

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

**Audit of USAID/Guatemala-Provided
Equipment and Supplies for the Rural Electrification Project
Activities Managed by the
National Institute of Electrification
as of December 31, 1992**

**Audit Report No. 1-520-95-21-N
September 19, 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.



AGENCY FOR INTERNATIONAL DEVELOPMENT
OFFICE OF THE REGIONAL INSPECTOR GENERAL
SAN JOSE, COSTA RICA

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September 19, 1995

MEMORANDUM

TO: USAID/G-CAP Director William S. Rhodes

FROM: RIG/A/San José, Wayne J. Watson
Wayne J. Watson

SUBJECT: Audit of USAID/Guatemala-Provided Equipment and Supplies for the Rural Electrification Project Activities, Managed by the National Institute of Electrification, as of December 31, 1992

This report presents the results of an audit of the equipment and supplies provided by USAID/G-CAP for the Rural Electrification Project, USAID/G-CAP Project No. 520-0353, managed by the National Institute of Electrification (the Institute), as of December 31, 1992. The accounting firm of Price Waterhouse prepared the report dated February 16, 1994.

The goal of the project was to increase the production, income and employment by the rural population of scarce resources. The project's purpose was to expand electrification coverage in rural areas where the introduction of electricity shall supplement the productive potential and resources of the current infrastructure.

The project activity consisted of the construction of primary distribution lines and systems, as well as house service connections in rural communities. The project also provided for the improvement of the transmission and transformation capacity of three power substations in the Western highlands which will permit the eventual connection of 20,000 new users to the system. The project was partially financed under a Self-Aided Program whereby the benefitting communities make communal contributions to the project.

The objectives of the audit were to determine whether: (1) the equipment/supplies accountability statement presents fairly, in all material respects, the current situation of the equipment and supplies provided by USAID/G-CAP to the Institute as of the date of the audit, and whether such

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items were properly recorded by the Institute in accordance with agreement terms and the applicable laws and regulations, (2) the internal control structure, including the control environment, accounting system, and control procedures of the Institute were adequate to manage the project's operations, (3) the Institute complied with agreements terms and applicable laws and regulations, and (4) the Institute had adopted adequate corrective action on prior audit report recommendations. The scope of the audit included an examination of the Institute's activities and transactions to the extent considered necessary to issue a report thereon as of the date of the audit. The audit included coverage of \$4,460,057 of USAID/G-CAP disbursements to the project as of the audit date.

Price Waterhouse was not able to issue an opinion on the equipment/supplies accountability statement due to the following scope limitations: (1) the Institute did not conduct an inventory of electrical supplies on hand as of the audit date, (2) the auditors were not able to observe the December 31, 1992 inventories performed by the Institute because they had not been engaged at that date, (3) equipment lists were not updated so that the Institute could not provide a listing of equipment to be audited, and (4) there existed a difference of \$547,712 between the funding provided by USAID/G-CAP and the amount of equipment indicated on the equipment/supplies accountability statement. We consider the entire amount of USAID/G-CAP funds provided to the Institute during the audit period to be unsupported due to the conditions listed above.

With respect to the Institute's internal control structure, the auditors identified three material weaknesses: (1) the financial recording and software systems, together with the control over fixed assets and maintenance of vehicles, needed reinforcement for USAID/G-CAP and project purposes, (2) the management of materials and supplies inventories at the project warehouse was not adequate, and (3) data processing was not done in a timely manner and certain controls of the data processing department were not adequate.

Regarding compliance with agreement terms and applicable laws and regulations, the auditors noted four material instances of noncompliance: (1) the Institute did not have current documentation on the USAID/G-CAP direct payments made for the project, (2) the Institute did not maintain adequate records and reports on the project counterpart contributions, (3) the Institute had not completed its annual survey on community payments to the project, and (4) the Institute did not complete construction projects in a timely manner.

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/G-CAP resolve: (1) the questionable costs of (a) \$547,712 (unsupported) representing the unreconciled fund balance identified in the Price Waterhouse report dated February 16, 1994, and (b) \$3,912,345 (unsupported) which represents the remainder of the USAID/G-CAP funds received by the National Institute of Electrification under the Rural Electrification Project during the period August 25, 1989 to December 31, 1992, and (2) recover from the Institute the amounts determined to be unallowable.

Recommendation No. 2

We recommend that USAID/G-CAP obtain evidence that the Institute has taken action to design and implement controls to assure that: (a) the financial recording and software systems are adequate for project purposes, (b) management of materials and supplies inventories at the project warehouse is adequate, (c) data processing is performed on a timely basis and data processing controls are adequate, (d) current documentation on USAID/G-CAP direct payments is maintained, (e) adequate records of counterpart contributions are maintained, (f) the annual surveys on community payments are completed, and (g) construction projects are completed in a timely manner.

Recommendation No. 1 will be considered resolved upon the Mission's determination of the amount of recovery, and will be considered closed upon the recovery of funds, offset of funds, or issuance of a Bill for Collection. Recommendation No. 2 can be resolved when USAID/G-CAP 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 designed and placed in operation.

The draft report was discussed with representatives from USAID/G-CAP and the Institute. Based upon the comments and further documentation provided, the final report was modified as deemed appropriate.

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

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

**Audit of USAID/Guatemala-Provided
Equipment and Supplies for the Rural Electrification Project
Activities Managed by the
National Institute of Electrification
as of December 31, 1992**

**Audit Report No. 1-520-95-21-N
September 19, 1995**

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AUDIT OF THE EQUIPMENT AND SUPPLIES PROVIDED BY
USAID/G-CAP TO THE RURAL ELECTRIFICATION PROJECT
III (PER III), USAID/G-CAP PROJECT No. 520-0353,
MANAGED BY THE NATIONAL INSTITUTE OF ELECTRIFI-
CATION (INDE) AS OF DECEMBER 31, 1992

AUDIT OF THE EQUIPMENT AND SUPPLIES PROVIDED BY
USAID/G-CAP TO THE RURAL ELECTRIFICATION PROJECT
III (PER III), USAID/G-CAP PROJECT No. 520-0353,
MANAGED BY THE NATIONAL INSTITUTE OF ELECTRIFI-
CATION (INDE) AS OF DECEMBER 31, 1992

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Price Waterhouse



November 10, 1994

Mr. Coinage N. Gothard
Regional Inspector General
for Audit (RIG/A/SJ)
San José, Costa Rica

Dear Mr. Gothard:

This report presents the results of our audit of the equipment/supplies accountability statement of the Rural Electrification Project III (PER III) at December 31, 1992, USAID/G-CAP Project No. 520-0353, managed by the National Institute of Electrification (Instituto Nacional de Electrificación - INDE).

BACKGROUND

On August 25, 1989 the Mission of the United States Agency for International Development in Guatemala (USAID/G-CAP) entered into an agreement with the Government of Guatemala (GOG) under Project No. 520-0353, to provide assistance to the latter through the National Institute of Electrification (INDE) to expand electrification in rural areas of Guatemala. The Project Assistance Completion Date (PACD) was estimated at August 25, 1995.

