
**Audit of USAID/Guatemala's
Rural Primary Education Improvement Project
Activities Managed by the
National Bicultural Bilingual Education Program
January 1, 1989 to July 31, 1992**

**Audit Report No. I-520-95-09-N
July 24, 1995**



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



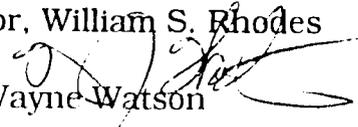
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OFFICE OF THE REGIONAL INSPECTOR GENERAL
SAN JOSE, COSTA RICA

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July 24, 1995

MEMORANDUM

TO: USAID/Guatemala Director, William S. Rhodes

FROM: RIG/A/San José Acting, Wayne Watson 

SUBJECT: Audit of USAID/Guatemala's Rural Primary Education Improvement Project Activities, Managed by the National Bicultural Bilingual Education Program, January 1, 1989 to July 31, 1992

This report presents the results of a financial audit of the loan and grant agreements for the Rural Primary Education Improvement Project activities, managed by the National Bicultural Bilingual Education Program (Program) for the period January 1, 1989, to July 31, 1992. The audit firm affiliate of Arthur Andersen & Co. in Guatemala prepared the report dated June 28, 1993.

On December 27, 1984, USAID/Guatemala and the Government of Guatemala signed a grant and loan agreement for the above project for \$3,300,000 and \$10,204,000 respectively. The project's specific objectives were to: develop systematic education for the monolingual school population of Maya origin; strengthen the identity of the Indian population of Maya origin; develop, implement, and evaluate the bicultural bilingual education curriculum; and strengthen, consolidate, and preserve the purity of native Indian languages. The Program functions as an office through the Directorate of Rural Socio-Educational Development in the Ministry of Education. The project assistance completion date was August 31, 1993.

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

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Arthur Andersen was of the opinion that the fund accountability statement presents fairly, in all material respects, the Program's receipts and expenditures under the agreements, except for questionable costs of \$169,700. The questioned costs of \$56,462 concerned expenses incurred by the Program for amounts that exceeded authorized budgets. Unsupported costs of \$113,238 consisted of expenses for which no original documentation existed.

Regarding the internal control structure, the auditors identified four weaknesses, of which they consider the first three material. The auditors found that the Program: (1) did not prepare fund accountability statements, (2) did not follow proper procedures for preparing liquidation vouchers submitted to USAID/Guatemala, (3) lacked procedures to assure compliance with the terms of the agreements and with applicable laws and regulations, and (4) did not cancel expense vouchers.

Regarding the Program's compliance with the terms of the agreements and applicable laws and regulations, the auditors identified two material instances of noncompliance. The auditors found that the Program did not: (1) maintain documentation to support the required counterpart contributions and (2) prepare an evaluation of scholastic performance and dropout levels, repetitions, and graduations as required.

Although the project ended August 31, 1993, according to USAID/Guatemala officials, the Mission is using the Program in an on-going project. We are therefore recommending action to correct procedural deficiencies identified by the audit firm with respect to the Program's internal control structure as well as recovery of questionable costs. Also, ***we strongly suggest that USAID/Guatemala obtain a full accounting of the Government of Guatemala counterpart contributions provided through the National Bicultural Bilingual Education Program to the project over its life, taking appropriate actions should shortfalls be noted.***

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

Recommendation No. 1

We recommend that USAID/Guatemala resolve the questionable costs of \$169,700 (\$56,462 questioned and \$113,238 unsupported) identified in the Arthur Andersen report dated June 28, 1993, and recover from the National Bicultural Bilingual Education Program the amounts determined to be unallowable.

Recommendation No. 2

We recommend that USAID/Guatemala obtain evidence that the National Bicultural Bilingual Education Program has established procedures that will ensure that the program: (1) prepares fund accountability statements, (2) follows approved procedures for preparing liquidation vouchers submitted to USAID/Guatemala, (3) has designed and implemented policies and procedures for assuring compliance with terms of the agreements and with applicable laws and regulations, and (4) cancels expense vouchers appropriately.

Recommendation No. 1 will be considered resolved upon USAID/Guatemala's determination of the amount of recovery and will be considered closed upon the recovery of funds, offset of funds, or issuance of a bill for collection. Recommendation No. 2 can be resolved when USAID/Guatemala presents an acceptable firm plan of action to correct the reported deficiencies and can be closed when it presents acceptable evidence that the required procedures have been established.

The report was discussed with representatives of the Program who generally agreed with the findings and recommendations included in the report. The Program's comments are included as Annex 1 to the Arthur Andersen report.

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

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

**Audit of USAID/Guatemala's
Rural Primary Education Improvement Project
Activities Managed by the
National Bicultural Bilingual Education Program
January 1, 1989 to July 31, 1992**

**Audit Report No. 1-520-95-09-N
July 24, 1995**

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ANDERSEN

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FINANCIAL AUDIT OF
THE RURAL PRIMARY EDUCATION IMPROVEMENT PROJECT
USAID/GUATEMALA PROJECT No. 520-0282
MANAGED BY
THE NATIONAL BICULTURAL BILINGUAL EDUCATION PROGRAM (PRONEBI)
FOR THE PERIOD
FROM JANUARY 1, 1989 TO JULY 31, 1992

FINANCIAL AUDIT OF
THE RURAL PRIMARY EDUCATION IMPROVEMENT PROJECT
USAID/GUATEMALA PROJECT No. 520-0282
MANAGED BY

THE NATIONAL BICULTURAL BILINGUAL EDUCATION PROGRAM (PRONEBI)

FOR THE PERIOD

FROM JANUARY 1, 1989 TO JULY 31, 1992

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ARTHUR ANDERSEN

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October 25, 1994

Mr. Coinage N. Gothard
Regional Inspector General for Audit
United States Agency for International Development
San Jose, Costa Rica

Dear Mr. Gothard:

This report presents the results of our financial audit of the RURAL PRIMARY EDUCATION IMPROVEMENT PROJECT, USAID/GUATEMALA PROJECT No. 520-0282, implemented by the NATIONAL BICULTURAL BILINGUAL EDUCATION PROGRAM (PRONEBI) for the period from January 1, 1989 through July 31, 1992.

I. BACKGROUND

On December 27, 1984, the United States Agency for International Development in Guatemala (USAID/GUATEMALA) and the Government of Guatemala (GOG), through the Secretariat General of the National Planning Council (SGCNPE), the Ministry of Public Finance and the Ministry of Education, signed Grant Agreement No. 520-0282 for US\$ 3,300,000 and Loan Agreement No. 520-V-038 for US\$ 8,700,000, to provide funds for the RURAL PRIMARY EDUCATION IMPROVEMENT PROJECT implemented by the NATIONAL BICULTURAL BILINGUAL EDUCATION PROGRAM (PRONEBI). By amendment No. 1 of September 27, 1986, the Loan Agreement was increased to US\$ 10,204,000. The end of the Project was scheduled for November 15 and 30, 1990, for the loan and for the donation, respectively. Both dates were extended to July 30, 1993 through Implementation Letter No. 42 of December 22, 1992.

The Project was designed to improve the quality, coverage and efficiency of the services in primary schools for the Indian population of the country. Starting with a pilot program of 40 schools, the USAID bilingual education program developed a new bilingual curriculum and teaching methodology until 800 schools were reached, which in turn reduced repetition and increased the percentages of completion and graduation among Indian children.

The principal disbursement categories of the Project were: (a) research and evaluation; (b) curriculum development; (c) training; (d) educational material and school furniture; (e) administration and supervision; (f) technical

assistance; (g) evaluation and audit; and (h) contingencies. Desks and other school equipment were distributed to 800 schools, and more than 2,700 bilingual teachers were recruited and trained in the use of the new curriculum and the bilingual material, and in the techniques of teaching in their native languages. In addition to the loan and grant funds provided by USAID to meet the goals in each area, the Ministry of Education of the Government of Guatemala undertook to provide counterpart funds of Q 60,692,560.

II. AUDIT OBJECTIVES

The audit was performed in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States (1988 Revision). Consequently, it included tests of accounting records considered necessary in the circumstances.

The specific objectives of the audit were to determine whether:

1. The fund accountability statement of the Project financed with USAID funds reasonably presents, in all material aspects, the income received and costs incurred for the period from January 1, 1989 through July 31, 1992, according to generally accepted accounting principles or another comprehensive base of accounting, including cash based accounting and modifications to this base.
2. The internal control structure is adequate to administer Project activities, through evaluating and obtaining sufficient understanding of the internal control structure of PRONEBI, evaluating control risk, and identifying reportable conditions, including important internal control weaknesses.
3. PRONEBI complied, in all material respects, with the terms of the agreement and with applicable laws and regulations, and to express positive assertion on the matters evaluated and a negative assertion on matters not evaluated.
4. PRONEBI has taken adequate corrective actions on the recommendations of reports of previous audits.

III. SCOPE OF THE WORK

The scope of the work consisted of:

A. Preliminary audit procedures

We reviewed project-related documents to familiarize ourselves with the Project.

B. Examination of fund accountability statement

We examined the Project fund accountability statement for the period from January 1, 1989 through July 31, 1992, including all direct assistance funds received from USAID identified by loan, grant and budget amounts for category and

principal item. Income received from USAID less costs incurred, after taking into account accruals, should reconcile with the cash balance on hand and/or in bank accounts.

C. Internal control structure

We reviewed and evaluated PRONEBI's internal control structure to obtain sufficient understanding of the design of important control policies and procedures, and whether such policies and procedures have been put into practice. The report on the evaluation of the internal control structure identifies the important categories of the internal control structure, reportable conditions which affect the design and operation of the internal control structure, and reportable conditions considered to be significant weaknesses. Minor weaknesses were included in a letter to PRONEBI management. Reportable conditions, including significant weaknesses, are presented in this report as "findings".

D. Compliance with agreement terms and applicable laws and regulations

We verified compliance in all material respects with the terms of the agreement and with applicable laws and regulations, and we observed AICPA AU 801 (SAS No. 69) auditing standards, "Compliance Auditing Applicable to Governmental Entities and Other Recipients of Governmental Financial Assistance". The report includes a positive assertion on matters evaluated and a negative assertion on matters not evaluated, and the important cases of noncompliance which are included as "findings" in this report.

E. Follow-up on recommendations from previous audits

We evaluated the actions taken on the findings and recommendations in the financial audit of PRONEBI performed by the firm Lara & Gonzalez, affiliate of the international firm Touche Ross & Co, as of December 31, 1988.

IV. RESULTS OF THE AUDIT

This section presents a summary of the results of the audit and briefly describes the more important points and problems found, which are commented on in more detail in the relevant sections of this report.

