreement Terms and Applicable Laws and Regulations, and Status of Prior Review Recommendations. The detailed findings are presented in the corresponding sections of this report, and are summarized below.

Some of our findings can be classified into more than one area of the report. For example, deficiencies in the warehousing of commodities can represent a weakness in the internal control structure and at the same time could represent a lack of compliance with USAID Agreement Terms. We have made reference to the finding when it appears in a previous section of the report. In other cases, we have repeated the finding when, in our judgement, a clearer presentation of the finding and recommendations is warranted.

##### **1. Commodity Management System Internal Control Structure**

The review of the Commodity Management System internal control structure revealed reportable conditions that impact DGC's capability to adequately manage project commodities. These reportable conditions relate to deficiencies in procedures manuals, warehousing organization and operations, accounting records, and information systems. The reportable conditions listed below are discussed in detail in Section II.B of this report.:

- DGC procedures manuals do not include all activities related to the inventory management system.
- DGC procedures to perform physical inventories and reconcile amounts of inventories with the accounting records needs improvement.
- The present segregation of duties established by DGC does not provide maximum control over DGC inventories.
- The internal audit function for commodities of the DGC should be improved.
- The DGC has not purchased risk insurance to cover the articles in the warehouse and the fixed assets of the institution.
- DGC control over "kardex" (inventory) cards is not adequate.
- DGC has not implemented adequate procedures for the procurement of goods, based on warehouse inventory levels.
- Equipment donated and financed by USAID did not always have a USAID emblem.
- DGC maintains obsolete inventory that has not yet been removed from the warehouse.

## 2. Commodity Management System Compliance with Agreement Terms and Applicable Laws and Regulations

DGC's commodity management system is affected by the lack of compliance with certain agreement terms and applicable laws and regulations. The noncompliant decisions relate to deficiencies in administrative procedures, warehouse operations, insurance, receipt of commodities, training and development of personnel and information systems as noted above. In some cases we have repeated a finding from a previous section because the finding affects the internal control structure and at the same time represents an instance of noncompliance. In section II.B. of this report, we discuss in greater detail the reportable conditions identified and summarized below:

- DGC procedures manuals do not include all activities related to the inventory management system.

- DGC procedures to perform physical inventories and reconcile amounts of inventories with the accounting records needs improvement.
- The DGC has not purchased risk insurance to cover for the articles in the warehouse and the fixed assets of the institution.
- Equipment donated and financed by USAID did not always have a USAID emblem.
- DGC maintains obsolete commodities that have not been discharged from the warehouse.

**3. Status of Review Prior Recommendations for the Commodity Management System**

This section of the report presents recommendations made by prior auditors or consultants, that in our judgement have not been fully implemented or have not been executed in a consistent manner, and that affect the management of the entity in relation to the project. Section IV of this report discusses in detail those recommendations that we believe remain to be implemented by DGC.

**E. DGC Management Comments**

On March 8, 1994 we held an exit conference with representatives of USAID/El Salvador and DGC. During the meeting, we provided additional explanations relating to findings No. 1 through 3, with which the DGC was not in agreement. These included the inadequacy of procedures manuals related to inventory, the lack of adequate supervision over physical inventory counts and the lack of adequate segregation of duties (control over inventories is empowered in the warehouseman or in other employees who report to him). The comments received from the DGC regarding the draft report are presented as Appendix V.

**F. Conclusions on DGC Commodity Management System**

We have identified several significant reportable conditions in DGC's Commodity Management System internal control structure, non-compliance with agreement terms, and applicable laws and regulations, as well as a number of prior reviews' recommendations which have not been implemented, that indicate the DGC's existing commodity management system does not yet have the administrative tools and controls necessary to permit adequate

management of Project commodities from the "Public Services Strengthening Project", USAID/El Salvador No. 519-0320 project.

Therefore, the Office of the Controller may be able to award provisional certification to the DGC commodity management system once DGC, with supervision from USAID/El Salvador's Major Infrastructure Division, has written confirmation of specific action plan and has made significant progress in resolving the reportable conditions.

## II. Internal Control Structure

### A. Independent Consultant's Report on the Internal Control Structure

We conducted a review of the Roads and Highways National Directorate (DGC) commodity management system that we considered relevant to the criteria established by USAID, as set forth in the grant agreement for the Public Services Improvement Project (PSIP), USAID/El Salvador Project No. 519-0320, and in our statement of work effective November 8, 1993. Our review included tests of compliance with such procedures. Our review did not constitute an audit of any financial statements prepared by DGC.

We conducted our tests in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the tests to obtain reasonable assurance about the internal control structure of the Commodity Management System, and therefore, in planning and performing our tests of DGC's Commodity Management System for the PSIP Project, we considered its internal control structure.

The management of DGC is responsible for establishing and maintaining an internal control structure. 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's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For purposes of this report, we have classified the significant internal control structure policies and procedures into the following categories: 1) planning and procurement of commodities, 2) receipt, customs clearance, and inspection of commodities, 3) warehouse records and controls, 4) physical safeguards, and 5) distribution of commodities to end users.

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

We noted 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 judgement, could adversely affect the DGC's ability to record, process, summarize, and report financial data consistent with the assertions of management.