The overall project budget to be funded by USAID/G-CAP amounts to US\$ 9.1 million, and the actual obligated amount is US\$ 7.6 million, which reflects a reduction of US\$ 1.5 million in budget funds. These funds will be devoted to the procurement of materials, vehicles, equipment, studies, and evaluations, all of which would be directly procured by USAID/G-CAP. Therefore, INDE would only receive from USAID/G-CAP equipment, supplies and contracted services. Receipts in this respect have been flowing to INDE since November 1989, while actual construction began in August 1991.

INDE's counterpart contributions will be no less than US\$ 15.1 million in local currency (Quetzales -Q.) and the actual obligated counterpart contribution amounts to a Quetzales equivalent of US\$ 12.6 million. The pertinent funds will cover all costs of labor,

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operations, administration, engineering (including construction supervision), and local materials, especially poles.

INDE is responsible for the overall coordination of the project and will implement it through its PER III implementing unit. The project's major activities are undertaken by the entity's following departments: Planning, Projects, Design, Commercial, Construction and Accounting. The activities to be carried on include Community Selection, System Layouts, Lay Out, Promotion of Productive Uses, Construction and Warehousing of Supplies.

Supplies for the project are maintained in warehouses located in Chimaltenango and Quetzaltenango and controlled under specific accounts separate from other supplies collected by the construction department; they are provided to the construction crews in accordance with the project designs. Equipment was received at the "GUATESUR" warehouse, a central depot located in Villa Nueva, close to Guatemala City, from where it was subsequently dispatched to the ultimate sites.

PER III intends to increase the production, income and employment of the rural population of scarce resources of Guatemala. The project's purposes are to expand electrification coverage in rural areas where the introduction of electricity shall supplement the productive potential and resources of the current infrastructure. It is expected that the project purposes will be attained by the construction of primary distribution lines and systems, as well as house service connections at rural communities, aimed at a target 65,000 new users to be connected in more than 400 communities, selected for their high potential for the promotion of electricity productive uses.

The project also provides for the improvement and the transmission and transformation capacity of three power substations in the Western highlands (San Marcos, Huehuetenango and Quetzaltenango), which should permit the eventual connection of 20,000 new users to the system, together with the implementation of a Credit Pilot Plan for the promotion of electricity productive uses.

The selection of communities to be benefited from the project is carried on by the application of the Demand Assessment Model (DAM) developed by the Central American Rural Electrification Support (CARES) Project, financed by ROCAP and adapted to Guatemala. The selection model was adapted to PER III by CARES and INDE submitted it to USAID/G-CAP approval in April 1991. With its application, INDE has presently selected more than 150 communities.

The project is partially financed under a Self-Aided Program whereby the populations to benefit from the project make communal contributions on the basis of a survey of the market conducted every year by PER III's coordinating unit. The survey includes the compilation of data on the communities interest on the service and their willingness to make the required payments, plus the potential of productive and commercial activities made feasible by the electrification.

The current PER III follows PER II, which was developed under two USAID/G-CAP loans and after whose PACD INDE continued the project related electrification activities up to 1991. PER II's materials remaining at the end of the project activities were stored in six project warehouses and their value, as determined by a financial review conducted by the Mission, amounted to Q. 2,759,376, out of which Q. 551,213 pertained to INDE funds and the difference to the USAID/G-CAP loans. These materials were transferred by INDE to PER III at the Mission's request.

The National Institute of Electrification (INDE) was created on May 27, 1959, per Congress Decree 1227, as a decentralized and autonomous Government entity for an indefinite life, with its own juridical personality and ability to acquire rights and contract obligations. Its main purpose is the technical and rational harnessing of all electrical power to meet normal demand and promote the development of new industries, stimulate consumption of electricity in rural areas and increase home consumption.

AUDIT OBJECTIVES AND SCOPE

We were engaged to audit the equipment and supplies provided by USAID/G-CAP to INDE under the Rural Electrification Project III (PER III), USAID/G-CAP Project No. 520-0353, through December 31, 1992. We conducted the audit in accordance with generally accepted auditing standards and the "Government Auditing Standards" issued by the Comptroller General of the United States.

Our audit work included the physical inspection of the project's assets and supplies, as applicable, and such tests of the project's accounting records as considered necessary in order to determine whether:

1. The project's equipment/supplies accountability statement presents fairly, in all material respects, the current situation of the equipment and supplies provided by USAID/G-CAP to INDE as of December 31, 1992, and whether such items were properly recorded by INDE in accordance with agreement terms and the applicable laws and regulations.

2. The internal control structure, including the control environment, accounting system, and control procedures of INDE, were adequate to manage the project's operations.
3. INDE complied with agreement terms, project implementation letters (PILs), and applicable laws and regulations.
4. INDE has adopted adequate corrective action on prior audit report recommendations, as applicable.

Audit Scope -

Our audit work included all tests and procedures considered by us necessary in view of the stated objectives. Consequently, our audit work was oriented to:

1. Determine whether all supplies provided by USAID/G-CAP during the audit period were actually received and adequately reported.
2. Determine whether the equipment and supplies movements to and from warehouses were properly documented, authorized and recorded, and that deliveries were received by posts and other locations, and used as instructed and for project purposes.
3. Perform substantive physical inspections and inventory tests of equipment and supplies and trace the corresponding results to the accounting records.
4. Review the purchases made by USAID/G-CAP on behalf of the project and evaluate the procedures applied by INDE, as applicable, to properly record and control the assets, supplies and technical assistance received.

Internal Control Structure -

We evaluated INDE's internal control structure and assessed control risk by obtaining sufficient understanding of the elements of the internal control structure (control environment, accounting system and control procedures), which surround the operations of PER III.

Compliance with Agreement Terms and Applicable Laws and Regulations -

We performed tests aimed at determining whether INDE had complied with agreement terms, PILs and applicable laws and regulations. In planning and conducting our tests of compliance, we did:

1. Identify agreement terms, PILs and pertinent laws and regulations and determine which of those, if not observed, could have a direct and material effect on the project's equipment/supplies accountability statement.
2. Design steps and procedures to test compliance with agreement terms and applicable laws and regulations.
3. Determine whether project funds were expended or USAID/G-CAP provided equipment and supplies were used for purposes not authorized or not in accordance with agreement terms.
4. Determine whether counterpart contributions and technical assistance, as applicable, were obtained opportunely according to the agreement.

RESULTS OF AUDIT

1. Equipment/Supplies Accountability Statement -

- a) INDE did not take a physical inventory of its PER III electrical supplies on hand, stated in the equipment/supplies accountability statement at US\$ 2,647,790 as of December 31, 1992. The entity's only activity in this respect was to foot all the kardex balances and reflect the resulting overall total as the ending inventories balance at that date. Appendix II summarizes these inventories.
- b) We were not engaged to audit project activities until September 1993; consequently we were not present at any physical inventories that could have been taken with respect to PER III inventories as at December 31, 1992, and we were unable to satisfy ourselves regarding inventory quantities by means of other auditing procedures. Our test counts, performed at a later date, could not be reconciled to the inventory's subsidiary records, and the differences revealed by such counts were so significant that no reliance could be placed on the related records in support of the inventories balance as at December 31, 1992 (a separate letter detailing such differences was issued in order for management to investigate and adjust those differences). The inventory of electrical supplies as of December 31, 1992 represents approximately 83% of the overall Project's assets at that date.