Fund accountability statement

Except for the effect of the following: (1) questionable costs totalling Q 798,734 for the loan and grant agreement (see Note 5); (2) lack of reply to the confirmation sent to the Agency for International Development (USAID) on the amounts contributed to the program; (3) lack of response to confirmation sent to Ministry of Education legal advisors; and (4) lack of response to confirmation sent to the State Accounting Department about counterpart contributions for the Project and (5) lack of a representation letter from PRONEBI's management, the fund accountability statement reasonably presents, in all material respects, the cash receipts and disbursements of the RURAL PRIMARY EDUCATION IMPROVEMENT PROJECT, USAID/GUATEMALA PROJECT No. 520-0282, for the period from January 1, 1989 through July 31, 1992 and its cash balances at July 31, 1992 in accordance with the accounting base described in Note (3) to the fund accountability statement.

Internal control structure

The evaluation of PRONEBI's internal control structure revealed the following reportable conditions. We believe finding Nos. 1 to 3 are material weaknesses.

1. Lack of preparation of a fund accountability statement.

PRONEBI does not follow the practice of preparing an accumulated fund accountability statement for Project activities. As of 1991, a fund accountability statement began to be prepared monthly and for the year, but it was not an accrued statement over the life of the Project. In addition, PRONEBI does not make reconciliations between the net of income and disbursements and the cash on hand and in banks in order to investigate any differences. Due to this, the balance in banks at July 31, 1992 exceeded by Q 39,170 the net balance between income and expenditure for the period from January 1, 1989 through July 31, 1992.

2. Lack of follow-up to methodology to prepare liquidations of disbursements.

PRONEBI is not following the methodology defined in its manual of administrative and accounting procedures to prepare disbursement liquidations which are submitted to USAID for reimbursement. A liquidation includes disbursements for several months, which causes the following: (1) it is difficult to verify whether a check has not been liquidated or has been liquidated more than once, because they are not detailed in running order, and (2) it is difficult to make monthly reconciliations between the accounting records (bank books) and liquidations, as no monthly counts are made of these liquidations.

3. Lack of defined procedures to assure compliance with the terms of the agreements and with applicable laws and regulations.

Responsibility of verifying whether the agreement terms and applicable laws and regulations are being complied with is not assigned to specific PRONEBI employees.

4. Expense vouchers are not cancelled.

Compliance with terms of the agreements and applicable laws and regulations

Except for the material noncompliance situations described in finding Nos. 1 and 2, the results of our compliance tests indicate that, with respect to matters tested, PRONEBI complied, in all material respects, with the terms of the agreements and applicable laws and regulations which could have a significant effect on the fund accountability statement. With respect to matters not tested, nothing came to our attention that caused us to believe that PRONEBI had not

complied, in all material respects, with the terms of the agreements and with applicable laws and regulations. The following is a summary of finding Nos. 1 and 2:

1. Lack of evidence of counterpart contributions

PRONEBI has no detailed information on funds which the Government of Guatemala should have contributed to the Project as counterpart (Q 60,692,560). The State Accounting Department sends to entities financed with funds from abroad only a report of execution of the budget at the global level (loan, grant and counterpart) and budget item.

2. Noncompliance with implementation letter No. 59 of grant agreement.

PRONEBI did not prepare an evaluation of scholastic performance and dropout levels, repetitions and graduations in the complete bilingual schools for the school years from 1985 to 1988.

Follow-up on recommendations from previous audits

Except as commented on below, PRONEBI has adopted corrective measures to implement the recommendations included in the audit report at December 31, 1988 of the auditing firm of Lara & Gonzalez issued in December 1989.

- PRONEBI has not reconciled the differences between its accounting records and expense reports submitted to USAID in order to make the corresponding adjustments. In addition, USAID/Guatemala has not notified PRONEBI that it has no responsibility for the vehicles and equipment which USAID has delivered directly to the Ministry of Education.
- PRONEBI has not recorded Q 4,150 of loan funds and Q 303,794 of grant funds for payments made directly by USAID/Guatemala, which were not recorded in the books of accounts at December 31, 1988.
- The basis for PRONEBI's reports and financial information is not obtained from official books of account, and they are not reconciled monthly with the subsidiary records, with statements of account, and with USAID/Guatemala records.
- PRONEBI is not taking advantage to the maximum of the accounting package installed in the computer equipment. Bank reconciliation, budget and fixed assets applications have not been installed into the system. In addition, financial statements issued by the system do not have integrations by account. All this is due in part to the fact that personnel have not received training in management of the accounting package.
- PRONEBI has not established certain subsidiary ledgers to reconcile monthly with each position in the balance sheet.

- There is no evidence that USAID/Guatemala has verified the continuing existence of the 73 vehicles and tools and equipment provided to the Ministry of Education in July, 1988, nor evidence of having asked the Ministry to exercise controls over the use of these vehicles with the same formality as PRONEBI.
- PRONEBI has not recovered the vehicle delivered to the Ministry of Education in May, 1986, nor the cost of fuel and tires provided to the Director of the Rural Socio-Educational Department of the Ministry of Education.
- PRONEBI's warehouse does not meet minimum requirements of security and location.
- PRONEBI has not established an adequate internal control system on Project inventories to include monthly reconciliations between warehouse kardex and accounting records, periodic physical inventories, and supervision. There is no policy to investigate inventory shortages and lay the responsibility where it should fall.
- The Director of the Rural Socio-Educational Department of the Ministry of Education (SER) still participates in Project decisions in such a manner as to interfere with PRONEBI's authority in the administration of the Project in accordance with the terms of the agreement.
- PRONEBI has not refunded the Project the Q 10,345 charged to it, which correspond to the amount of inventory stolen in June, 1987.
- PRONEBI does not carry out periodic physical inventories of office furniture and equipment located in the central and departmental offices and in the beneficiary schools. These inventories should be reconciled with the subsidiary records and the general ledger.
- Fixed assets acquired with project funds do not have (1) a label indicating source of financing and control number; (2) an emblem indicating that they were provided by the United States Government.
- PRONEBI does not make the employer's contribution nor withhold from its employees those discounts required by law (Social Security Institute and Income Tax). Moreover, no request has been made to the Ministry of Education for payment of the employer's contribution to the Social Security Institute to be authorized as part of the budget approved.
- USAID/Guatemala has not required the Government of Guatemala to exclude from the counterpart budget those positions of teachers and other Ministry of Education personnel who have no relation to the project implemented by PRONEBI. In addition, PRONEBI does not have evidence to verify whether the Government of Guatemala contributed additional counterpart resources to comply with the contributions required under the agreement up to December 31, 1988.

- USAID/Guatemala or PRONEBI did not contract independent audits every two years as required by the terms of the agreement.
- PRONEBI does not have a maintenance plan for the school furniture distributed to the different beneficiary schools.
- PRONEBI does not periodically report to USAID/Guatemala on the degree of compliance with the requirements laid down in the agreement and implementation letters.

V. COMMENTS OF THE ADMINISTRATION

On July 26, 1993, and with previous authorization from USAID/Guatemala, the draft report was sent to PRONEBI for discussion, with the purpose of obtaining management's comments. Nevertheless, on July 28, 1993 PRONEBI's employees went on strike due to the lack of payment of salaries for several months.

As per request of the Regional Inspector Office of USAID in Costa Rica, on June 1994 we required the comments of PRONEBI's administration again, which we received on August 4, 1994 and which are included in Annex I.

Arthur Andersen & Co.

THE RURAL PRIMARY EDUCATION IMPROVEMENT PROJECT
USAID/GUATEMALA PROJECT No. 520-0282
MANAGED BY

THE NATIONAL BICULTURAL BILINGUAL EDUCATION PROGRAM (PRONEBI)

FUND ACCOUNTABILITY STATEMENT

FOR THE PERIOD FROM JANUARY 1, 1989 TO JULY 31, 1992

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying fund accountability statement of the RURAL PRIMARY EDUCATION IMPROVEMENT PROJECT, USAID/GUATEMALA PROJECT No. 520-0282, managed by the NATIONAL BICULTURAL BILINGUAL EDUCATION PROGRAM (PRONEBI) (a decentralized entity organized in the Republic of Guatemala), for the period from January 1, 1989 to July 31, 1992. This fund accountability statement is the responsibility of the management of PRONEBI. Our responsibility is to express an opinion on this fund accountability statement based on our audit.

Except as described in paragraphs (3) to (6) below, we performed our audit in accordance with general accepted auditing standards and, except as described in paragraph (1), in accordance with the Government Auditing Standards issued by the Comptroller General of the United States (1988 Revision). Both 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 the Administration, as well as evaluating the overall fund accountability statement presentation. We believe that our audit provides a reasonable basis for our opinion.

- (1) Our organization does not have an external quality control review by another accounting firm as required by paragraph 46 of chapter 3 of Government Auditing Standards issued by the United States Comptroller General (1988 Revision) as a quality control program is not required by professional standards in Guatemala. We believe that the effect of this departure from the financial audit requirements of Government Auditing Standards is not material as we participate in the Arthur Andersen & Co. worldwide internal quality control program and are subjected, every three years, to a quality control review by partners and managers from other Arthur Andersen & Co. offices.
- (2) As explained in Note (5) to the fund accountability statement, in the disbursements for the period from January 1, 1989 through July 31, 1992, there are questionable costs totalling Q 798,734 for the loan and grant agreements.

- (3) We received no reply to the confirmation sent to the Agency for International Development in Guatemala (USAID/Guatemala) (the entity financing the Project) on the amounts contributed to the program in the period from January 1, 1989 through July 31, 1992 and for the period accrued to that date, for which reason our review was limited to examining the documentation supporting the entity's accounting records.
- (4) We received no reply to the confirmation sent to the legal advisory department of the Ministry of Education, for which reason we do not know whether PRONEBI is involved in court cases, litigation or income tax or any other claim in process at July 31, 1992, or whether these advisors know of instances of noncompliance with the terms of the agreements or with applicable laws and regulations which require disclosure in this report.
- (5) We obtained no confirmation from the State Accounting Department about the counterpart contributions to the Project, and PRONEBI does not have detailed information thereon. For this reason, we could not develop auditing procedures to determine whether the Government of Guatemala has complied with the counterpart contributions of Q 60,692,560 for the Project, under the terms of the agreements and implementation letters (see Finding No. 1 on compliance with terms of the agreements and applicable laws and regulations).
- (6) We did not obtain a representation letter from PRONEBI, which is required by generally accepted auditing standards, because the current administration considers it cannot make assertions about matters which could have occurred previous to the date of the beginning of their management within the project.
- (7) As explained at Note (3), the fund accountability statement was prepared on the basis of cash received and disbursements made, which is a comprehensive accounting base different from generally accepted accounting principles.

In our opinion, except for the effect of matters described in the preceding paragraphs (2) to (6), the fund accountability statement referred to above present fairly, in all material respects, the cash receipts and disbursements of the RURAL PRIMARY EDUCATION IMPROVEMENT PROJECT, USAID/GUATEMALA PROJECT No. 520-0282, managed by the NATIONAL BICULTURAL BILINGUAL EDUCATION PROGRAM (PRONEBI), for the period from January 1, 1989 to July 31, 1992 and its cash balances at July 31, 1992 on the accounting base described in Note (3).