The following are the reportable conditions observed in our review according to this criteria:

- DGC procedures manuals do not include all activities related to the inventory management system.
- DGC procedures to perform physical inventories and reconcile amounts of inventories with the accounting records needs improvement.
- The present segregation of duties established by DGC does not provide maximum control over DGC inventories.
- The internal audit function for commodities of the DGC should be improved.
- The DGC has not purchased risk insurance to cover for the articles in the warehouse and the fixed assets of the institution.
- DGC control over "kardex" (inventory) cards is not adequate.
- DGC has not implemented adequate procedures for the procurement of goods, based on warehouse inventory levels.
- Equipment donated and financed by USAID did not always have a USAID emblem.
- DGC maintains obsolete inventory that has not yet been removed from the warehouse.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial

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

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. We believe, however, that the reportable conditions our review identified are deemed to be material weaknesses.

This report is intended solely for the use of DGC and the U.S. Agency for International Development.

*Price Waterhouse*

January 14, 1994  
San Salvador

## II. Internal Control Structure

### B. Findings and Recommendations

- *Material Weaknesses*

1. *DGC procedures manuals do not include all activities related to the inventory management system.*

Condition:

The procedures manuals for DGC do not include all the activities related to the inventory administrative system, such as: customs clearance, claims, physical inventory, warehouse operations, transfers, report presentation, administration of fixed assets and verification of end-use.

Criteria:

The following documents that govern the execution of the project establish the need for reliance on policies and procedures manuals:

- OMB Circular A-123 section 5(d), Internal Control System, a strong internal control environment should have sufficient documentation on the system and should include policies and procedures manuals, organization charts, flow charts, and all the related documentation necessary to describe the entities' organizational structure, operating procedures and administrative practices. It should also include operating administrative and procedures that communicate responsibilities and levels of authority among personnel. In order to comply with programs and objectives established by the entities to assist in training new personnel.
- AID regulations (MOM, Control Over Receipt and End-Use of Program and Project Commodities) require grantees to maintain adequate documentation to demonstrate the maintenance of all equipment and merchandise that are financed by AID.
- Appendix I, Detailed Description of the Project, Sec. A.3.b, Component II, specifies that the management unit of the MOP shall prepare policies and

procedures manuals for accounting, personnel, management information systems, contracts, and procurement.

**Cause:**

The Organization and Methods unit of the DGC, which was responsible for maintaining the administrative procedures manual, was eliminated, and this responsibility was not assigned to another unit.

**Effect:**

The lack of adequately documented executed administrative policies and procedures may result in the activities of the institution being developed based on the criteria and experience of the people who occupy each post at a given time. As a result of the lack of standardization or establishment of specific controls, errors and irregularities may occur without being detected in a timely manner.

**Recommendation:**

Senior management of DGC should be involved in the definition, design, documentation and implementation of all administrative policies and procedures necessary to maintain a strong internal control environment with respect to inventory, administration and assigning responsibility for full compliance of the project to the Project Management.

2. *DGC procedures to perform physical inventories and reconcile amounts of inventories with the accounting records needs improvement.*

**Condition:**

Deficiencies in the control over commodities exist in that they do not ensure that periodic inventories are taken and commodities are used in accordance with the provisions of the grant agreement, among them:

- Adequate procedures for the counting of physical inventories are lacking.
- There are articles in the warehouse not recorded on the Kardex inventory records (Originated in ORE).

**Criteria:**

A strong internal control environment requires a physical inventory to be taken at least once per year, along with a reconciliation and adjustment of the accounting records according to the results of the physical inventory.

OMB Circular A-110, article N, requires in addition to the annual physical inventory of materials, the reconciliation and investigation of differences identified.

**Cause:**

We believe that the situation was caused by the lack of an adequate manual that enumerates and describes the policies and procedures relating to the control over the administration of commodities.

**Effect:**

The lack of a complete physical inventory and reconciliation of the results with the accounting records increases the risk of loss through errors or deterioration of the inventory.

**Recommendation:**

A physical inventory should be performed, after a reliable list has been established that includes the articles in the warehouse and commodities financed by USAID. Also policies and procedures should be established to maintain adequate control in the future. A follow up should be performed of the differences resulting from the comparison of the physical inventories against the records of purchases.

- 3. The present segregation of duties established by DGC does not provide maximum control over DGC inventories.***

**Condition:**

In the regional offices of the DGC, (residencies), responsibility for the custody of all commodities is empowered in the warehouseman, who is also in charge of performing periodic physical inventories and updating of the kardex (inventory cards), which are functions that are incompatible for the safekeeping of commodities.

**Criteria:**

An strong system of internal control over inventories includes the segregation of the duties for the custodianship and record keeping functions so that no one person is in complete control of a commodity management transaction (eg., receiving, issuing, recording, and reporting). Technical Internal Control Standard No. 4 regarding fixed assets as defined in Legislative Decree 120 establishes that: "Responsibility for performing a periodic physical inventory of fixed assets should be delegated to an employee who is not responsible for their custody or the accounting records."

**Cause:**

DGC's management has traditionally maintained the practice of assigning the responsibility for commodities without considering the inherent risk of the lack of segregation of duties.

**Effect:**

The lack of an adequate segregation of duties increases the risk of inventory losses as a result of omissions or errors in the accounting records, physical inventories, and reconciliations. Also, since physical inventories refer to balances in the kardex cards and not to the actual physical inventory of commodities, the inventory reports are not reliable if mistakes are not detected.