- c) The project's accounting records and documents with respect to equipment are not updated, and no breakdown for these assets components could be prepared for our review. INDE's official in charge of the project's accounting records contends that either such breakdowns do not exist or that the equipment in question is part of the PER II balance, because the warehouses have not reported the related items as pertaining to PER III.
- d) USAID/G-CAP confirmed directly to us its funding to the project in the amount of US\$ 4,460,057 at December 31, 1992, whereas the equipment/supplies accountability statement examined by us shows only US\$ 3,912,345. The difference of US\$ 547,712 consists of US\$ 84,869 that pertain to the project's technical assistance component and project direct payments for US\$ 462,843 recorded during 1993.

Because of the matters discussed above, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the project's equipment/supplies accountability statement as of December 31, 1992.

2. Internal Control Structure -

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. These conditions are summarized below:

- a) The financial recording (Budget/Accounting) and software systems, together with the control over fixed assets and maintenance of vehicles, need reinforcement for USAID/G-CAP and project purposes.
- b) The management of materials and supplies inventories at the project warehouses was not adequate.
- c) Data processing is not done in a timely manner and certain controls at the data processing department are not adequate.

3. Compliance with Agreement Terms and Applicable Laws and Regulations -

Our audit tests and procedures disclosed the following instances of noncompliance:

- a) INDE did not have current documentation on the USAID/G-CAP direct payments made for the project.
- b) INDE did not maintain adequate records and reports on the project counterpart contributions, nor did it produce sufficient evidence to demonstrate that such contributions were actually made.
- c) INDE had not completed its annual survey on community payments to the project.
- d) INDE did not complete in a timely manner either the construction of the Quezaltepeque or the improvement of the El Progreso substations.

4. Follow Up on Prior Audit Report Recommendations -

Following is a summary of those audit recommendations made in the past, and considered by us applicable to the PER III project, that have not yet been acted upon:

- a) Inadequate grant valuation in the accounting records, and lack of a financial accounting manual.
- b) Design of an instruction on vehicles control and administration.
- c) Request from USAID/G-CAP information on the disbursements directly made for the project.
- d) Identify and quantify in the accounting records the project counterpart contributions actually made.

MANAGEMENT COMMENTS

The supplementary information and comments supplied to us by INDES's management with respect to the draft report were duly analyzed and dealt with in detail at a meeting jointly held with INDE's officers and employees. The additional documentation submitted was reviewed by us for the applicable changes to the draft report.

In general, management expressed agreement with the final report contents. Annex I includes those management comments applicable to the points raised by us which were not cleared to our satisfaction and consequently remain in the report.





EQUIPMENT AND SUPPLIES PROVIDED BY USAID/G-CAP
TO THE RURAL ELECTRIFICATION PROJECT III (PER-
III), USAID/G-CAP PROJECT No. 520-0353, MANAGED
BY THE NATIONAL INSTITUTE OF ELECTRIFICATION
(INDE) AS AT DECEMBER 31, 1992

EQUIPMENT/SUPPLIES ACCOUNTABILITY STATEMENT

INDEPENDENT AUDITORS' REPORT

We were engaged to audit the accompanying equipment/supplies accountability statement of the Rural Electrification Project III (PER III), USAID/G-CAP Project No. 520-0353, managed by the PER III implementing unit of the National Institute of Electrification (Instituto Nacional de Electrificación -INDE) through December 31, 1992. This statement is the responsibility of INDE's management. Our responsibility is to express an opinion on the equipment/supplies accountability statement based on our audit.

The scope of our audit was affected by the following:

1. INDE did not take a physical inventory of its PER III electrical supplies on hand, stated in the accompanying equipment/supplies accountability statement at US\$ 2,647,790 as of December 31, 1992. The entity's only activity in this respect was to foot all the kardex balances and reflect the resulting overall total as the ending inventories balance at that date. Appendix II summarizes these inventories.
2. We were not engaged to audit the project until September 1993; consequently we were not present at any physical inventories that could have been taken with respect to PER III inventories as at December 31, 1992, and we were not able to satisfy ourselves regarding inventory quantities by means of other auditing procedures. Our test counts performed at a later date, as detailed in Note 6 to the equipment/supplies accountability statement and appendix III thereto, could not be reconciled to the project's inventory subsidiary records, and the differences revealed by such counts were so significant that no reliance could be placed on the related records in support of the inventories balance at December 31, 1992 (a separate letter detailing such differences was issued for management to investigate and adjust those differences).

The inventory of electrical supplies as of December 31, 1992 represents approximately 83% of the overall Project III's assets at that date.

3. As explained in Note 3 to the equipment\supplies accountability statement, the project's accounting records and documentation with respect to equipment are not updated, and no breakdowns for these asset components could be prepared for our review. The INDE's official in charge of the project accounting records contends that either such breakdowns do not exist or that the equipment in question is part of the PER II balance, because the warehouses have not reported the related items as pertaining to PER III.
4. As explained in Note 4 to the equipment/supplies accountability statement, USAID/G-CAP confirmed directly to us its funding to the project in the amount of US\$ 4,460,057 at December 31, 1992, whereas the equipment/supplies accountability statement examined by us shows only US\$ 3,912,345. The difference of US\$ 547,712 consists of US\$ 84,869 that pertain to the project's technical assistance component, and project direct payments for US\$ 462,843 that were recorded during 1993.

Because of the matters discussed above, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the equipment/supplies accountability statement of the PER III project examined by us.

This report is intended for the information of INDE and the United States Agency for International Development (USAID). This restriction does not intend to limit distribution of this report which, upon its acceptance by the USAID Office of the Regional Inspector General for Audit, is a matter of public record.


February 16, 1994

**EQUIPMENT AND SUPPLIES PROVIDED BY USAID/G-CAP
TO THE RURAL ELECTRIFICATION PROJECT III (PER-
III), USAID/G-CAP PROJECT No. 520-0353 MANAGED
BY THE NATIONAL INSTITUTE OF ELECTRIFICATION
(INDE) AS OF DECEMBER 31, 1992**

EQUIPMENT/SUPPLIES ACCOUNTABILITY STATEMENT
(in U.S. Dollars)

<u>Components</u>	<u>Beginning budget</u>	<u>Obligated for 1992</u>	<u>Provided by</u>	
			<u>USAID (1)</u>	<u>Stocks (2)</u>
Electrical supplies (3)	6,131,000	5,100,000	2,802,580	2,647,790
Substation materials	517,000	621,099	574,969	10,365
Vehicles, tools and equip- ment	568,000	588,135	534,796	534,796
Technical assistance	240,000	320,000		
Evaluations, surveys and audit	200,000	135,000		
Inflation	383,000			
Contingency	1,061,000	759,766		
Administrative support		76,000		
Total	<u>9,100,000</u>	<u>7,600,000</u>	<u>3,912,345</u>	<u>3,192,951</u>

- (1) Direct payments made by USAID/Guatemala. (Appendix I).
- (2) Inventory balances at December 31, 1992, remaining out of the quantities supplied by USAID/G-CAP. (Appendix II).
- (3) Stocks are valued at Q5.29645 to US\$1.00 as at December 31, 1992.