This report is intended for the information and use of the NATIONAL BICULTURAL BILINGUAL EDUCATION PROGRAM (PRONEBI) and the United States Agency for International Development. However, 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.

Arthur Andersen & Co.

Guatemala, C. A.

June 28, 1993

RURAL PRIMARY EDUCATION IMPROVEMENT PROJECT

USAID/GUATEMALA PROJECT No. 520-0282

MANAGED BY THE NATIONAL BICULTURAL BILINGUAL EDUCATION PROGRAM (PRONEBI)

FUND ACCOUNTABILITY STATEMENT

OF GRANT AGREEMENT No. 520-0282 AND LOAN No. 520-V-038

FOR THE PERIOD FROM JANUARY 1, 1989 TO JULY 31, 1992

| <u>Budget category</u> | <u>Budget according to Project implementation letters</u> | | | <u>Actual</u> | | | <u>Questionable costs (Note 5)</u> | |
|--|---|-------------------------------------|--------------|-------------------------------------|-------------------------------------|--------------|------------------------------------|--------------------|
| | <u>Grant agreement No. 520-0282</u> | <u>Loan agreement No. 520-V-038</u> | <u>Total</u> | <u>Grant agreement No. 520-0282</u> | <u>Loan agreement No. 520-V-038</u> | <u>Total</u> | <u>Questioned</u> | <u>Unsupported</u> |
| INCOME: | | | | | | | | |
| Funds received from- USAID/Guatemala | Q 5,778,040 | Q 11,006,429 | Q 16,784,469 | Q 3,358,232 | Q 3,756,937 | Q 7,115,169 | | |
| Global revolving fund of Government of Guatemala (Note 7) | - | - | - | - | 1,437,747 | 1,437,747 | | |
| | 5,778,040 | 11,006,429 | 16,784,469 | 3,358,232 | 5,194,684 | 8,552,916 | | |
| DISBURSEMENTS: | | | | | | | | |
| Research and evaluation | 795,750 | 89,269 | 885,019 | 493,020 | 5,657 | 498,677 | Q 22,115 | Q 20,269 |
| Curriculum development | 513,200 | 545,634 | 1,058,834 | 359,697 | 71,148 | 430,845 | - | 15,303 |
| Training | 1,926,660 | 2,944,415 | 4,871,075 | 734,077 | 547,188 | 1,281,265 | - | 127,048 |
| Educational material and school furniture | 375,000 | 2,209,790 | 2,584,790 | 1,500 | 1,823,253 | 1,824,753 | - | 267,365 |
| Administration and supervision | 1,466,355 | 5,019,849 | 6,486,204 | 1,244,726 | 2,576,931 | 3,821,657 | 243,638 | 80,567 |
| Technical assistance | 499,075 | - | 499,075 | 319,608 | - | 319,608 | - | 21,431 |
| Evaluation and audit | 202,000 | 197,472 | 399,472 | 49,773 | 180,000 | 229,773 | - | 998 |
| | Q 5,778,040 | Q 11,006,429 | Q 16,784,469 | 3,202,401 | 5,204,177 | 8,406,578 | Q 265,753 | Q 532,981 |
| EXCESS (DEFICIT) OF INCOME OVER DISBURSEMENTS | | | | 155,831 | (9,493) | 146,338 | Q 798,734 | |
| REIMBURSEMENTS TO USAID/GUATEMALA | | | | (292,225) | - | (292,225) | ***** | |
| CASH ON HAND AND IN BANKS AT JANUARY 1, 1989 | | | | 91,017 | 27,541 | 118,558 | (Note 5) | |
| BALANCE OF FUND AT JULY 31, 1992 | | | | (45,377) | 18,048 | (27,329) | | |
| CASH ON HAND AND IN BANKS AT JULY 31, 1992 | | | | 150 | 11,691 | 11,841 | | |
| UNCLEARED (OVERAGE) SHORTAGE | Q (45,527) | Q 6,357 | Q (39,170) | | | | | |

The attached notes to the fund accountability statement should be read jointly with this statement.

RURAL PRIMARY EDUCATION IMPROVEMENT PROJECT
USAID/GUATEMALA PROJECT No. 520-0282
MANAGED BY

THE NATIONAL BICULTURAL BILINGUAL EDUCATION PROGRAM (PRONEBI)

NOTES TO THE FUND ACCOUNTABILITY STATEMENT

FOR THE PEI, OD FROM JANUARY 1, 1989 TO JULY 31, 1992

(1) Description of project

On December 27, 1984, the United States Agency for International Development in Guatemala (USAID/GUATEMALA) and the Government of Guatemala (GOG), through the Secretariat General of the National Planning Council (SGCNPE), the Ministry of Finance and the Ministry of Education, signed Grant Agreement No. 520-0282 for US\$ 3,300,000 and Loan Agreement No. 520-V-038 for US\$ 8,700,000, in order to provide funds for the RURAL PRIMARY EDUCATION IMPROVEMENT PROJECT which was implemented by the NATIONAL BICULTURAL BILINGUAL EDUCATION PROGRAM (PRONEBI). Under amendment 1 of September 17, 1986, the Loan Agreement was increased to US\$ 10,204,000. The Project was scheduled to end on November 15 and 30, 1990 for the loan and grant respectively. Both dates were extended to July 30, 1993 by Implementation Letter No. 42 of December 22, 1992.

The budget presented in the fund accountability statement for the period from January 1, 1989 to July 31, 1992 is for the amounts approved in quetzales according to the Implementation Letters which USAID issued for this period.

The principal objective of the Project was to strengthen and institutionalize a system of education meeting the needs of main groups speaking the Quiche, Mam, Cakchiquel and Kekchi Indian languages in the highlands of Guatemala. Educational support was provided through training of personnel, development and application of bilingual education material, and school equipment and furniture. The aim of the Project was to provide bilingual teaching at primary level (mother tongue and Spanish) to approximately 260,000 indian children speaking the groups of Maya languages mentioned above.

(2) Brief history of the implementing entity

The NATIONAL BICULTURAL BILINGUAL EDUCATION PROGRAM (PRONEBI) is an office attached to the Directorate of Rural Socio-Educational Development (SER) of the Ministry of Education, and was created by Government Order No. 1093-84 of December 20, 1984.

PRONEBI is charged with the planning, organization, development, supervision and evaluation of education resources to facilitate and make more technical the education of monolingual indian children in Guatemala. Its specific objectives are to:

- Develop systematic education scientifically and technically for the monolingual school population of Maya origin.
- Strengthen the identity of the indian population of Maya origin, with its own cultural values, to respond to its authentic needs and legitimate interests.
- Develop, implement and evaluate the bicultural bilingual education curriculum.
- Strengthen, consolidate and preserve the purity of indian languages of Maya origin.

(3) Principal accounting policies

Basis of presentation

The Project fund accountability statement was prepared on the basis of cash received and disbursements made, which is a comprehensive accounting base different from generally accepted accounting principles. This base differs from generally accepted accounting principles in that it does not record accruals, and purchases of property and equipment are recorded as disbursements instead of being capitalized. Cash received and disbursements may also include the net product of loans.

The fund accountability statement was prepared on the basis of subsidiary records (bank books and expense liquidations) and does not include direct purchases made by USAID for account of the Project nor counterpart contributions from the Government of Guatemala. Management of the project does not have information regarding counterpart contributions.

Income and disbursements are recorded as follows:

Grant: Income is recorded on the basis of advance of funds received from USAID/Guatemala. Advances are reduced through the submission of liquidation vouchers. Disbursements are recorded on the basis of the liquidation vouchers sent to USAID/Guatemala.

Loan: Income is recorded on the basis of advance of funds received from the Global Revolving Fund of the Government of Guatemala and from USAID/Guatemala.

Advances from USAID/Guatemala are reduced through the submission of liquidation vouchers, and advances from the Government of Guatemala are reduced through reimbursement of funds.

Disbursements are recorded on the basis of the liquidation vouchers sent to USAID/Guatemala.

(4) Monetary unit

PRONEBI accounting records for Project purposes are kept in quetzals (Q), the official currency of the Republic of Guatemala. At July 31, 1992, the quetzal was quoted on the bank market, in relation to the United States dollar, at Q 5.14: US\$ 1.00 (as of January 1, 1989, it was Q 2.70 per US\$ 1). Contributions (advances and/or refunds) from USAID for the Project were in quetzals, which were acquired through the sale of dollars to the Bank of Guatemala at the rate of exchange in effect on date of transaction.

(5) Questionable costs

In the costs presented in the fund accountability statement for the period from January 1, 1989 through July 31, 1992, there are questionable costs which are detailed below:

| | <u>Loan</u> <u>agreement</u> | <u>Grant</u> <u>agreement</u> | <u>Total</u> |
|---|---------------------------------|----------------------------------|--------------|
| Questioned (ineligible) | | | |
| - Expenses made by PRONEBI for amounts higher than budgets authorized by USAID/Guatemala | | | |
| (The loan and grant agreements do not contain provisions allowing PRONEBI to exceed any percentage of individual budget line items) | | | |
| . Administration and supervision: | | | |
| Transportation of school furniture paid by PRONEBI, as follows: | | | |
| <u>No. Check</u> | <u>Date</u> | <u>Value</u> | |
| 280760 | Oct-19-89 | Q 10,400 | |
| 281020 | Dec-04-89 | 21,435 | |
| 1405 | May-18-92 | 86,555 | |
| 1444 | Jun-05-92 | 139,610 | |
| 1451 | Jul-16-92 | 112,150 | |
| | | <hr/> | |
| | | 370,150 | |
| Less - budget for the 1989 to 1991 periods | | 150,000 | Q 220,150 |
| | | <hr/> | <hr/> |
| Carried forward... | | Q 220,150 | Q - |
| | | <hr/> | <hr/> |
| | | Q 220,150 | Q 220,150 |

| | <u>Loan agreement</u> | <u>Grant agreement</u> | <u>Total</u> |
|---|---------------------------|----------------------------|--------------|
| Brought forward... | Q 220,150 | Q - | Q 220,150 |
| Printing of calendars paid by PRONEBI, as follows: | | | |
| <u>No. Check</u> | <u>Date</u> | <u>Value</u> | |
| 858589 | Jun-19-90 | Q 8,798 | |
| 1004815 | Dec-28-90 | 22,050 | |
| 1447 | Dec-13-91 | 27,640 | |
| | | 58,488 | |
| Less - Budget according to implementa- tion letter No. 61 of Nov-09-89 | | 35,000 | 23,488 |
| | | | 23,488 |
| . Research and evaluation: | | | |
| Purchase of computer equipment by PRONEBI under check No. 006 of Feb-13-91 | | 105,015 | |
| Less - Budget according to implementa- tion letter No. 61 of Nov-09-89 | | 82,900 | 22,115 |
| | | | 22,115 |
| Total questioned (ineligible) costs | | 220,150 | 265,753 |
| | | | 45,603 |