**Recommendation:**

The administration of the DGC should consider the assignment of the following functions to the following persons:

- Custody of inventories and the warehouse to the warehouseman
- Physical inventory to internal auditing
- Maintenance of the kardex to a warehouse representative

Warehouse personnel can participate in the physical inventory as part of the inventory team but under the supervision of Internal Audit.

Performing their functions with the same persistence relative to control and the use of commodities; for example:

- Utilize more adequate procedures with respect to the performance of physical inventories of fixed assets and articles in the warehouses.
- Possibly execute physical inventories over fixed assets in use, assuring that a reliable list is prepared covering what is assigned to each person and/or the pertaining organizational unit.
- Present to management the recommendations necessary to improve the commodities control systems.

**Criteria:**

Internal Audit is a management tool used for ensuring that internal controls are in place, therefore, Internal Audit should include among its functions both financial and operations audits, physical inventories, and coordination with external auditors.

**Cause:**

The Internal Audit Department has not clearly established their priorities regarding the safeguarding of assets, not relying on or applying the appropriate procedures to obtain sufficient and competent evidence over these areas.

**Effect:**

Errors or irregularities may occur without being detected in a timely manner. Management does not rely on general supervisory controls that ensure that operations are properly executed. As it stands, the safeguarding of assets is dependent upon the trust of the employees within the organization and not dependent upon internal controls that have been implemented.

**Recommendations:**

We recommend that DGC management establish an Audit Committee consisting of senior level employees who will determine the priorities of the Internal Audit Department, as their work plan is developed.

We recommend that the Internal Audit Department define the specific work programs, which should be prepared as a function of the condition of the administrative systems that are used by DGC, that will allow the identification of the weaknesses in the accounting records and

related controls. The work program also should take into account the competence of the auditors to achieve and strengthen their functions.

5. ***The DGC has not purchased risk insurance to cover the articles in the warehouse and the fixed assets of the institution.***

**Condition:**

The DGC does not have insurance to protect themselves against losses relating to the articles in the warehouse and the fixed assets of the institution.

**Criteria:**

Proper control over inventories includes adequate insurance coverage that will safeguard assets against losses due to fire and other catastrophes. The general stipulations of the Agreement, Section C.7 (b), Insurance, require that the grantee insure the assets financed under the grant against risks from the moment of their receipt until they are no longer utilized.

**Cause:**

Currently, only insurance policies for transportation vehicles are acquired. In some cases DGC has encountered difficulties in obtaining insurance for heavy equipment from the insurance companies.

**Effect:**

The DGC may have to cover the cost of damaged or lost goods.

**Recommendation:**

As a standard business practice, the DGC should purchase adequate insurance coverage to protect them against the risk of loss for all of its principle commodities. The amount of the insurance should be included as a separate line item in the annual budget submitted for approval and application. At a minimum, all property financed by USAID should be insured for an amount that is in accordance with the terms of the Agreement.

**6. DGC control over "kardex" (inventory) cards is not adequate.**

Condition:

The Office of Control and Equipment Assignment is responsible for coding all fixed assets, and only distributes the assets if they have already been coded, registered in the kardex inventory, and assigned to a specific person. Additionally, we noted that the kardex cards have not been prenumbered.

Criteria:

The use of prenumbered kardex cards and ledgers will help to account for each fixed asset and is a good tool to protect and maintain control over the assets.

Cause:

The DGC has not adopted the use of prenumbered cards/ledgers to maintain proper control over each asset.

Effect:

The lack of prenumbered cards/ledgers does not ensure that all records have been accounted for. It is not possible to determine if a card relating to a specific asset is missing which increases the possibility that assets may be lost without being detected.

Recommendation:

DGC's Office of Control and Equipment Assignment should consider prenumbering the asset cards/ledgers and maintaining a listing of these control numbers.

**7. DGC has not implemented adequate procedures for the procurement of goods, based on warehouse inventory levels.**

Condition:

DGC management has established and maintained a purchase order system that is consistent with approved action plans, to help facilitate purchasing activities. In fact, specifications utilizing maximum or minimum amounts are not utilized in the kardex cards, nor reorder

points (except for the control of gas and oil); their purchases are generally based on detailed action plans.

**Criteria:**

Sound warehousing practices should include procedures that facilitate planning for replenishment and distribution of inventory. This is achieved through maintenance of records that identify minimum and maximum quantities, and the use of reorder points. This is particularly useful for imported purchases or items that need to be manufactured or modified by a supplier.

**Cause:**

Lack of adequate warehousing policies and procedures regarding purchases for warehouses.

**Effect:**

Since the kardexes do not show minimum and maximum thresholds or reorder points for inventories, the only basis for procurement actions is the Annual Plan which may not necessarily justify the action. Without this information purchases may be made for inappropriate quantities or may not be received in a timely manner which may jeopardize the operations of DGC.

**Recommendation:**

We recommend that DGC:

- Define a policy that requires all kardex cards to show minimum or maximum quantities and reorder points.
- Ensure that kardex cards are kept up to date and that complete information is maintained within the inventory listing.
- Ensure that warehouse personnel and persons responsible for inventory purchases coordinate their efforts in the planning of future purchases.