The six accompanying notes are an integral part of this statement

**EQUIPMENT AND SUPPLIES PROVIDED BY USAID/G-CAP
TO THE RURAL ELECTRIFICATION PROJECT III (PER-
III), USAID/G-CAP PROJECT No. 520-0353, MANAGED
BY THE NATIONAL INSTITUTE OF ELECTRIFICATION
(INDE) AS AT DECEMBER 31, 1992**

NOTES TO THE EQUIPMENT/SUPPLIES ACCOUNTABILITY STATEMENT

NOTE 1 - HISTORY AND OPERATIONS

On August 25, 1989 the Mission of the United States Agency for International Development in Guatemala (USAID/G-CAP) entered into an agreement with the Government of Guatemala (GOG) under Project No. 520-0353, to provide assistance to the latter through the National Institute of Electrification (INDE) to expand electrification in rural areas of Guatemala. The Project Assistance Completion Date (PACD) was estimated at August 25, 1995.

The overall project budget to be funded by USAID/G-CAP amounts to US\$ 9.1 million, and the actual obligated amount is US\$ 7.6 million, which reflects a reduction of US\$ 1.5 million in budget funds. These funds will be devoted to the procurement of materials, vehicles, equipment, studies, and evaluations, all of which would be directly procured by USAID/G-CAP. Therefore, INDE would only receive from USAID/G-CAP equipment, supplies and contracted services. Receipts in this respect have been flowing to INDE since November 1989, while actual construction began in August 1991.

INDE's counterpart contributions will be no less than US\$ 15.1 million in local currency (Quetzales Q.) and the actual obligated counterpart contribution amounts to a Quetzales equivalent of US\$ 12.6 million. The pertinent funds will cover all costs of labor, operations, administration, engineering (including construction supervision), and local materials, especially poles.

INDE is responsible for the overall coordination of the project and will implement it through its PER III implementing unit. The project's major activities are undertaken by the entity's following departments: Planning, Projects, Design, Commercial, Construction and Accounting. The activities to be carried on include Community Selection, System Layouts, Lay Out, Promotion of Productive Uses, Construction and Warehousing of Supplies.

Supplies for the project are maintained in warehouses located in Chimaltenango and Quetzaltenango and controlled under specific accounts separate from other supplies collected by the construction department; they are provided to the construction crews in accordance with the project designs. Equipment was received at the "GUATESUR" warehouse, a central depot located in Villa Nueva, close

to Guatemala City, from where it was subsequently dispatched to the ultimate sites.

PER III intends to increase the production, income and employment of the rural population of scarce resources of Guatemala. The project's purposes are to expand electrification coverage in rural areas where the introduction of electricity shall supplement the productive potential and resources of the current infrastructure. It is expected that the project purposes will be attained by the construction of primary distribution lines and systems, as well as house service connections at rural communities, aimed at a target 65,000 new users to be connected in more than 400 communities, selected for their high potential for the promotion of electricity productive uses.

The project also provides for the improvement and the transmission and transformation capacity of three power substations in the Western highlands (San Marcos, Huehuetenango and Quetzaltenango), which should permit the eventual connection of 20,000 new users to the system, together with the implementation of a Credit Pilot Plan for the promotion of electricity productive uses.

The selection of communities to be benefitted from the project is carried on by the application of the Demand Assessment Model (DAM) developed by the Central American Rural Electrification Support (CARES) Project, financed by ROCAP and adapted to Guatemala. The selection model was adapted to PER III by CARES and INDE submitted it to USAID/G-CAP approval in April 1991. With its application, INDE has presently selected more than 150 communities.

The project is partially financed under a Self-Aided Program whereby the populations to benefit from the project make communal contributions on the basis of a survey of the market conducted every year by PER III's coordinating unit. The survey includes the compilation of data on the communities interest on the service and their willingness to make the required payments, plus the potential of productive and commercial activities made feasible by the electrification.

The current PER III follows PER II, which was developed under two USAID/G-CAP loans and after whose PACD INDE continued the project related electrification activities up to 1991. PER II's materials remaining at the end of the project activities were stored in six project warehouses and their value, as determined by a financial review conducted by the Mission, amounted to Q. 2,759,376, out of which Q. 551,213 pertained to INDE funds and the difference to the USAID/G-CAP loans. These materials were transferred by INDE to PER III at the Mission's request.

The National Institute of Electrification (INDE) was created on May 27, 1959, per Congress Decree 1227, as a decentralized and autonomous Government entity for an indefinite life, with its own

juridical personality and ability to acquire rights and contract obligations. Its main purpose is the technical and rational harnessing of all electrical power to meet normal demand and promote the development of new industries, stimulate consumption of electricity in rural areas and increase home consumption.

NOTE 2 - ACCOUNTING POLICIES AND EXCHANGE RATE

Accounting Policies -

The project transactions are recorded in Quetzales (local currency of Guatemala).

The accompanying equipment/supplies accountability statement was prepared on the basis of the warehouse reports on the receipts and issues of the supplies and equipment, and its components were valued as follows:

- Inventories procured locally are valued at their acquisition costs, while the costs of the items supplied by USAID/G/-CAP are translated into local currency at the highest exchange rate prevailing on the date when they are received by the warehouses. The ending balances were valued in accordance with this policy.

Exchange Rate -

The exchange rate adopted by PER III for purposes of recording the USAID/G-CAP provided equipment and supplies is the rate shown in each USAID SF-1034 voucher issued in Quetzales (official local currency) to document the related acquisitions. In the absence of any specific rate, the functional rate is the highest one prevailing on the date when the equipment and supplies are received at INDE's warehouses.

NOTE 3 - EQUIPMENT ACCOUNTING RECORDS

The project's accounting records with respect to vehicles, tools and equipment do not provide a breakdown of these asset components. This breakdown is needed for the review and inspection of the balance's individual items, and also for management to be aware of what is on hand in money values. According to INDE's official in charge of the project accounting records, such breakdowns either do not exist or the equipment in question is part of the PER II balance, because the warehouses have not reported the related items as pertaining to PER III.

The subsidiary accounting records of INDE concerning equipment inventories at the central offices, appear complete up to 1990, while those covering the Western region (the project's main

operating area) are in arrears since 1987. This circumstance led PER III to maintain records of its own (which are current) for their eventual reconciliation to those of INDE.

**NOTE 4 - USAID TECHNICAL ASSISTANCE
AND DIRECT PAYMENTS**

A reconciliation of the direct payments made by USAID/G-CAP through December 31, 1992 to those shown by the project's records disclosed a difference of US\$ 547,712 which is not reflected in the equipment/supplies accountability statement (management contends that the pertinent disbursements are not necessarily known at a given date). This reconciliation is summarized as follows:

Confirmed by USAID/G-CAP	US\$ 4,460,057
Recorded by PER III through December 31, 1992	<u>3,912,345</u>
Difference	<u>US\$ 547,712</u> =====

The difference consists of direct payments made by USAID, recorded in 1993 (US\$ 462,843), and technical assistance pending to be recorded at December 31, 1992 (US\$ 84,869).

