

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

**Audit of USAID/Bolivia's
Chapare Regional Development Project
Managed by the Program of Alternative
Regional Development
January 1, 1991 to December 31, 1991**

**Audit Report No. 1-511-92-51-N
August 25, 1992**



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

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Chapare Regional Development Project
Managed by the Program of Alternative
Regional Development
January 1, 1991 to December 31, 1991**

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AGENCY FOR INTERNATIONAL DEVELOPMENT

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August 25, 1992

MEMORANDUM

TO: D/USAID/Bolivia, Carl H. Leonard

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

SUBJECT: Audit of USAID/Bolivia's Chapare Regional Development Project, Managed by the Program of Alternative Regional Development, January 1, 1991 to December 31, 1991

This report presents the results of a financial audit of the Chapare Regional Development Project (Project), USAID/Bolivia Project No. 511-0543, managed by the Program of Alternative Regional Development (Development Office), for the year ended December 31, 1991. The audit firm of Coopers & Lybrand prepared the report dated July 3, 1992.

The Project is a complementary part of the host government's program to reduce the coca plantings in Bolivia. The Project consists of an integrated package of financing and technical assistance for the small farmers of Bolivia's Chapare Region and associated high valley sub-regions related to production, agroindustry development and marketing, and institutional development activities. The Development Office, one of several entities implementing the Project, is responsible for the technical and financial control of the Project. The audit coverage included A.I.D. funds of \$2.4 million provided to the Development Office during the audit period.

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

The auditors concluded that the fund accountability statement presents fairly, in all material respects, the financial position of the Development Office relative to its Project operations during the period audited.

The Coopers & Lybrand audit reported seven reportable conditions with regard to the Development Office's internal control structure. Although the auditors did not consider these conditions to be material weaknesses, we believe that two areas--excessive cash balances in bank accounts and untimely accounting of Project funds by implementing

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entities--do represent material areas of concern and thus we have recommended that the Mission ensure corrective action has been taken by the Development Office in these areas.

With respect to the Program's compliance with Project Agreement terms and applicable laws and regulations, the auditors identified two material instances of noncompliance with Bolivian law.

The report was discussed with Development Office officials who expressed general agreement with the content of the audit report. Management comments are included as an annex to the audit report.

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 has established procedures to limit its requests for A.I.D. advances to immediate cash needs and to require the other Project implementing entities to submit timely reports accounting for Project funds.

Recommendation No. 1 can be resolved when the Mission presents an acceptable firm action plan to correct the reported deficiencies and can be closed when the Mission presents acceptable evidence that the required procedures have been established.

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

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AUDIT OF THE CHAPARE REGIONAL DEVELOPMENT PROJECT
USAID/BOLIVIA PROJECT No. 511-0543
MANAGED BY THE PROGRAM OF ALTERNATIVE REGIONAL DEVELOPMENT
FOR THE YEAR ENDING DECEMBER 31, 1991

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AUDIT OF THE CHAPARE REGIONAL DEVELOPMENT PROJECT
USAID/BOLIVIA PROJECT No. 511-0543

MANAGED BY THE PROGRAM OF ALTERNATIVE REGIONAL DEVELOPMENT

FOR THE YEAR ENDING DECEMBER 31, 1991

	<u>Page</u>
Transmittal Letter and Summary	
Background	1 - 5
Audit objectives and scope	6 - 7
Results of audit	8 - 9
Management Comments	9
Fund Accountability Statement	
Independent auditor's report	10 - 11
Fund accountability statement	12
Notes to the fund accountability statement	13 - 14
Internal Control Structure	
Independent auditor's report	15 - 17
Findings	18 - 25
Compliance with Agreement Terms and Applicable Laws and Regulations	
Independent auditor's report	26 - 27
Findings	28 - 30
List of Report Recommendations	31 - 33
Follow-up on Previous Year Recommendations	34 - 41
Annex 1 - Management Comments	42 - 45

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July 3, 1992

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

Dear Mr. Howard:

This report presents the results of our financial audit of the activities of the Chapare Regional Development Project, USAID/Bolivia Project No. 511-0543, managed by the Program of Alternative Regional Development (Programa de Desarrollo Alternativo Regional - PDAR), for the year ended December 31, 1991.

BACKGROUND

On August 12, 1983, the Republic of Bolivia and the United States of America, acting through the U.S. Agency for international Development Mission to Bolivia (USAID/Bolivia), signed a loan and grant agreement to implement the Chapare Regional Development Project, USAID/Bolivia Project No. 511-0543, which consisted of an integrated package of financing and technical assistance for small farmer related production, agroindustry development/marketing and institutional development support activities to be carried out by Bolivian public and private institutions for development of the Chapare region and associated high valleys sub-regions.

The project is a complementary part of the Government of Bolivia (GOB)'s program to reduce coca plantings in Bolivia, and includes different activities and sub-projects designed to focus development resources on Bolivia's principal transitory coca growing area which is used for illicit purposes, the Chapare region. Due to different causes, the implementation of project activities had to be delayed and the project itself was significantly modified. The amended project concentrates on four principal development areas: 1) agriculture and forestry production; 2) rural industry and marketing; 3) productive and transport infrastructure; and 4) a project investment fund.



The Project Assistance Completion Date, which originally was scheduled for August 31, 1988 was amended to May 31, 1992.