Unsupported

- Liquidation of expenses for which there is no original documentation. We observed photocopies of the documentation only and the originals were not found by the Guatemalan Supreme Audit Institution, which is in charge of filing such documentation

| <u>Liquidation No.</u> | <u>Date</u> | | | |
|----------------------------|-------------|-----------|----------|-----------|
| 53/89 | Apr-14-89 | - | 47,672 | 47,672 |
| 54/89 | Apr-14-89 | - | 49,212 | 49,212 |
| 42/89 | Apr-17-89 | 114,461 | - | 114,461 |
| | | | | 114,461 |
| Carried forward... | | Q 114,461 | Q 96,884 | Q 211,345 |

| | | <u>Loan agreement</u> | <u>Grant agreement</u> | <u>Total</u> |
|------------------------------|-------------|---------------------------|----------------------------|--------------|
| Brought forward... | | Q 114,461 | Q 96,884 | Q 211,345 |
| <u>Liquidation</u> | | | | |
| <u>No.</u> | <u>Date</u> | | | |
| 55/89 | Apr-17-89 | - | 83,523 | 83,523 |
| 44/89 | Apr-26-89 | 38,012 | - | 38,012 |
| 108/90 | Feb-21-91 | 200,101 | - | 200,101 |
| | | | | |
| Total without proper support | | 352,574 | 180,407 | 532,981 |
| | | | | |
| Total questionable costs | | Q 572,724 | Q 226,010 | Q 798,734 |
| | | | | |

Using the average of the Quetzal exchange rates with respect to the US Dollar as of December 31 of the years 1989 through 1992, questionable costs amount to approximately US\$ 169,700.

(6) Subsequent events

The loan agreement bank account showed the following movements after July, 31, 1992:

| | <u>Balance</u> |
|---|----------------|
| Balance in banks as of July 31, 1992 | Q 11,691 |
| Plus- | |
| Cash received from USAID/Guatemala in September, 1992 | 225,519 |
| Less- | |
| August 1992 expenses | (2,813) |
| Refund by PRONEBI to the National Treasury for the global revolving fund | (153,224) |
| | |
| Balance in banks at October 31, 1992 | Q 81,173 |
| | |

(7) Funds received from the global revolving fund
of the Government of Guatemala

This item is in respect to funds from the USAID/Guatemala loan agreement received by the Government of Guatemala through the global revolving fund and transferred by the Government to PRONEBI. During the period audited and accumulated at July 31, 1992, the following movement was made:

| | Accumulated from Oct-01-85 to Dec-31-88 <u>(unaudited)</u> | From the period Jan-01-89 to Jul-31-92 | Accumulated from Oct-01-85 to Jul-31-92 |
|---|--|---|--|
| Income received from the global revolving fund of the Government of Guatemala | Q 3,931,500 | Q 2,878,301 | Q 6,809,801 |
| Less | | | |
| Refund of funds received in excess from the Government and returned to it by PRONEBI on receipt of funds from USAID/Guatemala | <u>(3,176,265)</u> | <u>(1,440,554)</u> | <u>(4,616,819)</u> |
| Net income received from the global revolving fund by PRONEBI from the loan agreement | <u>Q 755,235</u> | <u>Q 1,437,747</u> | <u>Q 2,192,982</u> |

(8) Fund accountability statements for the period from the first disbursement to July 31, 1992

Below we present the fund accountability statements for the Loan and Grant Agreements for the period from the first disbursement to July 31, 1992:

RURAL PRIMARY EDUCATION IMPROVEMENT PROJECT
USAID/GUATEMALA PROJECT No. 520-0282
MANAGED BY THE NATIONAL BICULTURAL BILINGUAL EDUCATION PROGRAM (PRONEBI)

FUND ACCOUNTABILITY STATEMENT
OF GRANT AGREEMENT No. 520-0282

AS OF JULY 31, 1992

| <u>Budget category</u> | <u>Budget according to implementation letters</u> | <u>Balances accumulated from Oct-01-85 to Dec-31-88 a/</u> | <u>Balances for the period from Jan-01-89 to Jul-31-92</u> | <u>Total balances accumulated from Oct-01-85 to Jul-31-92</u> |
|---|---|--|--|---|
| INCOME: | | | | |
| Funds received from USAID/Guatemala | Q 10,962,042 | Q 4,266,796 | Q 3,358,232 | Q 7,625,028 |
| DISBURSEMENTS: | | | | |
| Research and evaluation | 1,372,573 | 313,461 | 493,020 | 806,481 |
| Curriculum development | 624,700 | 76,031 | 359,697 | 435,728 |
| Training | 3,621,069 | 1,175,868 | 734,077 | 1,909,945 |
| Educational material and school furniture | 431,177 | 24,860 | 1,500 | 26,360 |
| Administration y supervision | 2,222,702 | 612,342 | 1,244,726 | 1,857,068 |
| Technical assistance | 2,225,575 | 1,923,541 | 319,608 | 2,243,149 |
| Evaluation and audit | 339,200 | 46,817 | 49,773 | 96,590 |
| Contingencies and inflation | 125,046 | 4,968 | - | 4,968 |
| | <u>Q 10,962,042</u> | <u>Q 4,177,888</u> | <u>Q 3,202,401</u> | <u>Q 7,380,239</u> |
| EXCESS OF INCOME OVER DISBURSEMENTS | | | | 244,739 |
| REIMBURSEMENTS TO USAID/GUATEMALA | | | | (292,225) |
| BALANCE OF FUND AS OF JULY 31, 1992 | | | | (47,486) |
| CASH ON HAND AND IN BANKS AT JULY 31, 1992 | | | | 150 |
| UNCLEARED (OVERAGE) | | | | <u>Q (47,636)</u> |

a/ These balances were audited by other independent auditors whose report dated December 18, 1989, expressed a qualified opinion.

THE RURAL PRIMARY EDUCATION IMPROVEMENT PROJECT
USAID/GUATEMALA PROJECT No. 520-0282
MANAGED BY

THE NATIONAL BICULTURAL BILINGUAL EDUCATION PROGRAM (PRONEBI)

INTERNAL CONTROL STRUCTURE

INDEPENDENT AUDITORS' REPORT

We have audited the fund accountability statement of the RURAL PRIMARY EDUCATION IMPROVEMENT PROJECT, USAID/GUATEMALA PROJECT No. 520-0282, managed by the NATIONAL BICULTURAL BILINGUAL EDUCATION PROGRAM (PRONEBI) (a decentralized entity organized in the Republic of Guatemala), for the period from January 1, 1989 to July 31, 1992 and we have issued our report in which we expressed a qualified opinion dated June 28, 1993.

Except for not having an external quality control review conducted by another accounting firm as fully described in our report on the fund accountability statement, and as mentioned in paragraphs (3) to (6) of such report, 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). Both standards require that we plan and perform our audit to obtain reasonable assurance about whether the fund accountability statement is free of material misstatement.

In planning and performing our audit of the fund accountability statement of the RURAL PRIMARY EDUCATION IMPROVEMENT PROJECT, USAID/GUATEMALA PROJECT No. 520-0282, for the period from January 1, 1989 to July 31, 1992, we considered the internal control structure of the NATIONAL BICULTURAL BILINGUAL EDUCATION PROGRAM (PRONEBI) 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 the NATIONAL BICULTURAL BILINGUAL EDUCATION PROGRAM (PRONEBI) 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 the internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that the 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 basis of accounting described in Note (3) to the fund accountability statement. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following economic cycles: (1) financial information: preparation of reports; (2) conversion: control of fixed assets and inventories; (3) purchases; (4) payrolls; and (5) treasury: cash management.

For all of the internal control structure economic cycles 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 operations that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize and report financial data consistent with the assertions of management included in the fund accountability statement. Our evaluation of PRONEBI's internal control structure related to Project activities, disclosed the reportable conditions which are described in finding Nos. 1 to 4 included on the following pages of this report.

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

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control that might be reportable conditions, and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined in the foregoing paragraph. However, we believe that finding Nos. 1 to 3 are material weaknesses.

In addition, we noted other matters involving the internal control structure and its operation that we have considered are not reportable conditions which have been reported to the management of PRONEBI in a separate letter dated June 28, 1993.

This report is intended for the information and use of the NATIONAL BICULTURAL BILINGUAL EDUCATION PROGRAM (PRONEBI) and the United States Agency for International Development. However, 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.

Arthur Andersen & Co.

Guatemala, C. A.

June 28, 1993

THE RURAL PRIMARY EDUCATION IMPROVEMENT PROJECT
USAID/GUATEMALA PROJECT No. 520-0282
MANAGED BY

THE NATIONAL BICULTURAL BILINGUAL EDUCATION PROGRAM (PRONEBI)

INTERNAL CONTROL STRUCTURE

FINDINGS

1. Lack of preparation of fund accountability statement

Condition

PRONEBI does not follow the practice of preparing an accumulated fund accountability statement for Project activities. As of 1991, a fund accountability statement began to be prepared monthly and for the year but no accrued statement was prepared for the life of the project. In addition, PRONEBI does not make reconciliations between the net of income and disbursements and the cash on hand and in banks in order to investigate any differences. Due to this, the balance in banks at July 31, 1992 exceeded by Q 39,170 the net balance between income and disbursements for the period from January 1, 1989 through July 31, 1992.

Criteria

According to generally accepted accounting principles, PRONEBI should keep proper records to show (1) accuracy, updating and reporting on each project activity; (2) source and application of project funds for each agreement; and (3) Project fund balances which should be reconciled with cash on hand and in banks.

Cause

The administrative accounting procedures manual does not clearly define the need to prepare an accumulated fund accountability statement during the life of the project. It only requires the preparation of this statement monthly and accumulated for the year.

Effect

There is no timely information on activities implemented during the life of the project. It is also impossible to lay responsibility for cash shortages and overages.

Recommendation

We suggest that for future projects PRONEBI prepare a fund accountability statement showing: (1) income and disbursements for the month, year and accumulated life of the project, and (2) the fund balance (income less expenditures), which should coincide with cash on hand and in banks, and if there is any difference, it should be investigated. Prior to the preparation of such a statement, income should be reconciled with contributions according to USAID or the revolving fund, as applicable, and expenditures against accounting records (bank books). This procedure should be defined more fully in the administrative accounting procedures manual. PRONEBI should also investigate the difference in excess of cash in banks at July 31, 1992 of Q 39,170 against the net of income and disbursements for the period from January 1, 1989 through July 31, 1992.