**8. Equipment donated and financed by USAID did not always have a USAID emblem.**

**Condition:**

Even though the DGC maintains a listing of fixed assets used for different projects with respect to their assignment (i.e., the responsible operator and regional office) and location, the majority of the fixed assets financed by USAID do not have a USAID emblem attached. Currently, only movable equipment is properly identified with the USAID emblem.

**Criteria:**

In accordance with the general stipulations of the project of the grant, attachment to the Agreement, section B.8, the grantee should provide notice to the public and the Project that the asset has been financed under a United States program, should identify the project site and should mark the asset as financed by USAID.

**Cause:**

DGC stated that they were unaware that all equipment acquired with funds from USAID had to comply with this provision.

**Effect:**

The DGC is not in compliance with the provisions of the grant agreement. The supplier is primarily responsible for the tagging of fixed assets. In addition, DGC had not verified that the suppliers were in compliance with these marking requirements.

**Recommendation:**

DGC management should initiate immediate action to locate and identify USAID project assets that need to be marked with the USAID emblem.

**9. DGC maintains obsolete inventory that has not yet been removed from the warehouse.**

**Condition:**

Currently, there is obsolete inventory being maintained in the warehouse and other items that have already been removed from the inventory listing (kardex cards).

**Criteria:**

Standard warehousing procedures include the periodic review of the warehouses for obsolete and slow moving items in order to efficiently plan procurement and distribution of inventory. Section 5.2 Other Agreements, of the Agreement also requires that the MOP, in coordination with the Court of Accounts, initiate and implement a program to eliminate obsolete and unusable equipment.

**Effect:**

Maintaining obsolete inventory limits the amount of space available for new or existing usable inventory. Also the existence of obsolete inventories increases warehouse maintenance cost (i.e. supervisory and administrative expenses).

**Recommendation:**

DGC management should establish and implement a policy that requires periodic review of all warehouses to identify obsolete and slow moving inventories. These items should be segregated from existing usable inventories and immediate action should be taken to dispose of these obsolete items in coordination with the Court of Accounts.

III. Commodity Management System Compliance with Agreement Terms and Applicable Laws and Regulations

A. Independent Consultant's Report on Compliance with Agreement Terms and Applicable Laws and Regulations

We have applied procedures to test the Roads and Highways National Directorate's (DGC) compliance with requirements governing the Commodity Management System that are applicable to the Public Services Improvement Project (PSIP), USAID/El Salvador Project No. 519-0320.

We conducted our review in accordance with generally accepted auditing standards and the Government Auditing Standards issued by the Comptroller General of the United States.

Compliance with laws, regulations, contracts and grants applicable to DGC and the PSIP project is the responsibility of that entity's management. As part of obtaining reasonable assurance about the compliance of the commodity management system, we performed tests of the DGC's compliance with the grant agreement for the PSIP project and its amendments, and the Project Grant Standard Provisions.

Material instances of noncompliance are failures to follow requirements, or violations of prohibitions, contained in statutes, regulations, contracts, or grants that cause us to conclude that the aggregation of the misstatements resulting from those failures or violations is material to the commodity management system. The results of our tests of compliance disclosed the following instance of noncompliance that are related directly through weaknesses in the administrative procedures manuals, warehouse operations, insurance, receipt of commodities, training and instruction of personnel and information systems. These cases of noncompliance coincide with the weaknesses in the two areas indicated below that were described in section II.B of this report. (The numbers correspond the same as section II.B).

Material Instances of Non-Compliance:

1. DGC procedures manuals do not include all activities related to the inventory management system.
2. DGC procedures to perform physical inventories and reconcile amounts of inventories with the accounting records needs improvement.

5. The DGC has not purchased risk insurance to cover the articles in the warehouse and the fixed assets of the institution.

Other Reportable Conditions:

8. Equipment donated and financed by USAID did not always have a USAID emblem.
9. DGC maintains obsolete inventory that has not yet been removed from the warehouse.

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

This report is intended for the information of DGC and the U.S. Agency for International Development.

*Price Waterhouse*

January 14, 1994  
San Salvador

#### IV. Status of Prior Review Recommendations for the Commodity Management System

Our review revealed that DGC has implemented several recommendations on its commodity management system that have resulted from prior reviews. In 1991, DGC's Board of Directors established a policy to immediately attend to any observation made by internal or external auditors, to maintain adequate functioning systems in their operations. Also, the contractor, LBII, has provided assistance to the DGC to close the findings from prior auditors. In fact, our review revealed instances where the procedures and policies implemented to resolve recommendations were not sustained. This section describes the recommendations prepared by prior auditors, the actions taken by the DGC with the assistance of the LBII and our observation at the time of this review.

Only for the prior recommendations did we observed weaknesses or instances of noncompliance. Reference was made to the corresponding numbers of the original report and also to the findings of our report that incorporated this information.

##### A. Devres, Inc. Review of Commodity Management System Date Performed: August 1991

- *Recommendation No. 1:* Develop, write and incorporate a section dealing with claims procedures in the Manual of Administrative Procedures. This section, once completed, should be put immediately into operations as Caminos has no written procedures.

*Status:* We noted that this recommendation was not implemented.

*PW Comment:* DGC has prepared written manuals, however, all the activities related to the administration of inventories have not been incorporated into the procedures manual, for example, the procedures related with negotiations regarding claims have not been incorporated. See finding No.1.