The purpose of the project is to modify and improve the agricultural and forestry systems of farmers in the Chapare and Associated High Valleys (AHV) sub-regions of the Department of Cochabamba to respond better to diverse, profitable marketing opportunities under sustained, environmentally compatible, medium technology production models. In addition, the GOB will contribute to the program \$2,000 per hectare of its own resources as payments to farmers that voluntarily reduce their coca plantings. The major implementing units are:

1. SUBDESAL

This organization is a sub-secretariat of the Ministry of Agriculture and Campesino Affairs located in La Paz. SUBDESAL provides overall direction and policy guidance for the project and works closely with PDAR.

2. PDAR

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

3. IBTA

IBTA/Chapare is responsible for providing agricultural research and extension services in the Chapare region, especially to those former coca growers that have legally reduced their coca plantings. IBTA maintains two Agricultural experimental farms - one in La Jota and the other in Chipiriri. IBTA's basic activities include managing the two experimental stations, performing research on new seeds, providing on-site training to farmers and running small productive farms.

IBTA is responsible for the sale of genetic material (plants and seeds) to campesino farmers for carrying out alternative planting and sale of crops, cattle, hogs, chicken and subproducts.

IBTA operates with the funds it requests and receives through PDAR.

4. S.N.C.

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 road system with regard to studies, construction, improvements and maintenance.

SNC's project related activities are financed by the financing entities through PDAR.

Within the SNC organizational structure at a national level exists the "Caminos Vecinales" (CCVV) division which is currently working under the Chapare Regional Development Project (CRDP) in Cochabamba.

SNC through its CCVV unit is responsible for construction and improvement of rural roads and also supervises the construction of bridges in the Associated High Valleys (AHVs) through private firms. Its activity in the Chapare area is constrained to the coca crops reduction conditionality.

5. EXECUTIVE SECRETARIAT PL-480 (ES)

The Executive Secretariat, PL-480, is the principal GOB counterpart financing organization through which the resources flow to the project implementing agencies to cover costs of some project components. It is important to clarify that those resources are not managed by the ES but by PDAR which is responsible for their accountability.

The ES as a GOB counterpart financing organization also provides and manages funds in local currency to implement the project's Agricultural Credit component in the Chapare area and in the Associated High Valleys of Cochabamba.

6. DIRECO

The National Directorate for the Control of Coca Production (DIRECO) is a decentralized institution coming under SUBDESAL. Its activities defined in Ministerial Resolution No. 81/90 dated May 22, 1990, Title VII, Article 26 are the following:

- a) Execute coca crops eradication following policies and instructions prepared by SUBDESAL.

- b) Provide continued, systematic and updated information on production, quantities eradicated, prices, incomes, and other information regarding coca production in Bolivia through a data bank.
- c) Prepare strategies and policies for coca crop eradication.
- d) Prepare a census of farmers participating in reduction programs.
- e) Programming and execution of coca reduction payments.
- f) Issuance of certificates to farmers who have voluntarily reduced their coca crops in order to enable them to receive other alternative development program benefits.

The project has five components:

- A. Administration: The key administrative role for the project is provided by the Regional Alternative Development Project (PDAR) which reports to the Subsecretary for Alternative Development and Coca Crop Substitution (SUBDESAL), a Subsecretary of the Ministry of Agriculture and Campesino Affairs (MACA).
- B. Agriculture and Forest Production Component: The Chapare based research and extension activities and this project are carried out principally by the Bolivian Institute of Agricultural Technology (IBTA/Chapare). This activity includes adaptive research, demonstration farms, nurseries, support for community extension councils, agricultural credit, farmer training, and research facilities and vocational school construction.
- C. Rural Industry and Marketing Component: This component funds specified agro-industrial and complementary marketing activities in the Chapare and are expanded to fund similar activities in the AHV sub-regions of the Cochabamba Department. The project will execute sub-agreements with public and private institutions to carry out activities under this component, which among others include:
 - 1. Rural industry pre-investment studies,
 - 2. Marketing studies, and
 - 3. Rural industry credit.

- D. Production, Transport, and Community Infrastructure Component: This component will fund activities to improve and/or contract for production, transport, and community infrastructure such as:
- Rehabilitation of existing irrigation systems, studies and designs of irrigation works, etc. These are implemented through arrangements to be made by PDAR.
 - Implementation of improved transportation infrastructure in the AHV sub-regions through the National Roads Service (SNC).
 - Funding of community infrastructure, potable water, rural sanitation through the Ministry of Health (MOH) and improvement of existing electrification through the National Electrification Institute (INE).
- E. Pilot Investment Fund: This fund permits the PDAR to underwrite the work of institutions and communities with successful records in promoting development activities in the target regions. PDAR will receive solicited and unsolicited proposals from Private Voluntary Organizations, other institutions, and community groups to conduct specific development projects at the local level.
- F. Coca Reduction Payments: The GOB will pay each farmer in the Chapare \$2,000 for each hectare of coca plants that are voluntarily reduced. This component is managed by the Direccion Nacional de Reconversion Agricola (DIRECO).

AUDIT OBJECTIVES AND SCOPE

The objective of the mandate was to conduct a financial audit of the Chapare Regional Development Project activities managed by the Program of Alternative Development (PDAR), for the year ended December 31, 1991. The audit included the operations carried out by each administrative unit under the loan and grant agreement signed between the Government of Bolivia and USAID/Bolivia, and their corresponding fund accountability statement.

In regards to the disbursement of funds up to December 31, 1990, we based ourselves on the opinion without reservation expressed by other auditors on February 15, 1991, over the audit conducted in the above mentioned Organization for the 1990 agreement.