2. The methodology for preparing liquidation vouchers is not being followed

Condition

PRONEBI uses the cash advance system for the project. These advances are reduced by submitting liquidation vouchers to USAID. Checks issued by PRONEBI representing its expenditures for the month are submitted in summary to USAID in a monthly liquidation voucher. However, we noted the following deficiencies in this procedure:

1. Checks issued by PRONEBI and included in the liquidation vouchers are not recorded in running order.
2. The liquidation vouchers include checks for several months.
3. The liquidation vouchers are not reconciled with PRONEBI's bank book.

Criteria

PRONEBI's administrative procedures manual provides that: (1) liquidation vouchers should be prepared in monthly periods and that the checks summarized in these vouchers should be recorded in running order, and (2) that the liquidation vouchers should be reconciled with the bank book.

Cause

Personnel presently employed did not know the policy defined in the administrative accounting procedures manual concerning liquidation vouchers presented to USAID/Guatemala.

Effect

Noncompliance with the administrative accounting procedures can occasion errors in the presentation of the fund accountability statement, as disbursements could go unrecorded or be recorded more than once. Moreover, errors might occur and not be detected timely.

Recommendation

We suggest that for future projects PRONEBI put into practice the procedure described in its administrative accounting procedures manual relative to disbursement liquidations presented to USAID/Guatemala.

3. Lack of defined procedures to assure compliance with the terms of the agreements and with applicable laws and regulations

Condition

Responsibility for verifying that the terms of the agreements and applicable laws and regulations are being complied with is not assigned to specific PRONEBI employees.

Criteria

In a control environment, which is one of the elements of an internal control structure, employees play an important role in verifying whether the structure is operating properly. In this respect, responsibility for assuring compliance with the terms of agreements and with applicable laws and regulations should be assigned to different employees.

Cause

The administrative accounting procedures manual does not define the responsibilities of each job in reference to compliance with agreement terms and applicable laws and regulations.

Effect

There is an increase in the risk that PRONEBI is not in compliance with agreement terms and applicable laws and regulations which could incur additional costs for the project, and increase the possibility that project goals will not be achieved.

Recommendation

We suggest that PRONEBI define in the administrative accounting procedures manual the responsibility of each employee to assure compliance with agreement terms and applicable laws and regulations. In addition, the PRONEBI's administration should verify that each employee complies with this responsibility so that in future projects instances of noncompliance will not occur.

4. Expense vouchers are not cancelled

Condition

Expense vouchers are not cancelled with a stamp indicating the date and number of the check with which paid.

Criteria

The cancellation of documents with a stamp is one of the most recognized and practiced internal control procedures.

Cause

This practice was discontinued because of changes in personnel.

Effect

The risk is increased of a document being paid more than once and being included, as a result, in more than one of the expense liquidations presented to USAID.

Recommendation

We suggest that in the implementation of future projects PRONERI cancel all expense vouchers attached to checks by stamping them with the date and number of the check with which paid.

THE RURAL PRIMARY EDUCATION IMPROVEMENT PROJECT
USAID/GUATEMALA PROJECT No. 520-0282
MANAGED BY

THE NATIONAL BICULTURAL BILINGUAL EDUCATION PROGRAM (PRONEBI)

COMPLIANCE WITH AGREEMENT TERMS AND
APPLICABLE LAWS AND REGULATIONS

INDEPENDENT AUDITORS' REPORT

We have audited the fund accountability statement of the RURAL PRIMARY EDUCATION IMPROVEMENT PROJECT, USAID/GUATEMALA PROJECT No. 520-0282, managed by the NATIONAL BICULTURAL BILINGUAL EDUCATION PROGRAM (PRONEBI) (a decentralized entity organized in the Republic of Guatemala), for the period from January 1, 1989 to July 31, 1992, and we have issued our report in which we expressed a qualified opinion dated June 28, 1993.

Except for not having an external quality control review conducted by another accounting firm as fully described in our report on the fund accountability statement and except as mentioned in paragraphs (3) to (6) of such report, 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). Both standards require that an audit be planned and performed to obtain reasonable assurance about whether the fund accountability statement is free of material misstatement.

Compliance with the terms of the agreements and with applicable laws and regulations is the responsibility of the management of the NATIONAL BICULTURAL BILINGUAL EDUCATION PROGRAM (PRONEBI). As part of obtaining reasonable assurance about whether the fund accountability statement is free of material misstatement, we performed tests of PRONEBI's compliance with the terms of the agreements and applicable laws and regulations. However, the objective of our audit of the fund accountability statement was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

Material instances of noncompliance are failures to follow requirements or violations of the terms of the agreements, and applicable laws and regulations 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 material instances of noncompliance, which are described in the finding Nos. 1 and 2 and included in the following pages of this report.

We considered these material instances of noncompliance in forming our opinion on whether the fund accountability statement of PRONEBI, for the period from January 1, 1989 to July 31, 1992, is presented fairly, in all material respects, in accordance with the basis of accounting described in Note (3) to the fund accountability statement, and this report does not affect our report on the fund accountability statement dated June 28, 1993.

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

This report is intended for the information and use of the NATIONAL BICULTURAL BILINGUAL EDUCATION PROGRAM (PRONEBI) and the United States Agency for International Development. However, 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.

Arthur Andersen & Co.

Guatemala, C. A.

June 28, 1993

THE RURAL PRIMARY EDUCATION IMPROVEMENT PROJECT
USAID/GUATEMALA PROJECT No. 520-0282
MANAGED BY

THE NATIONAL BICULTURAL BILINGUAL EDUCATION PROGRAM (PRONEBI)

COMPLIANCE WITH AGREEMENT TERMS AND APPLICABLE LAWS
AND REGULATIONS

FINDINGS

1. Lack of evidence of counterpart contributions

Condition

PRONEBI has no detailed information on the funds which the Government of Guatemala should have contributed for the Project as counterpart. The State Accounting Department sends to entities financed with funds from abroad only a report on budget execution at the global level (loan, grant and counterpart) and by budget item.

Criteria

Under the following implementation letters, the Government of Guatemala should have contributed as counterpart for the Project the sum of Q 60,692,560 for the period from January 1, 1989 to July 31, 1992.

| <u>Letter No.</u> | <u>Date</u> | <u>Agreement</u> | <u>Sum required</u> |
|-------------------|-------------|------------------|---------------------|
| 26 | Jan-07-89 | Loan | Q 11,835,500 |
| 27 | Feb-18-90 | Loan | 16,126,800 |
| 66 | Feb-19-91 | Grant | 16,365,130 |
| 30 | Mar-04-91 | Loan | 16,365,130 |
| | | | <u>Q 60,692,560</u> |

Cause

PRONEBI did not require from the State Accounting Department detailed reports nor supporting documentation in respect to counterpart contributions for the loan and grant agreements.

Effect

It cannot be determined whether the Government of Guatemala complied with the provision of counterpart contributions under the terms of the agreements and Project implementation letters, nor is it possible to verify whether expenses related to the counterpart are in accordance with these terms.

Recommendation

We suggest that PRONEBI require from the State Accounting Department detailed reports on counterpart contributions for the projects which it implements, as well as authenticated copies of expenses under such contributions.

2. Noncompliance with Grant Agreement
Implementation letter No. 59

Condition

PRONEBI did not prepare an evaluation of scholastic performance and dropout levels, repetitions and graduations in the complete bilingual schools during the school years from 1985 to 1988.

Criteria

Under point 2 of implementation letter No. 59 of the Grant Agreement, PRONEBI should have prepared an evaluation on dropouts, repetition and graduation in the complete rural bilingual schools for the school years 1985-1988.

Cause

Only an evaluation for the school years 1980-1984 was prepared.

Effect

Noncompliance with the terms of the agreement. Moreover, PRONEBI cannot measure the levels of dropouts and repetitions in the complete bilingual schools during the school years from 1985 to 1988 and determine whether they were reduced in comparison with 1980-1984 or whether graduation levels improved.

Recommendation

We suggest that PRONEBI prepare an evaluation of scholastic performance and dropout, repetition and graduation levels in the complete bilingual rural schools for the school years 1985-1988, to serve for the new project which is being implemented.

THE RURAL PRIMARY EDUCATION IMPROVEMENT PROJECT
USAID/GUATEMALA PROJECT No. 520-0282
MANAGED BY

THE NATIONAL BICULTURAL BILINGUAL EDUCATION PROGRAM (PRONEBI)

FOLLOW-UP ON RECOMMENDATIONS FROM PREVIOUS AUDITS

INDEPENDENT AUDITORS' REPORT

We have audited the fund accountability statement of the RURAL PRIMARY EDUCATION IMPROVEMENT PROJECT, USAID/GUATEMALA PROJECT No. 520-0282, managed by the NATIONAL BICULTURAL BILINGUAL EDUCATION PROGRAM (PRONEBI) (a decentralized entity organized in the Republic of Guatemala), for the period from January 1, 1989 to July 31, 1992, and we have issued our report in which we expressed a qualified opinion dated June 28, 1993.

Except for not having an external quality control review conducted by another accounting firm as fully described in our report on the fund accountability statement and as mentioned in paragraphs (3) to (6) of such report, we conducted our audit in conformity with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States (1988 Revision). Both standards require that an audit be planned and performed to obtain reasonable assurance about whether the fund accountability statement is free of material misstatement.

As part of our audit procedures, we performed a follow-up on the findings and recommendations included in the report on the financial audit of this Project as of December 31, 1988 performed by the firm Lara & Gonzalez, an affiliate of the international firm Touche Ross, in 1989.

Such follow-up was made on findings and recommendations which could have a material effect on our audit to determine whether the management of PRONEBI has taken adequate corrective measures.

Except for the matters indicated in Finding No. 1 which is included in the following pages of this report, the result of our follow-up evaluation indicates that PRONEBI has adopted adequate corrective measures regarding the matters included in the document described in the third paragraph of this report.

This report is intended for the information and use of the NATIONAL BICULTURAL BILINGUAL EDUCATION PROGRAM (PRONEBI) and the United States Agency for International Development. However, 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.

Arthur Andersen & Co.

Guatemala, C. A.

June 28, 1993

THE RURAL PRIMARY EDUCATION IMPROVEMENT PROJECT
USAID/GUATEMALA PROJECT No. 520-0282
IMPLEMENTED BY

THE NATIONAL BICULTURAL BILINGUAL EDUCATION PROGRAM (PRONEBI)

FOLLOW-UP ON RECOMMENDATIONS FROM PREVIOUS AUDITS

FINDINGS

1. Lack of implementation of certain recommendations included in the report of Lara & Gonzalez

Condition

PRONEBI has not implemented the following recommendations from the financial audit performed by the firm Lara & Gonzalez, whose report was issued on December 18, 1989. The implementation status of most of these recommendations was identified in the course of our normal audit procedures.