NOTE 5 - SCHEDULE OF COUNTERPART CONTRIBUTIONS

The counterpart contributions accumulated through December 31, 1992 were obtained from the budget records maintained by INDE's budget department and, as provided for by amendment No. 3 dated August 31, 1992, were translated into local currency (Quetzales or Q.) at the exchange rate of Q. 2.76 to US\$ 1.00, prevailing on the date when the grant agreement was signed. In view that the figures of such contributions were obtained from budget records but were not referenced to INDE's own accounting records, we were unable to satisfy ourselves as to their reasonableness.

A summary of the financial data supplied by PER III with respect to the counterpart contributions in question at December 31, 1992 is presented in the following page:

SCHEDULE OF COUNTERPART CONTRIBUTIONS
(in US\$ Dollars)

<u>Components</u>	<u>Project budget</u>	<u>Budgeted at 12-31-92</u>	<u>Unsupported Payments at 12-31-92</u>
Electrical supplies	US\$ 9,321,473	US\$ 3,737,418	US\$1,314,089
Substations equipment	258,456	258,456	337,211
Consulting services	309,011	123,334	201,579
Engineering and administration services	965,873	385,502	276,392
Inflation	1,181,127	200,745	
Contingency	542,741	225,235	
Labor		(*)	3,672,169
Totals	<u>US\$12,578,681</u>	<u>US\$ 4,930,690</u>	<u>US\$5,801,440</u>

The counterpart payments equal 46% of the project budget as at December 31, 1992, and include payments for US\$ 3,672,169 covering labor not originally foreseen, which equals 29% of the overall counterpart contributions budget.

(*) According to table 1 of Annex A to the agreement, labor was budgeted for the project. However, table 1 of amendment 3 to the agreement (which was the basis for our work) does not identify the pertinent budget nor its related components and consequently the related contributions could not be traced to any component in particular. Notwithstanding this, it can be assumed that in fact a budget was provided for such purposes because no works can be undertaken without any labor.

NOTE 6 - SUBSEQUENT EVENTS (Physical Inventories):

In view that no physical inventories were taken either by INDE or by project's management at December 31, 1992, and that the related balance comprised approximately 83% of the overall Project's assets at that date, the auditors attempted to satisfy themselves as to the reasonableness of those inventories at a later date for which, subsequent to their appointment, in November 1993 and January 1994, they performed tests counts at the warehouses located in Quetzaltenango, Mazatenango and Chimaltenango. These counts were traced to the kardex records maintained at each depot, a process that revealed differences for US\$ 122,972, as detailed in Appendix III to this report.

Although in other circumstances the noted differences would qualify as questioned unsupported costs, it is believed that in the present case this qualification is not warranted because it is not possible to determine whether those differences, disclosed by sample testing performed well after December 31, 1992, existed at that date.



EQUIPMENT AND SUPPLIES PROVIDED BY USAID/G-CAP
TO THE RURAL ELECTRIFICATION PROJECT III (PER-
III), USAID/G-CAP PROJECT No. 520-0353, MANAGED
BY THE NATIONAL INSTITUTE OF ELECTRIFICATION
(INDE) AS AT DECEMBER 31, 1992

INTERNAL CONTROL STRUCTURE

INDEPENDENT AUDITORS' REPORT

We were engaged to audit the equipment/supplies accountability statement of the Rural Electrification Project III (PER III), USAID/G-CAP Project No. 520-0353, managed by the PER III implementing unit of the National Institute of Electrification (Instituto Nacional de Electrificación -INDE) through December 31, 1992, and have issued our report thereon dated February 16, 1994, in which we disclaimed our opinion for the reasons stated therein.

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

For the purpose of this report we have classified the significant internal control structure policies and procedures in the following categories: a) accounting, budget and information systems; b) fixed assets; c) equipment and supplies inventories; d) controls over counterpart contributions; e) and procedures to assure that project charges are proper and are adequately documented.

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

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

The reportable conditions noted by us are described in the following pages of this report as finding Nos. 1 to 3, and are summarized below:

- The financial recording (Budget/Accounting) and software systems, together with the control over fixed assets and maintenance of vehicles, need reinforcement for USAID/G-CAP and project purposes.
- The management of materials and supplies inventories at the project warehouses was not adequate.
- Data processing is not done in a timely manner and certain controls at the data processing department are not adequate.

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

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

This report is intended for the information of INDE and the United States Agency for International Development (USAID). This restriction does not intend to limit distribution of this report which, upon its acceptance by the USAID Office of the Regional Inspector General for Audit, is a matter of public record.

Eric W. Johnson

February 16, 1994

EQUIPMENT AND SUPPLIES PROVIDED BY USAID/G-CAP
TO THE RURAL ELECTRIFICATION PROJECT III (PER-
III), USAID/G-CAP PROJECT No. 520-0353, MANAGED
BY THE NATIONAL INSTITUTE OF ELECTRIFICATION
(INDE) AS AT DECEMBER 31, 1992

INTERNAL CONTROL STRUCTURE

FINDINGS

1. The Financial Recording (Budget/Accounting) and Software Systems, Together With the Control over Fixed Assets and Maintenance of Vehicles, Need Reinforcement for USAID/G-CAP and Project Purposes.

Condition:

The situations noted were:

- a) Other than receipts and stocks-on-hand records, no specific records are maintained by INDE's accounting system with respect to PER III. Although the system helps to maintain track over the project equipment and supplies, in reality it only records INDE's own transactions. The system does not process data for the preparation of statements such as the one under review, thus making it difficult to compile such data for those purposes. The system also lacks specific accounts to identify both INDE's counterpart contributions and the technical assistance rendered and direct payments made by USAID.
- b) Inadequate valuation of the grant in the accounting records. At December 31, 1992, some Q. 2,175,409 were pending to be accounted for with respect to the grant. This amount covers exchange differentials applied and an unexplained difference of Q. 74,082, which is broken down as follows:

Account No. 201.071:	
USAID contributions to 520-0353	Q 2,179,626
Add - Adjustment recorded in April 1994	<u>1,732,719</u>
	<u>Q 3,912,345</u>

Account No. 201.072:	
USAID contributions to 520-0353 - Exchange differentials	Q 13,814,657
Add - Adjustment pending to be recorded	<u>2,175,409</u>
	<u>Q 15,990,066</u>

Total per accounting records	Q 19,902,411
Total per implementing unit's accounting records	<u>Q 19,976,493</u>
Difference pending clearance	<u>Q 74,082</u> =====

- c) The subsidiary records of the project equipment are in arrears, those maintained by INDE were posted up to 1990, while those covering the Western region (the project's main operating area) are in arrears since 1987. This circumstance led PER III to maintain records of its own (which are current) for their eventual reconciliation to those records maintained by INDE.
- d) There were several written instructions concerning controls over the project assets, but compliance thereon is difficult because the assets in question are also used for project purposes by personnel of other departments, over which project's management has no jurisdiction.
- e) The unit does not have in place a specific vehicle preventive maintenance program for the four-wheel units, as whatever program exists is based on the manufacturer's recommendations; accordingly, INDE's shop lacks the necessary instructions for providing adequate service to the units. In addition, INDE's preventive maintenance program is not consistently applied for lack of financial resources.

Criteria:

According to Annex I to the grant agreement and USAID standard grant provisions, INDE was required to maintain documentation and records which help to demonstrate without limitations the disbursements made and the receipt and use of commodities and services acquired with project funds, together with policies and procedure manuals. Also PIL 47 required the establishment of controls and the design and implementation of a general commodities utilization program as part of the unit's annual plan.