Except for not conducting an external quality control review by an unaffiliated audit organization described further in our opinion on the fund accountability statement, we conducted our audit in accordance with generally accepted auditing standards and the United States Comptroller General's "Government Auditing Standards" (1988 Revision) and accordingly 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 to determine whether:

1. The fund accountability statement of the project activities managed by PDAR fairly presents in all material respects, the cash receipts and disbursements for the year ended December 31, 1991;
2. PDAR's internal control structure is adequate for project purposes; and
3. PDAR complied, in all material respects, with agreement terms, project implementation letters, and applicable laws and regulations.

The scope of our work included:

- Reviewing the accounting records and bank accounts used by PDAR to record the receipt of funds.
- Confirming the funds received for the project with the records of the funding agencies, USAID/Bolivia, PL-480 Executive Secretariat and DIFEM.
- Reviewing the supporting documentation of funds destined to finance sub-projects.

- Reviewing the support documentation for the principal disbursements made by PDAR. This test covered 81% of the amount spent during the year, and its objective was to determine whether the expenditures were properly supported with documentation, were made to achieve the objectives of the project and in accordance with agreement terms and project implementation letters, and that the recording was adequate.
- Reviewing the support documentation of the advances to the entities implementing sub-projects, including letters of understanding between PDAR and the implementing entities and the approved budget, and reviewing the sub-projects' quarterly reports to determine whether the expenses incurred during the year were allowable and properly documented.
- Obtaining direct confirmation from the implementing entities on advances received, expenses incurred and unspent balances as of December 31, 1991.
- Obtaining direct confirmation on PDAR bank accounts as of December 31, 1991, and reviewing the corresponding bank reconciliations.
- Obtaining a complete understanding of the control environment, accounting system and control procedures used by PDAR to account for project funds. For this purpose we evaluated the following significant categories: cash receipts and disbursements, budgeting controls, bank accounts and funds controls, inventory management, procurement system, and sub-projects monitoring.
- Reviewing and evaluating PDAR's compliance with agreement terms, implementation letters, and applicable laws and regulations.

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

RESULT OF AUDIT

Fund Accountability Statement

The Program of Alternative Regional Development (PDAR) recorded 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 cash transactions other than generally accepted accounting principles.

In our opinion, the fund accountability statement audited by us fairly presents, in all material respects, the cash receipts and disbursements of the activities managed by the Program of Alternative Regional Development, for the year ended on December 31, 1991, under the Chapare Regional Development Project, USAID/Bolivia Project No. 511-0543, on the accounting basis described in the preceding paragraph.

Internal Control Structure

Our study and evaluation of PDAR's internal control structure disclosed the following reportable conditions that we do not consider to be material weaknesses:

1. Excessive liquidity in checking account balances
2. Untimely accounting of funds to PDAR by some NGOs and GOs
3. The balances between IBTA and SNC are not reconciled periodically
4. Lack of some information in immediate impact projects files
5. Hardware purchased not integrated into computer network
6. Lack of uniformity in the information issued by the various Chapare Regional Development Project entities
7. Procedures manual not updated

Compliance with Agreement Terms and Applicable Laws and Regulations

The results of our tests of compliance disclosed the following instances of non compliance:

1. Important aspects concerning tax situations and social security contributions should be corrected
2. Labor areas requiring improvement

MANAGEMENT COMMENTS

This report was discussed with the PDAR's management on May 13, 1992 who generally agreed with the audit findings and the contents of this report. Specific comments are reproduced in Annex 1 of this report.

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& Lybrand

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CHAPARE REGIONAL DEVELOPMENT PROJECT

ACTIVITIES MANAGED BY THE PROGRAM OF ALTERNATIVE

REGIONAL DEVELOPMENT (PDAR)

USAID/BOLIVIA PROJECT No. 511-0543

FOR THE YEAR ENDED DECEMBER 31, 1991

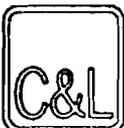
FUND ACCOUNTABILITY STATEMENT

INDEPENDENT AUDITOR'S REPORT

We have audited the fund accountability statement of the activities managed by the Program of Alternative Regional Development (PDAR) for the year ended December 31, 1991. 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.

In regards to the disbursement of funds up to December 31, 1990, we based ourselves on the opinion without reservation expressed by other auditors on February 15, 1991, over the audit conducted in the above mentioned Organization for the 1990 agreement.

Except as discussed in the next paragraph, we conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States (1988 revision). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the fund accountability statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.



We did not have an external quality control review by an unaffiliated audit organization as required by paragraph 46 of chapter 3 to 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 participated in the Coopers & Lybrand worldwide internal quality control program which requires the Bolivia office to be subjected, every three years, to an extensive quality control review by partners and managers from other Coopers & Lybrand offices.

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

In our opinion, the fund accountability statement referred to above fairly presents, in all material respects project revenues collected and expenses paid for the year ended December 31, 1991 in accordance with the basis of accounting described in Note 2.