- *Recommendation No. 2:* Develop and implement automated inventory and financial systems as soon as possible. All inventory control systems are manual. This would improve tracking and obtaining of necessary information in an efficient and timely manner. This task could be undertaken by the TA contractor.

*Status:* An evaluation was made on the computer equipment needs of all warehouses and it was determined that at this time not all warehouses require automation, particularly those in

various zones which have very little transactions only. These warehouses will continue to report semi-annually to the warehouse in El Coro where the computer will be installed. LBII also recommended the use of CFA at DGC. The date this recommendation was closed was August, of 1993.

*PW Comment:* As of date of this draft report, DGC is still in the process of determining the appropriate software for its operating requirements which at the same time should comply with the government accounting system. LBII has recommended the use of CFA software program.

- *Recommendation No. 3:* Plan and initiate a physical inventory of all Caminos fixed assets and consumable as physical inventories of fixed assets and some consumable have not been carried out. The Management Unit should assist in this task.

*Status:* This recommendation was closed in August of 1993.

*PW Comment:* The physical inventory of fixed assets and inventory was completed, but the "equipment transfer cards" and the "material transfer cards" have not been adjusted accordingly, therefore, they will not be used to give approval for prior transfers.

**B. Louis Berger International, Inc., Host Country Contracting Assessment, July, 1991**

- *Recommendation No. 5:* DGC should maintain updated records of inventories and other equipment acquired under the project. These records should be reconciled on a monthly basis with the general ledger and periodically with the physical inventory warehouse.

*PW Comment:* We observed that DGC has not adequately maintained updated records nor reconciled its accounting records with physical inventory. See finding no. 2.

**C. Lopez Salgado & Co., Financial Audit of Local Counterpart Funds,  
December 31, 1991.**

Internal Controls

- *Recommendation No. 1:* DGC project management should consider evaluating and designing an accounting system that provides more control over fixed assets. Prior approval from SETEFE should be obtained.

*PW Comment:* This recommendation has not been implemented. The accounting system has not been developed for maximum control over fixed assets.

- *Recommendation No. 3:* The chief of special projects should ensure that physical inventory is conducted periodically in the project warehouses.

*PW Comment:* This recommendation has not been adequately implemented.

- *Recommendation No. 4:* The chief of special projects should provide written instructions regarding control over fixed assets, including the assurance that each control record includes location of the asset.

*PW Comment:* This recommendation has not been fully implemented. The manager of Project No. 519-320 has not assured the appropriate realization of periodic inventories in the warehouses.

Follow-up on Prior Audit Recommendations

- *Recommendation No. 4:* Project Tacuba Highway: Absence of physical inventory. As of date of audit by Lopez Salgado y Cia., no physical inventory was made.

*PW Comment:* This recommendation has not been fully implemented. The manager of Project No. 519-320 has not assured the appropriate realization of periodic inventories in the warehouses.

**D. Arias y Co., Report on Financial Audit, Compliance, and Evaluation of DGC, September 1993**

Internal Control

- *Recommendation No. 6:* DGC should implement policies that will recognize and take immediate action on findings and recommendations by internal audit, especially those that pertain to AID-0320.

*PW Comment:* Even though a large majority of the recommendations were completed, there are instances where the procedures were not in agreement with the norms of the organization. The Administration of the DGC should assure total maintenance and implementation of the recommendations.

Compliance with Agreement, Applicable Laws and Regulations

- *Recommendation No. 3:* DGC should assure compliance with requirements by AID and SETEFE regarding marking of commodities.

*PW Comment:* A constant registry is maintained over the assignment and location of the operations machinery utilized on different projects, the operator and regional office that is in charge of the registry also works on preventive or corrective maintenance. A major portion of the commodities that have been acquired still have to be marked with the USAID emblem. To date only the rotating equipment have been marked with this emblem. The DGC is in the process of purchasing more USAID emblems for the rest of the commodities. See finding no. 2.

APPENDIX I

**DESCRIPTION OF THE COMMODITY MANAGEMENT SYSTEM**

**A. FOREIGN PROCUREMENT**

International procurement is based on a general procurement plan prepared between USAID/El Salvador and the Ministry of Public Works (MOP). Based on this plan, the Procurement office will draft a procurement plan, which is submitted for approval by the USAID project officer.

Upon approval of this Procurement Plan, an invitation to bid will be scheduled (Invitation to BID, IFB), requiring subsequent action, consistent with the terms of reference or guidelines for bidding based on the technical specifications between DGC personnel, USAID, the consulting team from Louis Berger and management officials from the Office of Machinery and Equipment (AME) as deemed appropriate.

Each IFB will be submitted to USAID for approval. USAID will in turn issue a corresponding letter of implementation (PIL), thus formalizing its approval.

The established amounts used to determine the appropriate category of solicitation are based on the Instruction Manual issued by the External Finance Technical Ministry (SETEFE), that is to say, private bids for amounts greater than c50,000 and up to c500,000, and public bids for amounts exceeding c500,000.

Depending on the category of each particular solicitation, an invitation to bid will be published in the Commerce Business Daily (CBD) as well as in the major local newspapers, for public bids. For private bids, IFB's are distributed to various potential bidders.