Cause:

Lack of a timely implementation of policies and procedures, together with the design of the related financial manual, and inadequate follow-up on prior audit report recommendations.

Effect:

Noncompliance with agreement terms, which may give rise to errors and irregularities not opportunely detected, and increase the possibility of loss or non-authorized uses of the project's assets.

Recommendation:

- a) INDE's current accounting system should be provided with a device whereby PER III's transactions are indirectly controlled and identified for preparation of any statements in this regard. The device should permit reconciliation of INDE's records to those of the project. This recommendation should take advantage of the INDE's current project for streamlining its own accounting system.
- b) Project's management should analyze, classify, and reconcile project transactions in order to adjust any resulting differences (covering the grant valuation, as well) and to establish controls and disseminate instructions thereon in order to ensure that the policies and procedures provided for by PIL 47 are put in place.
- c) Project's management should seek jurisdiction over the application of the written instructions concerning controls over project assets, which are at present used by other INDE's departments.
- d) Project's management should see that the instructions on vehicles maintenance contained in INDE's vehicles transportation manual are applied to the project's vehicles fleet as well.

2. The Management of Materials and Supplies Inventories at the Project Warehouses Was Not Adequate.

Condition:

The situations noted concern the warehouses of Quetzaltenango, Mazatenango, and Chimaltenango, and are summarized below:

- a) No physical inventories at December 31, 1992 were taken at the warehouses. For reporting purposes the kardex balances were footed to obtain a listing of the theoretical inventories at that date, but the resulting overall totals were not reconciled to physical.
- b) Our test counts of materials, performed in November 1993 and January 1994, disclosed significant differences with respect to the corresponding kardex balances at those dates. There is no assurance that these differences, although not necessarily represent all the inventory's differences that could have been spotted based on a full physical count, existed as of the date of the fund accountability statement and should, therefore be considered as questionable costs as at December 31, 1992.

Investigation of these differences, reported to management in a separate letter, is still in process.

- c) The kardex maintained in Quetzaltenango, together with the tag control cards are in arrears (during our visit in November 1993 we noted that the kardex had been posted only through September 1993. We also noted that the cards are not reconciled to the subsidiary kardex maintained in Huehuetenango, as an extension of the controlling Quetzaltenango warehouse).
- d) The following situations were noted at the Chimaltenango warehouse:
- Materials and supplies are received (some from the Quetzaltenango warehouse) with no assigned costs, and receipt is acknowledged until such costs are known. However, materials are occasionally dispatched without having recorded such costs first.
 - The materials and supplies are not well stocked and some of them are maintained in the open. Our counts of Bandit ribbon disclosed differences.
 - Some kardex cards are missing. We were not supplied with the cards for square washers C 6813 and J 1073.
 - Training by CARES is still pending to be received by the project's staff.
 - Employees with no business at the warehouse were noted.

Criteria:

Project's management was required to apply INDE's own Warehouse Procedures, which provide guidelines for handling and controlling materials inventories, and whose application must have been opportunely supervised by the project's financial unit. Also, training should have been already provided to the unit's staff by the Central American Rural Electrification Support (CARES) Project, as foreseen by the agreement and PII 47, dated September 10, 1993.

Cause:

Lack of training, supervision and follow up by INDE on the established control procedures over inventories. Also lack of supervision by the project's financial unit over the administration of inventories, because the warehouses are under the jurisdiction of the Construction department.

Effect:

Noncompliance with agreement terms, which may give rise to errors and irregularities not opportunely detected, plus the possibility of non-authorized uses of the project's assets, and also potential questioning of costs.

Recommendation:

Project's management should apply steady supervision and follow-up procedures, coupled to the continuing training of the warehousemen, in order to ensure that established policies and procedures concerning the administration of inventories are duly complied with.

3. Data Processing Is Not Done in a Timely Manner And Certain Controls at the Data Processing Department Are Not Adequate.

Condition:

We noted certain situations at PER III's EDP center that we believe could be improved so that a reliable information system is on hand. These situation are summarized below:

- There is no reliable security function to safeguard data and its administration. At present, data is not continuously stored in backup copies. Additionally, no security software features are in place to prevent access to processing sources. We noted that the applications lack security locks to prevent that unauthorized users can access the applications.
- The current applications lack technical and users' documentation.
- There is no disaster information-retrieval plan.
- Data consolidation at the central offices, and the production of financial data for management purposes, are not opportune.

Criteria:

The unit should have in place adequate financial and inventories control and consumption systems. Also security systems for project data should be in place for protection against any disaster or unauthorized access by third parties.

Cause:

According to management, most of the problems noted are due to the fact that the systems are in their implementation stage with the consequent delays in the processing of data causing a disruption in the flow of information among the project's several units. We noted that the present computer facilities are of recent installation.

Effect:

Management may find it difficult to make timely decisions, or may possibly make erroneous decisions, due to the lack of timely information. Also, there is a risk of partially or totally losing the stored data, and of creating dependence on a small number of employees for the system to function as expected.

Recommendation:

INDE should review the flow of data for the project among the different organizational units in order to manage the adequate and opportune compilation of financial and statistical data. Also, the applications currently in process of implementation should be critically reviewed in order to strengthen their controls and the integration that should exist among them.

Written manuals which contain technical documentation concerning applications and user's instructions should be prepared, so that documented support of the applications is in place whenever the employees responsible for them are absent.

Also, a written plan to retrieve data in case of disaster should be prepared, describing the required steps and the resources to be used to that end whenever a disaster or major disruption of the process occurs within the PER III's EDP premises.



EQUIPMENT AND SUPPLIES PROVIDED BY USAID/G-CAP
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III), USAID/G-CAP PROJECT No. 520-0353, MANAGED
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(INDE) AS AT DECEMBER 31, 1992

COMPLIANCE WITH AGREEMENT TERMS AND
APPLICABLE LAWS AND REGULATIONS

INDEPENDENT AUDITORS' REPORT

We were engaged to audit the equipment/supplies accountability statement of the Rural Electrification Project III (PER III), USAID/G-CAP Project No. 520-0353, managed by the PER III implementing unit of the National Institute of Electrification (Instituto Nacional de Electrificación -INDE) through December 31, 1992, and have issued our report thereon dated February 16, 1994, in which we disclaimed our opinion for the reasons stated therein.

Compliance with laws, regulations, contracts, and grants applicable to PER III is the responsibility of INDE's management. As part of obtaining reasonable assurance about whether the equipment/supplies accountability statement is free of material misstatement, we performed tests of INDE's compliance with certain provisions of laws, regulations, contracts, and grants. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

Material instances of noncompliance are failures to follow requirements, or violations of agreement terms 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 equipment/supplies accountability statement. The results of our tests of compliance disclosed the instances of non-compliance described as finding Nos. 1 to 4 in the following pages of this report.

We considered these material instances of noncompliance in forming our opinion on the equipment/supplies accountability statement mentioned above, and this report does not affect our report dated February 16, 1994 on this statement.

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

This report is intended for the information of INDE and the United States Agency for International Development (USAID). This restriction does not intend to limit distribution of this report which, upon its acceptance by the USAID Office of the Regional Inspector General for Audit, is a matter of public record.