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

February 28, 1992

CHAPARE REGIONAL DEVELOPMENT PROJECT
ACTIVITIES MANAGED BY THE PROGRAM OF ALTERNATIVE REGIONAL
DEVELOPMENT (PDAR)

USAID/BOLIVIA PROJECT No. 511-0543

FUND ACCOUNTABILITY STATEMENT AS OF DECEMBER 31, 1991

(Expressed in Dollars - Note 3)

	<u>Budget</u>	<u>Actual</u>	<u>Available</u>
INCOME			
Funds provided by USAID/Bolivia	<u>5.286.315</u>	<u>2.424.796</u>	<u>2.861.519</u>
	5.286.315 =====	2.424.796 =====	2.861.519 =====
DISBURSEMENTS			
Training, studies and communications	1.577.639	953.642	623.997
Construction	1.368.568	1.090.273	278.295
Machinery and materials	386.569	28.842	357.727
Operating costs	1.892.224	925.986	966.238
Other	<u>61.315</u>	<u>49.608</u>	<u>11.707</u>
	5.286.315 =====	3.048.351 =====	2.237.964 =====
Beginning Balance		858.494	
Ending Balance		<u>234.939</u> =====	

CHAPARE REGIONAL DEVELOPMENT PROJECT
ACTIVITIES MANAGED BY THE PROGRAM OF ALTERNATIVE
REGIONAL DEVELOPMENT (PDAR)
USAID/BOLIVIA PROJECT No. 511-0543

NOTES TO THE FUND ACCOUNTABILITY STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 1991

NOTE 1: DESCRIPTION OF THE PROJECT AND NATURE OF OPERATIONS

On August 12, 1983, the Republic of Bolivia and the United States of America acting through the U.S. Agency for International Development Mission to Bolivia (USAID/Bolivia), signed a loan and grant agreement to implement the Chapare Regional Development Project, USAID/Bolivia Project No. 511-0543, which consisted of an integrated package of financing and technical assistance for small farmer related production, agroindustry development/marketing and institutional development support activities to be carried out by Bolivian public and private institutions for development of the Chapare region and associated high valleys sub-regions.

The project is a complementary part of the Government of Bolivia (GOB)'s program to reduce coca plantings in Bolivia, and includes different activities and sub-projects designed to focus development resources on Bolivia's principal transitory coca growing area which is used for illicit purposes, the Chapare region. Due to different causes, the implementation of project activities had to be delayed and the project itself was significantly modified. The amended project concentrates on four principal development areas: 1) agriculture and forestry production; 2) rural industry and marketing; 3) productive and transport infrastructure; and 4) a project investment fund. Each area includes activities of immediate impact and applied research components to support medium and long-term activities.

CHAPARE REGIONAL DEVELOPMENT PROJECT, ACTIVITIES

MANAGED BY THE PROGRAM OF ALTERNATIVE

REGIONAL DEVELOPMENT (PDAR)

USAID/BOLIVIA PROJECT No. 511-0543

NOTES TO THE FUND ACCOUNTABILITY STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 1991

NOTE 2: SUMMARY OF ACCOUNTING POLICIES

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 costs 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.

The fund accountability statement includes only the income and expenditures related to the special account, which includes only the funding provided to PDAR and does not include the direct payments made by USAID/Bolivia and the Government of Bolivia on behalf of the project. Those payments consist principally of technical assistance, equipment and supplies procured directly by USAID/Bolivia and the Government of Bolivia.

NOTE 3: EXCHANGE RATES

The fund accountability statement is presented in Dollars. During 1991 the Bolivian currency devalued against the United States dollar from Bs3.40 per US\$ 1 on January 1, 1991 to Bs3.75 on December 31, 1991.

The aforementioned budget execution was made by Coopers & Lybrand in relation to the monthly average rate of exchange in which each transaction took place.

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& Lybrand**

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CHAPARE REGIONAL DEVELOPMENT PROJECT
ACTIVITIES MANAGED BY THE PROGRAM OF ALTERNATIVE
REGIONAL DEVELOPMENT (PDAR)
USAID/BOLIVIA PROJECT No. 511-0543

FOR THE YEAR ENDED DECEMBER 31, 1991

INTERNAL CONTROL STRUCTURE

INDEPENDENT AUDITOR'S REPORT

We have audited the fund accountability statement of the activities of the Chapare Regional Development Project, USAID/Bolivia Project No. 511-0543 managed by the Program of Alternative Regional Development (PDAR) for the year ended December 31, 1991, and have issued our report thereon dated February 28, 1992.

Except for not conducting an external quality control review by an unaffiliated audit organization as described further in our opinion on the fund accountability statement, we conducted our audit in accordance with generally accepted auditing standards and 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 PDAR for the year ended December 31, 1991, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the fund accountability statement and not to provide assurance on the internal control structure.

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 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, error 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,
- Inventories management,
- Procurement system, and
- Sub projects 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.

We noted certain matters involving the internal control structure and its operation that we considered to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involved 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 PDAR's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions noted are described in findings 1 to 7 in the following pages.

A material weakness is a reportable condition in which the design or operation of one or more 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 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 considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described above is a material weakness.

We noted certain matters involving the internal control structure and its operation that we have reported to the management of PDAR in a separate letter dated February 28, 1992.

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.

February 28, 1992

CHAPARE REGIONAL DEVELOPMENT PROJECT
ACTIVITIES MANAGED BY THE PROGRAM OF ALTERNATIVE
REGIONAL DEVELOPMENT (PDAR)
USAID/BOLIVIA PROJECT No. 511-0543
FOR THE YEAR ENDED DECEMBER 31, 1991

REPORT ON INTERNAL CONTROL STRUCTURE

FINDINGS

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

Criteria:

An amount equivalent to two months' (i.e.: current and following) should be the maximum fund kept on hand.

Cause:

The entity requests and receives funds in advance, that are fully utilized only over medium and long term periods. In addition, certain receiving and implementing entities of PDAR funds do not comply on a timely basis with support documentation requirements, causing PDAR difficulties in disbursing new funds.