For the evaluation and award process, the Evaluation and Award Committee, made up of the National Directorate of Roads and Highways (DGC), the USAID's Project 0302 Manager, the Financial Division Manager, the subdirector on Special Budget, and a delegate from the Ministry of Public Works is convened. This Committee usually works in conjunction with personnel from the Management Office of Equipment and Supplies (AME), in charge of equipment maintenance for the DGC.

Bids are collected until the established date and time. Offers are registered according to time and date of arrivals. Any bids arriving subsequent to the deadline are returned to the sender unopened. The bids are opened by the Awards Committee on the specified date.

As part of the evaluation process, comparative charts summarizing the main qualitative and quantitative aspects of each bidder are compiled which helps to facilitate the evaluation process, by identifying the entity most suitable according to the requirements specified in the terms of reference within the evaluation methodology. A decision is made based on the results of the evaluation and is remitted to USAID for final approval and later formally communicated to the selected bidder.

All procurement will be submitted to the National Courts Account for approval in order to obtain the required authorization for each specific contract.

Regarding imported goods, the person in charge of the DGC's international purchasing will coordinate logistics related to the importing process, such as customs transactions, obtaining franchises, and other requirements necessary to ensure that the purchased goods reach DGC's warehouse.

The collection process for purchased goods takes place in the office of equipment registry and control, where they are fully examined according to particular characteristics regarding quality and quantity, confirming that they comply with the specifications noted in the solicitation terms and the entity's proposal. The person in charge of the office of equipment registry and control is responsible for informing the supplier of any discrepancies between that which was received and that noted in the specifications, until the procurement department informs them that the correct shipment has been obtained. Once the shipments are received to their satisfaction, the office of registry and control will record each item on a kardex card, classifying and marking each item with the corresponding code according to its description.

The office of equipment registry and control will issue 25 copies of its notification of all merchandise received (i.e. receiving reports), sending 10 of them to the National Court of Accounts and the rest to be disbursed among interested parties. All original receiving reports are required to be signed by the supplier, the procurement officer, the division chief of equipment registry and control office and the subdirector of special budgeting.

With each receiving report, invoice and/or shipment sent by the supplier, the procurement department will be responsible for arranging payment with the finance division, but no payment whatsoever will be disbursed for procurement with pending issues in the office of equipment registry and control; therefore, no receiving report will be issued until the shipment meets required specifications.

## **B. LOCAL PROCUREMENT**

Local procurements are made based on an action plan approved by SETEFE and USAID, which are generally planned for in advance. These relate primarily to consumable goods such as fuel, paper products, office supplies, and cleaning products. Purchases are made for other procurements as the need arises.

The procurement process to be followed is based on the amount of the procurement as defined in SETEFE Instruction Manual 1262, as follows:

- Free competition - if the amount does not exceed c50,000, a minimum of three written estimates is required.
- Private solicitation - when the total procurement cost is between c50,000 and c500,000.
- Public solicitation - when the procurement cost exceeds c500,000.

For private solicitations (also known as "contests"), the terms of reference should include a detailed description of the items to be purchased, but not to the extent of the detail required for an IFB. Once the bids are received from the suppliers, DGC will proceed by evaluating and awarding the contract. The results of this process and corresponding resolutions are then documented. In cases where a contract is needed, the contract will be drafted and submitted to the National Court of Accounts for their review and approval, in accordance with SETEFE Instruction Manual 1262.

All procurements are reported to SETEFE and A.I.D. through the process of liquidating monthly expenditures.

The procedures followed for local procurements are the same as those for foreign procurements until the purchase is received and paid for (i.e., import procedures are not followed for local procurements). In addition, local procurements do not require publication in the CBD.

## **C. MOVEMENT OF INVENTORY**

All inventory movement between the warehouses and particular units, for the central office as well as for the regional offices (residences), will utilize formal transport documents, including purchase orders, all of which contain the signatures of the responsible supervisors from each area. Once the shipment is acknowledged as received, the corresponding kardex

card maintained by the warehouse or the originating office will be removed from the inventory listing, and added to the kardex file of the receiving warehouse or office.

In the case of operating equipment or vehicles, the same review procedures are applied as noted above. In addition, a weekly report is issued noting the location of the asset, the designated driver or operator, and the division or project to which it is assigned.

D. COMMODITY END USE

In requesting the use of merchandise, it is necessary to fill out a purchase order, which will be approved by the manager of the division within the particular organization or project. The persons of the warehouse will uphold the policy of not delivering any items or supplies without supporting documentation. The warehouseman accepts the Request for Supplies and adds information to the purchase order, after which he updates the inventory cards according to the delivery order.

When the office of equipment registry and control receives inventory that is considered to be a fixed asset, the item is forwarded to the division that requested the item. The office then records the name and division of the organization of the person to whom the item was assigned, within the kardex inventory listing. These items are delivered already coded.