February 16, 1994

EQUIPMENT AND SUPPLIES PROVIDED BY USAID/G-CAP
TO THE RURAL ELECTRIFICATION PROJECT III (PER-
III), USAID/G-CAP PROJECT No. 520-0353, MANAGED
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COMPLIANCE WITH AGREEMENT TERMS AND
APPLICABLE LAWS AND REGULATIONS

FINDINGS

1. INDE Did Not Have Current Documentation on the USAID/G-CAP
Direct Payments Made For the Project.

Condition:

PER III's records lack complete information on the disbursements (payments) directly made by USAID/G-CAP for the project, such as technical assistance, surveys, evaluations and administrative support.

Criteria:

According to Annex I to the grant agreement and USAID standard grant provisions, INDE was required to maintain documentation and records which help to demonstrate without limitations the disbursements made and the receipt and use of commodities and services acquired with project funds, together with policies and procedure manuals.

Cause:

Lack of communication between USAID/G-CAP and the implementing unit with respect to the direct disbursements charged to the project.

Effect:

The project's equipment/supplies accountability statement is understated by US\$ 168,491 with respect to USAID/G-CAP direct payments.

Recommendation:

Project's management should establish an internal mechanism whereby PER III periodically obtains information on the execution of the project's budget and direct payments made by USAID/G-CAP, for its reconciliation to the project's records.

2. INDE Did Not Maintain Adequate Records and Reports on the Project Counterpart Contributions, Nor Did It Produce Sufficient Evidence to Demonstrate That Such Contributions Were Actually Made.

Condition:

The counterpart contributions reported in Note 5 to the equipment/supplies accountability statement for US\$5.8 million were obtained from the budget execution records maintained by INDE's budget department, and not from the project's accounting records. Because of its status as a Government institution, INDE lacks specific codes to permit the identification, in the entity's records, of the contributions in question, and during our review we were not supplied with detailed information on those contributions, at variance with the requirements of amendment No. 3 to the agreement. In view that the figures of the contributions reported as paid to the project were obtained from budget records and not referenced to INDE's own records, we were unable to satisfy ourselves as to their reasonableness.

Furthermore, the labor contributions for US\$ 3,672,169 mentioned in Note 5 to the equipment/supplies accountability statement could not be traced to any component in particular because the budget covered by amendment 3 lacks specific identification thereon.

Criteria:

Both INDE and PER III unit, were required to maintain project records to demonstrate without limitations all the disbursements made with grant funds. They were also required to comply with the provisions of amendment No. 3 to the agreement and PIL No. 36 of October 1, 1992 with respect to the supply of detailed data or the respective supporting documentation, as they are included in the quarterly reports on counterpart contributions.

Cause:

Unawareness by key project personnel on the agreement requirements to maintain special records and their respective supporting documentation.

Effect:

The USAID/G-CAP financial information requirements have not been satisfactorily met with respect to the counterpart contributions required under the grant. This makes it more difficult for management to adopt informed decisions and causes that the contributions be questioned in full for lack

of sufficient disclosure and/or documentation to demonstrate their payment. Also, without such a disclosure, there is a possibility that required contributions are not being made.

Recommendation:

In view that INDE's accounting records do not provide the information on counterpart contributions actually made, project management should maintain a special record on these contributions supporting documentation, which besides meeting USAID/G-CAP information requirements would also permit the submission of project financial progress reports concerning this type of disbursements. The suggested record should identify the pertinent transaction with the number and date of the disbursements voucher, or the journal entry whereby the transaction was posted.

Furthermore, both the unit and USAID/G-CAP should jointly identify the disbursement component under which the contributed labor should be included and disclosed in the pertinent statements.

3. INDE Had Not Completed its Annual Survey on Community Payments to the Project.

Condition:

PER III's management has not adequately prepared, to the satisfaction of USAID/G-CAP, a current survey on community payments to the project. This survey is needed to determine the quantity and type of productive services, anticipated consumption of electric fluid by the housing units, confirmation of the number of users and their expected communal payments, number and dispersion of the houses, etc..

Criteria:

Per agreement terms and Pils 24 and 29, dated July 30, 1991 and March 12, 1992, respectively, PER III management is required to prepare, at the beginning of each year, a survey on the payments to be made by the communities that will benefit from the project.

Cause:

The surveys submitted so far by INDE have not been prepared to USAID/G-CAP satisfaction.

Effect:

Noncompliance with agreement terms, which may cause a delay in the start of the construction projects in the coming years.

Recommendation:

Project's management should submit to USAID/G-CAP, as soon as possible, its annual survey on community payments so that it can be assured that the attainment of project goals is not going to be delayed or not complied with for lack of such a survey.

4. INDE Did Not Complete in a Timely Manner Either The Construction of the Quezaltepeque Or The Improvement of the El Progreso Substations.

Condition:

Under notice 0-562-1279-93, dated December 22, 1993, INDE's chief of the Eastern Operating System announced that the substation in Quezaltepeque was put in operation in July 1992, and that of El Progreso in June 1993, although these works were required to be completed by October 1990.

Criteria:

According to section 5.4 of the agreement and its PIL 10, dated July 13, 1990, the completion date for the above mentioned substations was established at October 30, 1990.

Cause:

The delays are ascribed to problems with CYASA, a construction company contracted by INDE for such works, which encountered some difficulties of its own that prevented compliance with the works established final dates. To date, the works receiving committee has not been able to receive the work in final form for clearance and settling of the related contract. In the meantime, the works were temporarily received on July 2, 1992.

Effect:

Non-compliance with agreement terms, plus the fact that power could not be supplied to the towns in question with the expected benefits.

Recommendation:

Project's management should clearly explain and justify to USAID/G-CAP the reasons for the delay on the works contracted with CYASA and which do not pertain to INDE.

**EQUIPMENT AND SUPPLIES PROVIDED BY USAID/G-CAP
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III), USAID/G-CAP PROJECT No. 520-0353, MANAGED
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(INDE) AS AT DECEMBER 31, 1992**

FOLLOW UP ON PRIOR AUDIT RECOMMENDATIONS

Our follow-up on prior audit report recommendations made to PER II disclosed that some of them are still pending implementation.

Following is a summary of those audit recommendations, considered by us applicable to the PER III project, that have not yet been acted upon:

- a) Inadequate grant valuation in the accounting records, and lack of a financial accounting manual.
- b) Design of an instruction on vehicles control and administration.
- c) Need to request from USAID/G-CAP information on the disbursements directly made for the project.
- d) Identify and quantify in the accounting records the counterpart contributions actually received by the project.

EQUIPMENT AND SUPPLIES PROVIDED BY USAID/G-CAP
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III), USAID/G-CAP PROJECT No. 520-0353, MANAGED
BY THE NATIONAL INSTITUTE OF ELECTRIFICATION
(INDE) AS AT DECEMBER 31, 1992

LIST OF REPORT RECOMMENDATIONS

Internal Control Structure:

Recommendation 1:

- a) INDE's current accounting system should be provided with a device whereby PER III's transactions are indirectly controlled and identified for preparation of any statements in this regard. The device should permit reconciliation of INDE's records to those of the project. This recommendation should take advantage of the INDE's current project for streamlining its own accounting system.
- b) Project's management should analyze, classify, and reconcile project transactions in order to adjust any resulting differences (covering the grant valuation, as well) and to establish controls and disseminate instructions thereon in order to ensure that the policies and procedures provided for by PIL 47 are put in place.
- c) Project's management should seek jurisdiction over the application of the written instructions concerning controls over project assets, which are at present used by other INDE's departments.
- d) Project's management should see that the instructions on vehicles maintenance contained in INDE's vehicles transportation manual are applied to the project's vehicles fleet as well.