Effect:

This situation has the following effects:

- a) The project underwent financial losses arising from excessive balances held in bank accounts which are not protected with value maintenance arrangements that is, against purchasing power loss resulting from inflation. We estimate that the balances held in the bank accounts

during the period September through November 1991 underwent a loss approximating US\$. 41.000. Projected over one year the loss could reach US\$. 200.000.

- b) PDAR's delays in disbursing funds to recipient entities results in delays on part of the latter, in accounting for funds received.
- c) In addition, the opportunity of applying funds to new projects is affected.

Recommendation:

To solve these problems, we recommend PDAR to do the following:

For a) and c) above:

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.

For b):

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.

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

Criteria:

The NGOs and the GOs should present the corresponding support documents for the projects being financed by PDAR at least within the 30 days following from the accounting of funds.

Cause:

Such delays occur due to the the mentioned entities lack of internal controls and of an adequate methodology for the elaboration of information requested by PDAR.

Effect:

These delays reveal administrative deficiencies in the above NGOs and GOs as to their capabilities concerning the compilation of the information required for the accounting of funds to PDAR. This deficiency makes PDAR's control over the documentation involved, difficult to carry out and results in accounting and budgetary misstatements.

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.

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 expense PDAR makes on behalf of IBTA and SNC.

Criteria:

Good internal controls establish that reconciliations be done in order to detect any irregularities, and correct them on a timely basis.

Cause:

This situation arose due to the lack of an internal control and information system which allows to cross reference the information provided by all entities involved.

Effect:

Holding unreconciled accounts results in unreliable balances as to integrality and accuracy which may further result in erroneous accounting information.

Recommendation:

We recommend that PDAR make such reconciliations 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.

4. Lack of some information in immediate impact projects files

Condition:

We established that the following information was missing in immediate impact projects files:

<u>PROJECTS</u>	<u>MISSING INFORMATION</u>
Stonepaving, curb and sidewalk Project (Sectors a through 4)	a), b), c), d) and e)
Stonepaving Tarata, Cliza and Punata Area (OC-VAA-10-1)	b), c) d) and e)
Montesillos filtering Gallery Construction (OC-4-28)	d) and e)
Classrooms and teachers' housing Construction (OC-CH-8-11)	d) and e)

PROJECTS

MISSING INFORMATION

Communal plant nursery - C. Verde
Syndicate (OC-CH-1-4)

d) and e)

School module construction (OC-VAA-
8-5)

d) and e)

- a) Funds application
- b) Construction job Contract
- c) Project approval documents
- d) Preliminary job acceptance certificate
- e) Final job acceptance certificate

Criteria:

The immediate impact projects files should include all the required information.

Cause:

There is no adequate supervision to ascertain that all the required information is included in the corresponding files.

Effect:

The above cases demonstrate the lack of an adequate documentary support on various steps relating to the selection and execution of immediate impact project jobs, and makes timely and effective control over the contracting and progress measuring stages of the jobs, difficult to carry out.

Recommendation:

We recommend PDAR include such information in the immediate impact project files mentioned above to avoid the described weaknesses.

5. 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.).

Criteria:

PDAR should accelerate the hardware implementing process.

Cause:

The entity received the hardware by parts which caused difficulties in implementing the system.

Effect:

This situation makes it difficult to obtain information as needed for decision-taking or consultation.

Recommendation:

With a view to make the best possible use of the entity's computer network, we recommend that PDAR conduct a detailed analysis of the current information needs, 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).

6. Lack of uniformity in the information issued by the various Chapare Regional Development Project entities

Condition:

We established that the information issued by the various Chapare Regional Development entities, lacks uniformity in both content and form (for example: budget execution control, financial statements, accounting of funds, etc.).

Criteria:

There should be a pre-established format for the elaboration of the information presented by all members of the Chapare Regional Development Project.

Cause:

This situation arose for not having previously foreseen the necessity such uniformity.

Effect:

This deficiency makes it difficult for the financing institutions to control the implementing agencies and will be an obstacle for the latter to enter into an integrated computerized system.

Recommendation:

Given the legal status of the entity, we recommend that PDAR apply SAFCO law provisions.

7. Procedures manual not updated

Condition:

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

Criteria:

To ensure adequate control over administrative procedures, the Entity should have manuals that clearly address control methods and timeliness in addition to designating those responsible thereof.

Cause:

The dynamism of operating procedures causes manuals' rapid obsolescence.

Effect:

This weakness makes it difficult to timely acknowledge the need for modifications and effectively apply new regulations in relation to changes approved by the Entity's different levels of authority.

Recommendation:

We recomend that PDAR update its procedures manual at least once a year based on the current operational needs of the Entity.

CHAPARE REGIONAL DEVELOPMENT PROJECT
ACTIVITIES MANAGED BY THE PROGRAM OF ALTERNATIVE
REGIONAL DEVELOPMENT (PDAR)
USAID/BOLIVIA PROJECT No. 511-0543
FOR THE YEAR ENDED DECEMBER 31, 1991

COMPLIANCE WITH AGREEMENT TERMS, PROJECT IMPLEMENTATION

LETTERS, AND APPLICABLE LAWS AND REGULATIONS

INDEPENDENT AUDITOR'S REPORT

We have audited the fund accountability statement of the activities of the Chapare Regional Development Project, USAID/Bolivia Project No. 511-0543, managed by the Program of Alternative Regional Development (PDAR) for the year ended December 31, 1991 and have issued our report thereon dated February 28, 1992.