31

APPENDIX II

**LIST OF ESTABLISHMENTS VISITED**

Part of our review procedures include visits to the different establishments where the commodities have been warehoused or are in use. The establishments visited are listed below:

Central Office, El Coro

Project Office 519-320

Warehouse for Paper and útiles

Warehouse for Fuel and Lubricants

Warehouse for Registration and Control of Equipment

Warehouse for New Spare Parts

Warehouse for Used Spare Parts

Workshops

Regional Office (residence) of la Libertad

Regional Office (residence) of Santa Ana

Highway de Santa Tecla a Comasagua Project

Highway de Comasagua Project

Highway de Ateos a Los Chorros Project

APPENDIX III

**LIST OF PERSONS INTERVIEWED**

<u>Name of Employee or Public Official</u>	<u>Title</u>
<b>A. Roads and Highways Directorate General</b>	
Juan Francisco Bolaños Torres	Director General of Roads and Highways
Onofre Ticas Reyes	Manager of Administrative Division
Jose Antonio Zelada Pena	Manager of Project 519-320
Paz Alegría	Assistant Manager of 519-320
Orlando Melgar Sánchez	Supplier of 519-320
Claudia Castro	Head of International Procurement
Mauricio Ramos	Internal Auditor
Cesar Armando Selaya	Project Accountant
Sandra Méndez de Alvarado	Head of Finance Dept.
Miguel Angel Guerra Arévalo	Head of Inventory and Control of Equipment
Miguel Angel Portillo	Chief of Residencia La Libertad
Alfredo Catalán Linares	Wharehouseman La Libertad
Carolina Gracia Monteflores	Chief of Procurement - AME

<u>Name of Employee or Public Official</u>	<u>Title</u>
Margarita Márquez	Assistant Chief of Procurement- AME
Carlos García	Keeper Regional Santa Ana

There were also interviews with some personnel from the office, different warehouses and those in charge of equipment in movement.

B. Louis Berger International, Inc.

Bruce Davis	LBII Equipment Specialist
Ted Tiedeken	LBII Equipment Specialist

C. USAID

José Miguel Campos	Commodity Specialist, Controllers Officea
Ernesto Girón	Project Officer, PSIP
José Ramos Chorro	Project Officer, DGC

**APPENDIX IV**

**LIST OF DOCUMENTS REVIEWED AND REFERENCED**

Grant Agreement

Project Paper

Implementation Letters

A.I.D. Handbooks

Plans of Action, 1991-93: Counterpart to the Project No. 519-320

Procurement Plans 1992/1993 - Foreign Currency

Organizational Charts and Manuals, Related Procurement Procedures Manual

Prior Auditors/Consultants Reports:

- LBII, Host Country Contracting Assessment, July 1991
- Lopez Salgado y Cia., Audit to December 31, 1991
- Arias y Co., Audit to September 1993
- Devres Report, May 1991

Program CFA (Computerized Fleet Analysis)

25

**MINISTERIO DE OBRAS PUBLICAS  
DIRECCION GENERAL DE CAMINOS**

**RESPUESTA DE LA DIRECCION GENERAL DE CAMINOS  
A LAS OBSERVACIONES PRESENTADAS POR EMPRESA  
AUDITORA PRICE WATERHOUSE**

*San Salvador 8 de Marzo de 1994*

*36*

OBSERVACION No 1 D.G.C. CARECE DE POLÍTICAS Y PROCEDIMIENTOS DOCUMENTADOS Y ACCESIBLES PARA EL PERSONAL INVOLUCRADO EN EL DESARROLLO DE LAS ACTIVIDADES DE LA INSTITUCIÓN.

RESPUESTA DE LA D.G.C.

Se considera que la D.G.C., si posee políticas y procedimientos documentados accesibles para el personal involucrado en el desarrollo de las actividades, estos procedimientos y políticas están establecidos en los instructivos, leyes y otros emanados por el Gobierno central a través del MINISTERIO DE HACIENDA, CORTE DE CUENTAS DE LA REPUBLICA y SETEFE, lo cual ha servido de base para el desarrollo de las diferentes actividades dentro de las bodegas de la D.G.C.

OBSERVACION No 2.- D.G.C. CARECE DE PROCEDIMIENTOS ADECUADOS PARA HACER INVENTARIOS FISICOS Y CONCILIACIONES CON LOS REGISTROS.

RESPUESTA DE LA D.G.C.

Semestralmente cada bodeguero de la D.G.C. Hace un recuento selectivo de los materiales bajo su custodia, esto para poder levantar el inventario que se reportará a la corte de cuentas de la República para cumplir con lo estipulado con el instructivo 2-78, emitido por dicha Institución para el manejo de bodegas; cabe mencionar que una vez al año la auditoría interna del M.O.P. supervisa el recuento de los materiales que realiza cada bodeguero de esta institución y con ello se supone el cumplimiento de las normas de control interno las cuales dictan la practica de levantar inventario físico al menos una vez al año; por otra parte para el caso de los materiales y suministros pertenecientes al Proyecto 0320, el recuento se hace mensualmente y es verificado por un auxiliar del departamento de Proveduría del Proyecto AID No 519 -0320.

**OBSERVACION No 3.- D.G.C. CARECE DE SEGREGACION APROPIADA DE FUNCIONES SOBRE EL CONTROL DE INVENTARIO.**

**RESPUESTA DE LA D.G.C.**

Se considera que la D.G.C. posee una segregación apropiada de funciones ya que cada bodeguero cuenta con un mínimo de cuatro auxiliares y existe una delegación de 2 funciones para cada uno de ellos. Así, uno se encarga del registro de kardex, otro de la recepción y despachos de materiales y otro en preparar informes. Por otra parte cuando se levanta un inventario la auditoría interna supervisa dicha actividad, esto para cumplir con la norma técnica de control interno no.4 La cual establece la responsabilidad de la toma periódica de inventarios físico de activos fijos y estipula que se deberá delegar a un funcionario que no tenga ingerencia en su custodia ni en los registros contables; en dicho proceso el encargado de la custodia es el bodeguero y el funcionario ajeno es el auditor interno.