- PRONEBI should reconcile the differences between its accounting records and the expense reports presented to USAID and make the necessary adjustments. Moreover, USAID/Guatemala should notify PRONEBI that it has no responsibility for the vehicles and equipment which USAID has delivered directly to the Ministry of Education.
- PRONEBI should record Q 4,150 from the loan funds and Q 308,794 from the grant funds for payments made directly by USAID/Guatemala and which were not recorded in the books of account at December 31, 1988. Moreover, it should determine and record monthly any other payment made directly by USAID/Guatemala for the project after December 1988.

In this respect, the present PRONEBI administration does not know what these sums refer to and they therefore have no basis to make the accounting record.

- The basis of its reports and its financial information should be its official books of accounts, which should be reconciled monthly with the subsidiary records, statements of account and USAID/Guatemala records.

This recommendation refers basically to the reconciliation of the bank balance according to balance sheets against the bank subsidiary records issued by the EDP and the bank subsidiary books kept

manually. At July 31, 1992, the bank balance did not reconcile between these records, as shown below:

| | <u>Balance according to</u> | | |
|-------------|-----------------------------|-----------------------|-----------------------|
| | <u>Balance sheet</u> | <u>EDP Subsidiary</u> | <u>Manual records</u> |
| Loan funds | Q 194,813 | Q 99,798 | Q 11,691 |
| Grant funds | 18,691 | 300 | 150 |

- PRONEBI should process project transactions in the accounts through the use of the Administrative Department's personal computer. Each individual transaction should be journalized separately with specific reference to the original supporting documentation. To make this possible, a proper accounting program should be acquired.

With respect to the above, PRONEBI acquired an accounting package from Compañía TecApro de Costa Rica, S. A., but it is not being used properly because: (1) Personnel who received training to handle this program are no longer working for PRONEBI and present personnel have received no training in its use; (2) The computer is only loaded with cash and bank and financial statement applications, and these are not used properly either. Bank reconciliation, fixed assets and budget applications have not been loaded into the computer, and consequently financial statements lack integration; and (3) the program fails on some occasions for lack of proper maintenance.

- PRONEBI should establish subsidiary ledgers which should be reconciled monthly with the general ledger.

With respect to this finding, PRONEBI keeps bank and inventory subsidiary records, but these are not reconciled with the general ledger. No subsidiary controls are kept for the other financial statement items.

- USAID/Guatemala should verify the continuing existence of the 73 vehicles and tools and equipment provided to the Ministry of Education in July, 1988, and ask the Ministry to exercise control over the use of these vehicles with the same formality as practiced by PRONEBI.
- PRONEBI should recover the vehicle delivered to the Ministry of Education in May, 1988, and the cost of fuel and tires provided to the Director of the Rural Socio-Educational Department of the Ministry of Education.

According to comments by the PRONEBI transport officer, this vehicle was returned crashed and is at present in the Ministry of Education repair shop. We suggest that the reason for the crash be investigated in order to lay responsibility.

- PRONEBI should have secure space for its warehouse, which should meet the minimum security and location requirements. It would be preferable for the necessary space to be inside the already existing warehouse, and entry and exit controls should be established in order to lay responsibility in case of losses.

During our visit to the warehouse, we observed that PRONEBI materials and supplies are stored together with those of the Rural Socio-Educational Department of the Ministry of Education (SER), and the keys are in the possession of the SER warehouseman. We also observed that the warehouse does not have extinguishers, and that there is educational material in bad condition.

- PRONEBI should establish an adequate internal control system on project inventories, to include monthly reconciliations between warehouse Kardex and accounting records, periodic physical inventories and supervision. A policy should be established for investigation of inventory shortages, and responsibility should be laid.

In this respect, PRONEBI makes selective counts, but no evidence of such counts is kept. The subsidiary cards are not adjusted in accordance with these counts, and differences are not investigated. At July 31, 1992, there is a difference between balances according to PRONEBI's balance sheet and the stock report, as follows:

| | |
|----------------------------|------------------|
| According to balance sheet | Q 2,288,360 |
| According to stock report | 1,455,883 |
| Difference | <u>Q 832,477</u> |

- USAID/Guatemala should discuss the intervention of the Director of the Socio-Educational Department of the Ministry of Education (SER) in project activities, so that he will refrain from taking any decision which interferes with PRONEBI authority in administration under the agreement.

According to comments of the Director of PRONEBI, this situation will be resolved as soon as PRONEBI acquires the category of a Directorate of the Ministry of Education and when the internal regulations, now being prepared, are approved.

- USAID/Guatemala should require PRONEBI to refund to the project the Q 10,345 charged to it which correspond to the sum stolen from the inventory in June 1987.
- PRONEBI should carry out periodic physical inventories of the office furniture and equipment in the central and departmental offices and in the beneficiary schools. The results of these inventories should be reconciled with subsidiary records and the general ledger.

With regard to this point, in 1992 PRONEBI carried out inventories of furniture and equipment in the central offices and in the departmental coordination sections, as well as of vehicles. However, these inventories were not used as the basis for adjusting the accounting records but only to implement responsibility cards. With respect to school furniture and equipment, an inventory was taken in 1991, but it has not yet been valued and consequently no accounting adjustment can be made.

- PRONEBI should identify fixed assets acquired with project funds with a control number identifying the specific asset and the origin of financing, and attach to them the emblem of the Government of the United States of America.

Follow-up to this finding reveals that fixed assets do not bear an identification number, and only the school desks acquired in 1992 bear the emblem of the Government of the United States of America. However, most of them have been removed by the students.

- Make employer's contributions and withhold from employees the discounts required by law (Social Security contributions and Income Tax). Also request, through the Ministry of Education, that the Social Security employer's contribution be authorized as part of the budget approved.

Up to July 31, 1992, PRONEBI had not complied with these requirements.

- USAID/Guatemala should require the Government of Guatemala to exclude from the counterpart budget the positions of teachers and other Ministry of Education personnel not related to the project implemented by PRONEBI. It should also provide additional resources to complete the counterpart not contributed since the beginning of the project.

Follow-up to this recommendation could not be made because PRONEBI does not have detailed records on the counterpart contributions (see Finding No. 1 in the report section on compliance with agreement terms and applicable laws and regulations).

- USAID/Guatemala or PRONEBI should contract, every two years, independent audits of the project under generally accepted auditing standards and Government Auditing Standards issued by the United States Comptroller General.

We suggest that for future projects, USAID/Guatemala and/or PRONEBI contract periodic independent audits and that these audits be performed in accordance with generally accepted auditing standards and Government Auditing Standards of the United States Comptroller General.

- PRONEBI should prepare a maintenance plan for project school furniture distributed to beneficiary schools.
- PRONEBI should report to USAID/Guatemala on the degree of compliance with the requirements established in the agreements and Implementation Letters (see Finding No. 3 in the report section on our evaluation of the internal control structure).

Recommendation

With the object of improving efficiency in the implementation of future projects, we suggest that PRONEBI adopt corrective measures on those recommendations of the Lara & Gonzalez report which had not been implemented at June 28, 1993.

THE RURAL PRIMARY EDUCATION IMPROVEMENT PROJECT
USAID/GUATEMALA PROJECT No. 520-0282
MANAGED BY

THE NATIONAL BICULTURAL BILINGUAL EDUCATION PROGRAM (PRONEBI)

SUMMARY LIST OF RECOMMENDATIONS OF THE REPORT

INTERNAL CONTROL STRUCTURE

1. We suggest that for future projects PRONEBI prepare a fund accountability statement showing: (1) income and disbursements for the month, year and accumulated life of the project, and (2) the fund balance (income less expenditure), which should coincide with cash on hand and in banks, and if there is any difference, it should be investigated. Prior to the preparation of such a statement, income should be reconciled with contributions according to USAID or the revolving fund, as applicable, and expenditures against accounting records (bank books). This procedure should be defined more fully in the administrative accounting procedures manual. PRONEBI should also investigate the difference in excess of cash in banks at July 31, 1992 of Q 39,170 against the net of income and disbursements for the period from January 1, 1989 through July 31, 1992.
2. We suggest that for future projects PRONEBI put into practice the procedure described in its administrative accounting procedures manual relative to disbursement liquidations presented to USAID/Guatemala.
3. We suggest that PRONEBI define in the administrative accounting procedures manual the responsibility of each employee to assure compliance with agreement terms and applicable laws and regulations. In addition, the PRONEBI administration should verify that each employee complies with this responsibility so that in future projects instances of noncompliance will not occur.
4. We suggest that in the implementation of future projects PRONEBI cancel all expense vouchers attached to checks by stamping them with the date and number of the check with which paid.

COMPLIANCE WITH TERMS OF THE AGREEMENT
AND APPLICABLE LAWS AND REGULATIONS

1. We suggest that PRONEBI require from the State Accounting Department detailed reports on counterpart contributions for the projects which it implements, as well as authenticated copies of expenses under such contributions.

2. We suggest that PRONEBI prepare an evaluation of scholastic performance and dropout, repetition and graduation levels in the complete bilingual normal schools for the school years 1985-1988, to serve for the new project which is being implemented.

FOLLOW-UP ON RECOMMENDATIONS FROM
PREVIOUS AUDITS

1. With the object of improving efficiency in the implementation of future projects, we suggest that PRONEBI adopt corrective measures on those recommendations of the Lara & Gonzalez report which had not been implemented at June 28, 1993.

MINISTRY OF EDUCATION
Guatemala, C. A.

DIRECTORATE OF RURAL SOCIAL EDUCATION DEVELOPMENT
NATIONAL INTERCULTURAL BILINGUAL EDUCATION PROGRAM
AID PROJECT 520-0374
"STRENGTHENING OF BASIC EDUCATION"

No. 0064
Ref: MLCM/lscdm

When replying, please quote number and
reference of this note.

Mr. Carlos Chivichón
Audit Manager
Arévalo Pérez, Aranky & Asociados, S. C.
Guatemala City

Dear Mr. Chivichón,

I am sending you herewith the comments which you requested in respect of the audit report of Project 520-0282 prepared by your firm of auditors. I apologize for the delay in replying, but you will understand that part of the period subject to the review was not covered by present personnel, for which reason we have had to investigate some of the matters raised in your report.

I now therefore comment as follows:

INTERNAL CONTROL STRUCTURE

1. LACK OF PREPARATION OF A FUND ACCOUNTABILITY STATEMENT

COMMENTS

According to the accountant in charge of the financial part of the project, it is true that PRONEBI did not prepare an accrued fund accountability statement for project activities. However, for Project BEST 520-0374 and following the recommendation of your office, PRONEBI has prepared the fund accountability statement for 1992, a photocopy of which is attached.

2. THE METHODOLOGY FOR PREPARING LIQUIDATION VOUCHERS IS NOT BEING FOLLOWED

COMMENTS

We have considered the recommendation contained in the report, and as of 1992, with the Accounting Administrative Procedures Manual prepared by Price-Waterhouse for Project 520-0374, liquidations have been made on the basis of this manual, attaching a list of checks included in each liquidation; additionally, liquidations have been more constant due to the more rapid procedure of reimbursements for recovery of funds actually handled.