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

Compliance with laws, regulations, contracts and grants applicable to this portion of the Chapare Regional Development Project is the responsibility of the Program of Alternative Regional Development's management. As part of obtaining reasonable assurance about whether the fund accountability statement is free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, and agreement terms. However, the objective of our audit was not to provide an opinion on overall compliance with such terms and 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 fund accountability statement. The results of our tests of compliance disclosed the material instances of noncompliance disclosed in finding 1 and 2 in this section, the effects of which have been corrected in Program of Alternative Regional Development 1991 fund accountability statement.



We considered these material instances of noncompliance in forming our opinion on whether the Program of Alternative Regional Development's 1991 fund accountability statement is fairly presented, in all material respects, in conformity with generally accepted accounting principles, and this report does not affect our report dated February 28, 1992 on this fund accountability statement.

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

This report is intended solely for the information of the management of the Program of Alternative Regional Development and the U.S. Agency for International Development. This restriction is not intended to limit the distribution of this report which, upon acceptance by the Office of the Inspector General, is a matter of public record.

February 28, 1992

CHAPARE REGIONAL DEVELOPMENT PROJECT
ACTIVITIES MANAGED BY THE PROGRAM OF ALTERNATIVE
REGIONAL DEVELOPMENT (PDAR)
USAID/BOLIVIA PROJECT No. 511-0543
FOR THE YEAR ENDED DECEMBER 31, 1991

REPORT ON COMPLIANCE WITH AGREEMENT TERMS,
PROJECT IMPLEMENTATION LETTERS, AND APPLICABLE LAWS
AND REGULATIONS

FINDINGS

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 amount:

	Withholding from Employees <u>\$US.</u>	Employer Contribution <u>\$US.</u>	Total <u>\$US.</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.

Criteria:

The Entity should comply with local social security regulations unless it can justify that it is not subject to them.

Effect:

The Entity is liable for fines or finance charges.

Recommendation:

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

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 Gaston 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.

Criteria:

The Entity is legally bound to comply with all current Bolivian labor legislation.

Cause:

These issues arise from those responsible for the Entity's management not considering it to be bound by these labor law regulations.

Effect:

The above are all violations to labor regulations.

Recommendation:

We recommend that PDAR give strict compliance to each of the above labor law regulations.

CHAPARE REGIONAL DEVELOPMENT PROJECT
ACTIVITIES MANAGED BY THE PROGRAM OF ALTERNATIVE
REGIONAL DEVELOPMENT (PDAR)
USAID/BOLIVIA PROJECT No. 511-0543
FOR THE YEAR ENDED DECEMBER 31, 1991

LIST OF REPORT RECOMMENDATIONS

REPORT ON INTERNAL CONTROL STRUCTURE

Recommendation No.1:

To solve these problems, we recommend PDAR to do the following:

For a) and c) above:

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.

For b):

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.

Recommendation No.2:

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.

Recommendation No.3:

We recommend that PDAR make such reconciliations 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.

Recommendation No.4:

We recommend PDAR include such information in the immediate impact project files mentioned above to avoid the described weaknesses.

Recommendation No.5:

With a view to make the best possible use of the entity's computer network, we recommend that PDAR conduct a detailed analysis of the current information needs, 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).

Recommendation No.6:

Given the legal status of the entity, we recommend that PDAR apply SAFCO law provisions.

Recommendation No.7:

PDAR we recommend that update its procedures manual at least once a year based on the current operational needs of the Entity.

**COMPLIANCE WITH AGREEMENTS TERMS, PROJECT
IMPLEMENTATION LETTERS, AND APPLICABLE LAWS AND REGULATIONS**

Recommendation No.1:

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

Recommendation No.2:

We recommend that PDAR give strict compliance to each of the above labor law regulations.

AUDIT OF THE
CHAPARE REGIONAL DEVELOPMENT PROJECT, ACTIVITIES
MANAGED BY THE PROGRAM OF ALTERNATIVE
REGIONAL DEVELOPMENT (PDAR)
USAID/BOLIVIA PROJECT No. 511-0543
FOR THE YEAR ENDED DECEMBER 31, 1991

FOLLOW-UP ON PREVIOUS YEAR RECOMMENDATIONS

We have audited the fund accountability statement of the Chapare Regional Development Project activities managed by the Program of Alternative Regional Development (PDAR), for the year ended December 31, 1991.

The scope of our work included a follow-up on the recommendations to improve the Internal Control Structure and Compliance with Agreement Terms, Project Implementation Letters, and Applicable Laws and Regulations presented by the prior external auditor, covering the period January 1, 1990 through December 31, 1990 and presented on February 15, 1991.

During the course of our follow up we reviewed the support documentation for the more important questioned costs (\$us.121.267; Bs412.307); this documentation was also reviewed by USAID/Bolivia.

The following is a summary of our follow-up work:

REPORT ON INTERNAL CONTROL STRUCTURE

FINDINGS

1. Fairlure to complete sub projects carried out by non-governmental organizations on time

Recommendation:

PDAR should improve procedures so that the planning and approval of sub-projects is made on a timely basis. Consequently the disbursements will be made for the sub-project to be commenced in accordance with the operating plan.

Present Condition:

The situation observed during 1990 is connected with problems existing in 1991 related to some PVO's delays in the submission of statements accounting for the funds they received. (Observation No. 3, 1991 Period).

2. Lack of proper procedures to control stores inventories and fixed assets at the commencement of projects carried out by Private Voluntary Organizations

Recommendation:

PDAR should issue rules and procedures that require proper records to control the use of the assets assigned to the sub-projects are in place prior to the commencement of the sub-project.