**OBSERVACION No 4.- D.G.C. NO HA CUMPLIDO CON EL SISTEMA DE CONTABILIDAD DEL GOBIERNO PARA LOS ACTIVOS FIJOS.**

**RESPUESTA DE LA D.G.C.**

Al respecto, se han hecho las consultas al Departamento Financiero Contable, sobre las tareas a realizar para la incorporación al nuevo sistema de contabilidad gubernamental, manifestándonos que será el ministerio de hacienda a través de la dependencia encargada conjuntamente con la Corte de Cuentas de la República, quienes darán los lineamientos a seguir para tal fin; sin embargo, se está por finalizar el inventario físico de los activos fijos de la D.G.C. Estando pendiente únicamente el rubro de bienes inmuebles lo cual es un requisito previo para la implementación de la Contabilidad gubernamental.

**OBSERVACIÓN No 5. - LA D.G.C. CARECE DE UNA AUDITORIA INTERNA ADECUADA SOBRE BIENES MUEBLES**

**RESPUESTA DE LA D.G.C.**

*Consideramos que si se utilizan los procedimientos para realizar los inventarios de los activos fijos y los materiales u bodega en lo que respecta al 320, (conseguir fotocopias) actualmente la unidad de auditoria interna del proyecto aid-0320 esta trabajando en la realización del inventario global de activos fijos. (Véase procedimiento anexo)*

**OBSEVACION No 6 D.G.C. CARECE DE COBERTURA DE SEGUROS CONTRA RIESGOS PARA LOS ARTICULOS EN BODEGA Y ACTIVOS FIJOS DE LA INSTITUCION.**

**RESPUESTA DE LA D.G.C.**

*En relación a esta observación se quiere informar que se han realizado investigaciones con el fin de determinar la obligatoriedad de la Dirección General de Caminos de asegurar contra riesgos los bienes en bodega, sin embargo, esta obligación no existe en el Convenio, por cuanto en el se menciona únicamente que los Bienes Importados deben asegurarse contra incidentes de riesgo a su trnsito al punto de uso en el Proyecto. Por otra parte, únicamente se contratan pólizas de seguros para vehículos porque esta es una condición establecida en el Instructivo 1262. página No. 22.*

**OBSERVACIÓN NO. 7. LA D.G.C. CORRE RIESGOS DEBIDO A LA PRACTICA DE MARCACIÓN EN LAS CAJAS Y TARJETAS DE KARDEX.**

**RESPUESTA DE LA D.G.C.**

*Esta recomendación se acepta en lo relacionado en no marcar las viñetas y las cajas con los precios, sin embargo, las tarjetas de Kardex seguirán llevando el precio debido a que el Instructivo 2-78, estipula que en cada figure el precio del articulo.*

**OBSERVACION NO. 8. D.G.C. FALTA DE CONTROL ADECUADO EN LAS TARJETAS DE KARDEX.**

**RESPUESTA DE LA D.G.C.**

En relación a esta observación se puede manifestar que en efecto cuando nos visito la Auditoría las tarjetas de Kardex sobre activos fijos carecían de número correlativo por lo que actualmente se esta desarrollando dicha actividad, por otra parte también se atenderá la observación que se refiere al registro de las tarjetas en los libros.

**OBSERVACIÓN NO. 9.- D.G.C. CARECE DE PROCEDIMIENTOS ADECUADOS PARA PLANIFICAR COMPRAS CON BASE EN LOS SALDOS DE LOS BIENES EN BODEGAS.**

**RESPUESTA DE LA D.G.C.**

En lo que respecta a la dirección general de caminos se actualmente implementando el CFA-(Análisis Computarizado de Fletes) el cual servirá de ayuda para determinar las cantidades máximas y mínimas de materiales a mantener en bodega, esto permitirá mejorar el proceso de compras.

**OBSERVACIÓN No. 10 SE OBSERVO EQUIPOS DONADOS Y FINANCIADOS POR A.I.D. SIN EMBLEMA.**

**RESPUESTA DE LA D.G.C.**

El Proyecto 320, dándole seguimiento y cumplimiento al manual 15 de USAID, específicamente al apéndice 9b, en lo que respecta a la marcación de bienes adquiridos con fondos dólares en coordinación con la División Operativa de la Unidad Ejecutora, llevo a cabo la marcación de todo el equipo rodante adquirido por el proyecto 320 colocando a ambos lados de cada unidad el logo (mop-usaid) respectivo. Actualmente, se esta dando seguimiento a la marcación de todos los bienes adquiridos, de acuerdo a las dimensiones de cada articulo y de esta forma darle cumplimiento al instructivo respectivo.

OBSERVACION No. 11- D.G.C. TIENE BIENES OBSOLETOS QUE NO HAN SIDO  
DESCARGADOS DE LA BODEGA.

RESPUESTA DE LA D.G.C.

*Al respecto, la Dirección General de Caminos ha realizado gestiones ante la Corte de Cuentas para el descargo de bienes obsoletos mediante nota enviada en septiembre del año recién pasado.*