3. LACK OF DEFINED PROCEDURES TO ASSURE COMPLIANCE WITH THE TERMS OF THE AGREEMENTS AND WITH APPLICABLE LAWS AND REGULATIONS

COMMENTS

The Accounting Procedures Manual prepared by Price-Waterhouse defines the structure of the project, as well as the functions of each post. It establishes that Project Coordination Administration should draw up policies and strategies to govern implementation and to allow for compliance with the goals and objectives of the project, as established in the terms of the agreement.

The senior organ of the project is the Executive Committee, which meets monthly to verify execution of project activities and determine whether they are in keeping with what has been agreed.

4. EXPENSE VOUCHERS ARE NOT CANCELLED

COMMENTS

Expense vouchers have been cancelled as of January 1992, with Basic Education Strengthening Project 520-0374 following the recommendation of Arévalo Aranky & Asociados, auditors.

COMPLIANCE WITH AGREEMENT TERMS AND APPLICABLE LAWS AND REGULATIONS

1. LACK OF EVIDENCE OF COUNTERPART CONTRIBUTIONS

COMMENTS

PRONEBI has approached different institutions in order to check on the national counterpart contribution, specifically as regards payment of salaries to bilingual education teachers, but the information provided has been very general and does not permit identifying PRONEBI specifically, to the point that this has been reported to AID officers. We continue to look for reliable documentation, valid for the auditors, as mentioned recently in the audit of Project BEST for 1992.

2. NONCOMPLIANCE WITH GRANT AGREEMENT IMPLEMENTATION LETTER No. 59, WHICH SAYS: PREPARE AN EVALUATION OF SCHOLASTIC PERFORMANCE, DROPOUT LEVELS, REPETITIONS AND GRADUATIONS IN THE COMPLETE BILINGUAL SCHOOLS FROM THE SCHOOL YEARS 1985 TO 1988.

COMMENTS

The Evaluations and Implementation Section began implementation in 1986 and since then has prepared the annual statistics showing the number of students registered by school, students evaluated, promoted, not promoted and withdrawn, which documents were available to the auditors in the section mentioned above.

Enclosed a copy of the Academic Yield Study of the students in the Bilingual Schools for the years 1986-1987.

FOLLOW-UP ON RECOMMENDATIONS FROM PREVIOUS AUDITS

COMMENTS

Some of the recommendations included in this report have not been implemented for reasons beyond our control to correct the deficiencies noted. This situation was made known to the auditors during interviews with PRONEBI personnel. Some are mentioned below:

1. The application of certain recommendations does not depend directly on PRONEBI, but on other institutions, such as the Ministry of Education, the Ministry of Finance, USAID/Guatemala, Rural Social Education Directorate.
2. Instability of personnel working for PRONEBI.
3. Cut in personnel contracted with grant funds.
4. Very limited budget allocations.

PRONEBI has also tried, within the limits of its possibilities, to implement recommendations which can be implemented internally, such as:

1. Drafting of the Government Order creating the Intercultural Bilingual Education Directorate as a department of the Directorate General of School Education.
2. Implementation of a subsidiary ledger.
3. We have cooperated in the process to establish responsibility for the destruction of the vehicle delivered to the Ministry.

QUESTIONABLE COSTS

EXPENSES MADE BY PRONEBI FOR AMOUNTS HIGHER THAN BUDGETED

1. QUESTIONED COSTS IN RESPECT OF TRANSPORTATION OF SCHOOL FURNITURE FOR Q 220,150.00

COMMENTS

In 1992, following payment of checks Nos. 1444 and 1451 of 6/6/92 and 7/16/92, respectively, PRONEBI asked the USAID/Guatemala Mission for authorization to use the balance of the loan for a sum of Q 330,000 for payment of activities pending execution, such as the transportation of school furniture. Authorization was received in note dated April 30 1992 from the AID Office of Health and Education and Implementation Letter No. 35 of 12/31/91 (see attached photocopies, Annex 1).

2. PRINTING OF CALENDARS FOR A COST OF Q 23,488.00

ANNEX I
4 de 10

COMMENTS

This expense was authorized according to Record 25-91 of October 30, 1991 with charge on the authorized budget in Implementation Letter No. 66 of February 16, 1991, for Q 27,640, charged to the component Educational Material and School Furniture (See attached photocopy of Implementation Letter No. 66 and record 25-91, Annex 2).

3. PURCHASE OF COMPUTER EQUIPMENT BY PRONEBI ACCORDING TO CHECK No. 0-66 OF 2/13/91 FOR Q 22,115.00

COMMENTS

This expense was authorized on the basis of the 1990 budget, grant funds, according to Implementation Letter No. 62, component Investigation and Evaluation, which in that year was Q 169,100.00 as appears on voucher 520-10380 of September 19, 1990, in which an amount higher than that questioned appears (see attached Implementation Letter No. 62 and Voucher 520-10380, Annex 3).

COST WITHOUT PROPER SUPPORT

COMMENTS

In relation to costs without proper support, "Liquidation of Expenses", for which the original documentation for the sum of Q 532,981.00 was not found, PRONEBI wishes to state that in the years subject to this audit all original documentation was sent to the Office of the Comptroller General of Accounts. Photocopies of the accounting documentation filed in the Program was offered, but you refused to review photocopies. Necessary steps were taken for authorization of review of papers requested from the Office of the Comptroller, but the auditors began to review and did not finish despite the fact that they were provided with two Program employees to search for the documentation filed.

PRONEBI also wishes to place on record that the auditors in charge of the review did not hold the half-term meeting programmed, nor did they approach responsible employees to clear up and analyze their questions in due time, as was done by the firm Price-Waterhouse who carried out the first audit case situations raised were cleared up in time and at the end there was a positive report for PRONEBI.

We hope that our comments reflect the willingness to improve the financial and administrative work of this institution.

Yours sincerely,

María Ernestina de Ramos
Director of the National Bilingual
Education Program

cc. Ministry of Education
AID Audit Division
Mr. Julio Díaz, AID
File



**DIRECCION DE DESARROLLO SOCIO EDUCATIVO RURAL
PROGRAMA NACIONAL DE EDUCACION BILINGUE INTERCULTURAL
PROYECTO AID 520-0374**

ANNEX I
5 de 10

MINISTERIO DE
EDUCACION

"FORTALECIMIENTO DE LA EDUCACION BASICA"

9a. Avenida 7-35, Zona 1 • Teléfonos: 53-23-55, 53-23-22

Guatemala, C. A.

| |
|----------------|
| Of. No. 0064 |
| Ref. MLOM/lsem |

Al contestar, sírvase mencionar el número y referencia de esta nota.

Arévalo Pérez Aranky & Asociados
RECIBIDO
GUATE 04/AUGOSTO 19 94

Guatemala,
26 de julio de 1994

Licenciado
Carlos Chigüichón
Gerente Auditoría
Arévalo Pérez, Aranky y Asociados, S.C.
Ciudad

Licenciado Chigüichón:

Por este medio me permito enviar los comentarios solicitados por usted sobre el Informe de Auditoría efectuada al Proyecto 520-0282 por la firma de Auditores que usted dirige, disculpandome por la tardanza en nuestra respuesta, pero usted comprenderá que parte del período sujeto de la presente revisión, no fue ejecutado por el personal que actualmente tiene a su cargo esta Institución, circunstancia que nos ha obligado a investigar algunos cuestionamientos planteados en su informe.

Por lo tanto me permito presentar los comentarios solicitados, esperando llenen su cometido, de la siguiente manera:

ESTRUCTURA DE CONTROL INTERNO

1. FALTA DE PREPARACION DE UN ESTADO DE RENDICION DE CUENTAS:

COMENTARIO:

Según información del Contador que tenía a su cargo la parte financiera del Proyecto, efectivamente PRONEBI no hacía un Estado de Rendición de Cuentas acumulado sobre las actividades del Proyecto; sin embargo para el Proyecto BEST 520-0374, y atendiendo la recomendación de esta Auditoría PRONEBI ha realizado el Estado de Rendición de Cuentas para 1992, del cual se adjunta fotocopia.

2. NO SE ESTA SIGUIENDO LA METODOLOGIA PARA ELABORAR LAS LIQUIDACIONES DE DESEMBOLSOS.

COMENTARIO:

Se ha considerado la recomendación anotada en este informe, y a partir de 1992, con el Manual de Procedimientos Administrativos Contables, hecho por la Firma -- Price-Waterhouse para el Proyecto 520-0374, las liquidaciones se han hecho en base a lo establecido en el mismo, adjuntando listado de cheques incluidos en cada liquidación, así mismo las liquidaciones han sido más constantes debido al procedimiento de reembolsos que debe hacerse más rápido para la recuperación de los -- fondos que actualmente se manejan.

3. FALTA DE PROCEDIMIENTOS DEFINIDOS PARA VELAR POR EL CUMPLIMIENTO CON LOS TERMINOS DE LOS CONVENIOS, LEYES Y REGULACIONES APLICABLES.

COMENTARIO:

Dentro del Manual de Procedimientos Contables, elaborado por Price-Waterhouse está definida la estructura del Proyecto, así como las funciones de cada puesto, estableciéndose que la Coordinación de Administración del Proyecto debe formular las políticas y estrategias que requirán la ejecución, y que permitan el cumplimiento de las metas y objetivos del Proyecto, como establece los Términos del Convenio.

El órgano superior del Proyecto es el Comité Ejecutivo, que se reúne mensualmente para verificar la ejecución de las actividades del Proyecto y establecer si responden a lo convenido.

4. LOS COMPROBANTES DE GASTOS NO SON INHABILITADOS.

COMENTARIO:

Los comprobantes de gasto han sido inhabilitados a partir de enero 1992, con el Proyecto Fortalecimiento de la Educación Básica-520-0374, a raíz de la recomendación de la firma de Auditores Arévalo Aranky y Asociados.

CUMPLIMIENTO CON LOS TERMINOS DEL CONVENIO, LEYES Y REGULACIONES APLICABLES.

1. FALTA DE EVIDENCIA DE LOS APORTES DE CONTRAPARTIDA

COMENTARIO:

PRONEBI ha hecho gestiones a diversas Instituciones con el objeto de comprobar el aporte de contrapartida Nacional, específicamente en cuanto al pago por concepto de salarios a los Maestros de Educación Bilingüe, sin embargo la información proporcionada es muy general, y no permite identificar a PRONEBI específicamente, tal extremo que se ha hecho del conocimiento de los oficiales de --- A.I.D. Continuamos gestiones en la búsqueda de documentación fidedigna, que sea válida para las firmas de Auditores, situación que fue aclarada recientemente en la auditoría del Proyecto BEST para el año 1992.