Present Condition:

Two-fold corrective action was taken in relation to this observation: two financial assistants were hired and procedures were regulated and controls established on warehouses, inventories and fixed assets.

3. Delays in execution of sub projects carried out by PVO's

Recommendation:

PDAR should establish a realistic time table for the presentation of projects to enable the approval process to be carried out without delaying the project. Clear instructions should be implemented for the presentation of requests for disbursements so as to limit to a minimum delays in the disbursement of funds.

Present Condition:

USAID/Bolivia disbursed funds to PDAR only through June 1991. We ascertained that during the first half of 1991 there were no delays in disbursements.

4. Lack of coordination between the various entities to Provide Education and Promotional Material

Recommendation:

PDAR should coordinate the requirements of educational and promotional material, fix priorities and establish a timetable to ensure that all such material is in place when required.

Present Condition:

Educational and promotional material was timely distributed to the various entities during 1991.

5. PDAR had no Accounting Control of Inventories, Costs and Budget

Recommendation:

PDAR should take urgent measures to design and implement adequate accounting systems to control inventories, costs and budgets.

Present Condition:

At present, PDAR records inventory movements on stock cards which are valued in the Accounting Department.

Operating costs are recorded and controled monthly in the above mentioned Department; the budget is prepared by the Accounting Department and controled by the Administrative Manager's Department.

6. Lack of supporting documentation for delivery and reception of material

Recommendation:

PDAR should establish procedures which clearly define the responsibility and accountability for the delivery of materials.

Present Condition:

On the basis of a sample, we were able to verify that during 1991 receipts and issues of materials were properly documented. However, we observed the inexistence of provisional and final reception certificates relating to immediate impact projects.

7. Cost records not maintained on timely basis

Recommendation:

PDAR should design procedures so that the information is recorded when the cost is incurred and management must be provided to use the information to follow-up the program and control the costs of the projects.

Present Condition:

PDAR carries a file for each project, which includes details on the various costs incurred (date, description and amount).

8. Disbursements not properly documented

Recommendation:

PDAR should establish clear and concise procedures to enable the PVOs to administer the projects' funds in accordance with the project agreement and the standards established by the financing agency. The procedures should include adequate description of: (1) disbursement approvals, (2) payroll approvals, (3) petty cash disbursement approvals, (4) separation of duties of personnel involved in the handling of cash, (5) competitive bidding requirements, (6) travel expense authorizations and reimbursements.

Present Condition:

USAID/Bolivia verified that the above disbursements had adequate support documents and reported thereon. In turn, this report served as a basis for our follow up work.

9. Deficiencies in the Cochabamba Warehouse

Recommendation:

PDAR should implement procedures to ensure that all the inventory movements are supported by documentation, which is properly filed.

Present Condition:

Material requisition forms are now issued in numerical sequence.

10. Incorrect preparation of Quarterly Reports

Recommendation:

PDAR should coordinate with USAID/Bolivia to clearly define what information is required to manage the project, who should provide such information and then issue written procedures to ensure that accurate information is obtained on a timely basis.

Present Condition:

The quarterly reports submitted to each financing institution, are prepared in accordance with instructions issued by each institution.

11. Delays in the Construction of Dehydration Plants

Recommendation:

PDAR should make the operating plan on a realistic basis so that the project can be completed in time and there can be proper coordination between the production and the completion of the plant. If possible the time required for approval procedures to be carried out should be reduced so that the sub-projects are carried out in time.

Present Condition:

Corrective action was taken during 1991.

12. Lack of Accountability by the University of San Simon - Cochabamba

Recommendation:

PDAR should take action to recover these funds.

Present Condition:

The above mentioned subproject accounted for 100% of the funds received as shown in the auxiliary ledgers as of 12/31/91.

13. Lack of conclusion reports on immediate impact works

Recommendation:

PDAR should establish proper procedures requiring and ensuring final reports are prepared for all jobs so that a data bank can be formed detailing the experience obtained on each job.

Present Condition:

Under Observation No. 5 (1991 Period) some Immediate Impact projects are detailed as still carrying this deficiency.

14. Lack of ability to capitalize on successes

Recommendation:

PDAR should build a certain flexibility into its original plans to allow modifications if the circumstances change.

Present Condition:

During 1991 PDAR purchased logistic support equipment (vehicles) which enabled it to comply with the Entity's objectives.

15. No evidence of Competitive Bids being obtained for the purchase of goods

Recommendation:

PDAR should issue written purchase procedures laying out the procedures to be followed.

Present Condition:

PDAR now requests and receives offers prior to the purchase of goods and services and in addition, prepares a chart comparing prices, etc.

16. Travel expenses not properly authorized

Recommendation:

PDAR should implement a procedure requiring, in all cases, that supporting travel expenses documentation be reviewed and approved by the responsible person prior to the reimbursement of the expense.

Present Condition:

PDAR supported 1991 travel expense with sufficient valid documents.

**COMPLIANCE WITH AGREEMENT TERMS,
PROJECT IMPLEMENTATION LETTERS, AND
APPLICABLE LAWS AND REGULATIONS**

**Transaction tax not retained from payments for services to
individuals**

Recommendation:

PDAR should make the tax withholding in accordance with the tax law.

Present Condition:

This feature is still valid as pointed out in Observation No. 1 (1991 Period).