2. INCUMPLIMIENTO CON LA CARTA DE EJECUCION No. 59 DEL CONVENIO DE DONACION, QUE DICE:

PREPARAR UNA EVALUACION DEL RENDIMIENTO ESCOLAR Y DE NIVELES DE DESERCIÓN, REPITENCIA Y PROMOCION EN LAS ESCUELAS BILINGUES COMPLETAS DE LOS CICLOS ESCOLARES 1985 A 1988.

COMENTARIO:

La Sección de Evaluación e Investigación empezó su implementación en 1986, y a partir de ese año se han elaborado los Anuarios Estadísticos que reflejan el número de alumnos inscritos por escuela, alumnos evaluados, promovidos, no promovidos y retirados, documentos que estuvieron a disposición de los Señores Auditores en la sección antes mencionada.

Así mismo adjunto copia del Estudio del Rendimiento Académico de los alumnos de Escuelas Bilingües para los años 1986 - 1987.

SEGUIMIENTO DE LAS RECOMENDACIONES DE AUDITORIA DE AÑOS ANTERIORES.

COMENTARIO:

Algunas de las recomendaciones anotadas en el presente informe, no han sido implementadas, por diversas circunstancias y que son ajenas a la buena disposición que se tiene de corregir las deficiencias anotadas, situaciones que se hicieron del conocimiento de los señores Auditores en el momento de sus entrevistas hechas con el personal de PRONEBI, podemos mencionar algunas como referencia:

1. La aplicación de algunas recomendaciones no depende de PRONEBI directamente, sino de Instituciones donde no tenemos ingerencia directa, ejemplo. Ministerio de Educación, Ministerio de Finanzas Públicas, USAID/Guatemala, Dirección de Socio Educativo Rural.
2. La Inestabilidad en el personal que labora para PRONEBI.
3. Recorte en el personal contratado con Fondos de Donación.
4. Asignaciones presupuestarias muy limitadas.

Así también PRONEBI a tratado en la medida de sus posibilidades implementar las recomendaciones que internamente se pueda tales como:

1. Elaboración del Acuerdo Gubernativo que crea la Dirección de Educación Bilingüe Intercultural, como Dependencia de la Dirección General de Educación Escolar.
2. Implementación de un mayor auxiliar.
3. Se ha colaborado en el proceso que se sigue para establecer responsabilidad sobre la destrucción del vehículo entregado al Ministerio.

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COSTOS CUESTIONABLES

- GASTOS EJECUTADOS POR PRONEBI POR MONTOS SUPERIORES A LOS PRESUPUESTADOS.

1. COSTOS CUESTIONADOS SOBRE TRANSPORTE DE MOBILIARIO ESCOLAR POR Q. 220,150.00

COMENTARIO:

En 1992 previa cancelación de los cheques Nos. 1444 y 1451 de fechas 6/6/92 y 16/7/92 respectivamente, PRONEBI solicitó a la Misión AID/Guatemala, autorización para utilizar saldo de préstamo por la cantidad de --- Q. 330.000.00 para cancelación de actividades pendiente de ejecutar tal el caso del Transporte de Mobiliario Escolar, habiendo recibido autorización según oficio de fecha 30 de abril de 1992 de la Oficina de Salud y Educación de A.I.D. y Carta de Ejecución No. 35 de fecha 31/12/91 (se adjuntan fotocopias, Anexo No. 1).

2. IMPRESION DE CALENDARIOS POR COSTOS DE Q. 23,488.00:

COMENTARIO:

Este gasto se adjudicó según acta No. 25-91 de fecha 30 de octubre 1991, con cargo al Presupuesto Autorizado en carta de ejecución No. 66 del 16 de febrero de 1991 por Q. 27,640, cargado el componente Materiales Educativos y Mobiliario Escolar. (Se adjunta fotocopia de Carta de Ejecución No. 66 y Acta No. 25-91, Anexo No. 2).

3. COMPRA DE EQUIPO DE COMPUTACION EJECUTADO POR PRONEBI, SEGUN CHEQUE No. 0-66 DEL 13/2/91 POR Q. 22,115.00.

COMENTARIO:

Este gasto fue autorizado con base en el presupuesto de 1990, fondos de Donación según carta de ejecución No.62 de febrero de 1990 componente Investigación y Evaluación que en ese año era de Q. 169,100.00, según consta en Voucher 520-10380 del 19 de septiembre 1,990, en el cual incluso aparece una cantidad superior a lo cuestionado. (Se adjunta carta de ejecución No. 62 y voucher 520-10380, - Anexo No. 3).

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COSTOS SIN SOPORTE APROPIADO

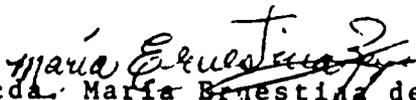
COMENTARIO:

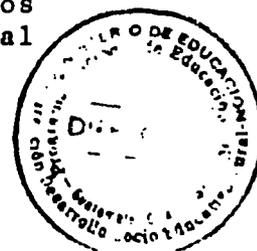
En relación a los costos sin soporte apropiado, "Liqui-
daciones de Gastos de los cuales no se encontró la docu-
mentación original por la cantidad de Q. 532,981.00, --
PRONEBI manifiesta que en los años sujetos de esta Audi-
toría, toda la documentación original era remitida a la
Contraloría General de Cuentas, ofreciéndoles fotocopias
de la documentación contable archivada en este Programa,
negándose hacer la revisión en dichas fotocopias; Por lo
tanto se realizaron los trámites necesarios para que se
autorizara la revisión de la papelería solicitada en las
oficinas de la Contraloría, sin embargo los señores audi-
tores empezaron a revisar pero no concluyeron, a pesar -
de que se les proporcionaron, dos empleados de este Pro-
grama para la búsqueda de la documentación archivada.

Así mismo PRONEBI, quiere dejar constancia que los señores
auditores que tuvieron a su cargo la revisión respectiva,
no llevaron a cabo la reunión de medio término programada para
el efecto, ni se acercaron a los empleados responsables, para
aclarar y analizar oportunamente sus cuestionamientos, tal como
lo realizara la firma de auditores Price-Waterhouse, quienes
practicaron la primera auditoría para el actual proyecto, -
correspondiente a 1992, con quienes se aclararon a tiempo las
situaciones planteadas, teniéndose al final un informe muy po-
sitivo para PRONEBI.

En espera que nuestros comentarios reflejen la disposición
que se tiene de mejorar el quehacer financiero y administrativo
para la Institución que me toca dirigir, me suscribo de usted.

Muy atentamente,


Licda. María Ernestina de Ramos
Directora del Programa Nacional
de Educación Bilingüe



c.c. Ministerio de Educación
Auditoría A.I.D.
Lic. Julio Díaz, A.I.D.
Archivo

4/

THE RURAL PRIMARY EDUCATION IMPROVEMENT PROJECT
USAID/GUATEMALA PROJECT No. 520-0282
MANAGED BY

THE NATIONAL BILINGUAL EDUCATION PROGRAM (PRONEBI)

COMMENTS FROM THE INDEPENDENT AUDITORS TO THE

PRONEBI'S ADMINISTRATION COMMENTS

FINDINGS ON INTERNAL CONTROL STRUCTURE

The following findings were accepted by PRONEBI's administration:

1. Lack of preparation of fund accountability statement.
2. The methodology for preparing liquidation vouchers is not being followed.
3. Expense vouchers are not cancelled.

Regarding the finding No. 3, lack of defined procedures to assure compliance with the terms of the agreements and with applicable laws and regulations, PRONEBI's administration stated that the accounting procedures manual prepared by Price Waterhouse define that the PRONEBI's Office of Administrative Coordination is in charge to issue the policies and strategies to assure compliance with agreement terms. Additionally, the Executive Board of the Project has monthly meetings to verify the execution of the project's activities in order to determine if it complies with the agreements.

Our comment:

By the time we developed our audit, the accounting procedures manual was still in draft and its implementation was in analysis phase by PRONEBI's administration. We considered that our recommendation remains the same.

FINDINGS ON COMPLIANCE WITH AGREEMENT TERMS AND
APPLICABLE LAWS AND REGULATIONS

1. Lack of evidence of counterpart contributions

PRONEBI's administration agreed with our recommendation.

2. Noncompliance with Grant Agreement
implementation letter No. 59

In their comments PRONEBI's administration stated that its department of evaluation and research started in 1986 the preparation of the evaluation of scholastic performance and dropout levels. PRONEBI's sent us, along with their comments, a copy of the two-years report of the 1986 and 1987 evaluations.

Our comment:

The implementation letter No. 59 stated that PRONEBI should have prepared an evaluation on dropouts, repetition and graduation in the complete rural bilingual schools for the school years 1985-1988. PRONEBI prepared only the two-years evaluation that corresponds to 1986 and 1987. We considered that the noncompliance remain the same.

**FINDINGS ON FOLLOW UP ON RECOMMENDATIONS FROM
PREVIOUS AUDITS**

PRONEBI's administration accepted our recommendation in this area.

QUESTIONABLE COSTS

1. Expenses made by PRONEBI for amounts higher than budgets authorized by USAID/Guatemala
 - a) Transportation of school furniture paid by PRONEBI: In their comments, PRONEBI's administration stated that they received authorization of USAID/Guatemala through a letter of the Office of Health and Education dated April 30, 1992, to disburse the balance of the loan No. 520-V-038 for Q 330,000 to contract services for transportation of school furniture.

Our comment:

The amount we questioned is related with the Grant Agreement No. 520-0288 and not with the loan agreement. Therefore, we considered that our finding remain the same.

- b) Printing of calendars paid by PRONEBI: PRONEBI's administration stated that they authorized the disbursement of Q 27,640 for the printing of calendars, and that such amount was charged to the authorized budget of educational material and furniture (printing).

Our comment:

The 1991 budget was authorized by PIL No. 66 dated February 19, 1991, which included Q 45,000 for printing of educational material and furniture. We considered that the printing of calendars is not acceptable under this component. Therefore, our finding remain the same.

- c) Purchase of computer equipment by PRONEBI: In their comments, PRONEBI's administration stated that this disbursement was authorized by PIL No. 62 dated February 26, 1990, under component investigation and evaluation, and that USAID/Guatemala approved such disbursement by public voucher for purchases No. 520-10380.

Our comment:

PIL No. 62 assigned Q 169,100 for budget of the component Investigation and Evaluation, however, the detailed budget for this component did not include any component for purchase of equipment. In our opinion, the finding remain the same.

- d) Liquidation of expenses for which there is no original documentation: PRONEBI's administration stated that the original documentation of the liquidations that we questioned are filed in the Guatemalan Supreme Audit Institution (Contraloría General de Cuentas de Guatemala), and that we did not spend the necessary time for looking the documentation.

Our comment:

By the time we visited the Guatemalan Supreme Audit Institution, the documentation of the liquidations we questioned were not localized by the person in charge of filing the documentation. Therefore, our finding remain the same.

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