ESTRUCTURA DE CONTROL INTERNO

ANEXO I: COMENTARIOS DE LA GERENCIA

Los comentarios en español efectuados oportunamente por la Gerencia de la Entidad son los siguientes:

1. El sistema de desembolsos trimestrales adoptado en este Programa, en nuestro criterio es el más adecuado, debido a que en diferentes fechas se inician trabajos y estudios programados en cada Plan Operativo, como también por la demora en el proceso de licitación, adjudicación para determinados trabajos, esta situación permite disponer de fondos suficientes para la ejecución de nuestros planes y proyectos.

Con referencia al control sobre la tenencia de fondos de las Organizaciones Gubernamentales, ejercitaremos un control más estricto, con el propósito de evitar la pérdida del mantenimiento del valor.

Finalmente, mostramos nuestro acuerdo con la apertura de Cuenta Corriente con cláusula de mantenimiento de valor a los efectos de no perder el poder adquisitivo de los fondos disponibles, situación que será consultada con nuestros financiadores.

2. Las observaciones en este punto en todos los casos se debían a que la información, inicialmente por ellos presentada, fue rechazada porque la documentación respaldatoria respectiva no estaba correctamente elaborada, por estas impresiones se devuelve a las Entidades Ejecutoras correspondientes para las enmiendas y rectificaciones; a la fecha todas cumplieron con los descargos pendientes.
3. El P.D.A.R. al recibir los informes financieros del IBTA/Chapare y del SNC, trimestralmente, implícitamente verifica o efectúa conciliaciones de saldos. Sin embargo, estamos tomando en cuenta esta recomendación con el propósito de ejercitar mayor control sobre saldos que reportan mensual o trimestralmente.

4. La documentación que respalda ciertos pasos en las diferentes etapas de ejecución de obras, conforme a las observaciones planteadas, ya fueron regularizadas.

Asimismo, estamos tomando nota con el propósito de que en el futuro no se repita esta situación.

5. No estamos de acuerdo con el comentario de que la utilización del Hardware no es adecuada; en el Centro de Cómputo ha sido configurada la red en los primeros días de diciembre, razón por la cual no ha sido utilizada en un 100%.

Por otra parte, la red de nuestra oficina ha sido cofigurada con un sistema de seguridad organizado de acuerdo a las necesidades de nuestro proyecto; el uso será gradual a fin de beneficiar, posteriormente, a todo el Programa.

Asimismo, se han tomado las previsiones del caso, para que en coordinación con USAID/Bolivia, se tomen acciones para: aprovechar las bondades de la red al máximo obteniendo paquetes complementarios, la creación de base de datos y otros.

6. Si la observación está relacionada en que no existe uniformidad entre las fuentes de financiamiento, evidentemente, cada una dispone de su propio formato, que solo será posible uniformar en una reunión conjunta que esperamos concretar a la brevedad posible.

7. No está actualizado debido a que con USAID/Bolivia se ha convenido, a principios de la presente gestión, la contratación de una Consultora que adecúe estos manuales al funcionamiento no sólo del PDAR, sino también de los otros componentes del Programa.

CUMPLIMIENTO DE CARTAS, REGULACIONES Y LEYES APLICABLES

ANEXO I: COMENTARIOS DE LA GERENCIA

1. En la gestión 1991, el Programa no aportó al Fondo Nacional de Vivienda, pese a contar con el presupuesto respectivo, por las dificultades que podría provocar a la Entidad con relación a gestiones pasadas donde no se contaba con el presupuesto correspondiente. Esta situación está superada con la iniciación del nuevo proyecto CORDEP, lo que significa que esta recomendación será puesta en práctica a partir del 1ro. de junio de 1992.

2.

a) Si bien es evidente que en el artículo 2º del Decreto Supremo No. 16187 del 16 de febrero de 1979, "No está permitido más de dos contratos sucesivos a plazo fijo...", no es menos cierto que los restantes artículos 1º, 3º, 4º y 5º de la misma disposición legal, establecen los fundamentos que amparan los contratos "a plazo fijo", suscritos para obras, proyectos o programas - como el del desarrollo alternativo regional - hasta la terminación de la obra y/o de los trabajos específicos con ocupaciones y tareas en organismos que por su naturaleza no son empresas permanentes, cuya existencia depende exclusivamente el financiamiento y condiciones acordadas en los convenios bi-nacionales, sancionados con rango de ley por sus respectivos congresos, como es el caso de los convenios suscritos por los Gobiernos de Bolivia y de los Estados Unidos de Norte América: Préstamo AID No. 511-T-067 y Donación AID No. 511-0543.

b) El previo aviso del artículo 12º de la Ley General del Trabajo, se refiere expresa y exclusivamente a los contratos pactados por tiempo indefinido, que no es el caso. Los contratos a plazo fijo no necesitan pre-aviso.

El Ing. Gastón Miranda no fue despedido. Cumplido su contrato de plazo fijo, concluyeron sus servicios en la fecha y condiciones establecidas en las cláusulas segunda y tercera del contrato, cuya conformidad y conocimiento fue expresamente declarado en la cláusula sexta, el 1º de enero de 1991, con 365 días de anticipación. Para mayor información, la conclusión de sus servicios fue expresión de su propia voluntad en el contrato.

- c) Los contratos de nuestro personal vencen el 30 de mayo del presente año, en consecuencia daremos cumplimiento a esta recomendación a partir de la renovación o nuevos contratos.

REPORT DISTRIBUTION

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FA/FM	1
POL/CDIE/DI	1
FA/MCS	1
IG	1
AIG/A	1
D/AIG/A	1
IG/A/PPO	2
IG/LC	1
IG/RM	5
IG/I	1
IG/A/FA	1
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