Recommendation 2:

Project's management should apply steady supervision and follow-up procedures, coupled to the continuing training of the warehousemen, in order to ensure that established policies and procedures concerning the administration of inventories are duly complied with.

Recommendation 3:

INDE should review the flow of data for the project among the different organizational units in order to manage the adequate and opportune compilation of financial and statistical data. Also, the applications currently in process of implementation should be critically reviewed in order to strengthen their controls and the integration that should exist among them.

Written manuals which contain technical documentation concerning applications and user's instructions should be prepared, so that documented support of the applications is in place whenever the employees responsible for them are absent.

Also, a written plan to retrieve data in case of disaster should be prepared, describing the required steps and the resources to be used to that end whenever a disaster or major disruption of the process occurs within the PER III's EDP premises.

**Compliance with Agreement Terms and
Applicable Laws and Regulations:**

Recommendation 1:

Project's management should establish an internal mechanism whereby PER III periodically obtains information on the execution of the project's budget and direct payments made by USAID/G-CAP, for its reconciliation to the project's records.

Recommendation 2:

In view that INDE's accounting records do not provide the information on counterpart contributions actually made, project management should maintain a special record on these contributions supporting documentation, which besides meeting USAID/G-CAP information requirements would also permit the submission of project financial progress reports concerning this type of disbursements. The suggested record should identify the pertinent transaction with the number and date of the disbursements voucher, or the journal entry whereby the transaction was posted.

Furthermore, both the unit and USAID/G-CAP should jointly identify the disbursement component under which the contributed labor should be included and disclosed in the pertinent statements.

Recommendation 3:

Project's management should submit to USAID/G-CAP, as soon as possible, its annual survey on community payments so that it can be assured that the attainment of project goals is not going to be delayed or not complied with for lack of such a survey.

Recommendation 4:

Project's management should clearly explain and justify to USAID/G-CAP the reasons for the delay on the works contracted with CYASA and which do not pertain to INDE.

PROYECTO DE ELECTRIFICACION RURAL III
CONVENIO DE DONACION No 520-0353
AGRUPACION DE RENGLONES DEL 1 DE ENERO DE 1991 AL 31 DE DICIEMBRE DE 1992

FECHA	RENGLON	ACTA	ALMACEN	VAUCHER	FECHA	CENTRA: TO	PROVEEDOR	DEBE	HABER	HABER ACUMULADO	SALDO
								19,100,000.00			19,100,000.00
9/5/91	Faccimil y fotocopiadora	5-7-90	PER-III CENTRAL	520-04738	7-8-90	667	LNIER DE GUAT.		2,720.44	2,720.44	19,097,279.56
9/5/91	Microcomputadora	9-8-90	PER-III CENTRAL	520-05087	31-8-90	617	INFORMATICA S.A.		2,815.00	5,535.44	19,094,464.56
9/5/91	16 estatales	10-8-90	PER-III CENTRAL	520-05226	13-9-90	578	LIETZ COMPANY		2,044.41	7,579.85	19,092,420.15
9/5/91	8 transitos y 8 tripodes	6-8-90	PER-III CENTRAL	520-10104	27-9-90	578	LIETZ COMPANY		7,358.40	14,938.25	19,085,061.75
9/5/91	2 cargadores marca Case	1-91	PER-III CENTRAL	1520-2751	26-11-90	715	WORLDWIDE P. INC.		61,590.00	76,528.25	19,023,471.75
9/5/91	Conductores de dif. calibres	4-12-90	PER-III XELA	1520-2269	11-12-90	716	CONELCA S.A.		268,357.98	344,886.23	18,758,613.77
9/5/91	1 fiere de 16 estatales	18-8-90	PER-III CENTRAL	1520-242	27-9-90	578	LIETZ COMPANY		184.91	345,071.14	18,754,528.86
9/5/91	conductor dif. calibres	6-12-90	PER-III CHIMALTENANGO	1520-2002	26-12-90	716	CONELCA S.A.		109,970.65	455,041.79	18,644,558.21
9/5/91	conductor dif. calibres	7-12-90	PER-III CHIMALTENANGO	1520-3010	22-1-91	716	CONELCA S.A.		338,343.16	793,384.95	18,306,215.05
9/5/91	4 camion y 3 pick-ups	2-91	PER-III CENTRAL	1520-2907	24-1-91	714	BANNER		112,762.00	906,346.95	18,193,453.05
9/5/91	conductor dif. calibres	3-1-91	PER-III XELA	1520-2980	7-2-91	716	CONELCA S.A.		73,031.18	979,378.13	18,120,421.87
9/5/91	300 transformadores	5-2-91	PER-III XELA	1520-3002	27-2-91	758	UNIDQUIP		259,098.00	1,238,476.13	17,861,323.87
9/5/91	300 Transformadores	8-2-91	PER III CHIMALTENANGO	1520-3002	27-2-91	758	UNIDQUIP			1,238,476.13	17,861,323.87
9/5/91	Herrajes y materiale varios	06-2-91	PER-III CHIMALTENANGO	1520-2267	27-2-91	713	INTECO		96,633.00	1,335,109.13	17,764,690.87
9/5/91	Herrajes y Materiales Varios	06-2-91	PER III QUETZALTENANGO	1520-02267	27-2-91	713	INTECO			1,335,109.13	17,764,690.87
9/5/91	Herrajes y materiale varios	05-1-91	PER-III CHIMALTENANGO	1520-3552	1-3-91	713	INTECO		93,185.46	1,428,294.59	17,671,505.41
5/6/91	conductor dif. calibres	4-2-91	PER-III XELA	1520-3110	15-2-91	716	CONELCA S.A.		22,620.85	1,450,915.44	17,548,884.56
5/6/91	Herrajes y materiale varios	10-3-91	PER-III CHIMALTENANGO	1520-2984	22-3-91	713	INTECO		41,868.00	1,492,783.44	17,607,216.56
5/6/91	Herrajes y Materiales Varios	17-3-91	PER III QUETZALTENANGO	1520-2984	22-3-91	713	INTECO			1,492,783.44	17,607,216.56
5/6/91	Herrajes y materiale varios	15-3-91	PER-III XELA	1520-3080	2-4-91	713	INTECO		19,320.00	1,512,103.44	17,587,896.56
5/6/91	contadores y tableros	02-3-91	PER-III MAZATENANGO	1520-2983	10-4-91	1017	INTECO		144,408.00	1,656,511.44	17,443,488.56
5/6/91	Contadores y Tableros	02-3-91	PER III CHIMALTENANGO	1520-2983	10-4-91	1017	INTECO			1,656,511.44	17,443,488.56
5/6/91	Contadores y Tableros	02-3-91	PER III MAZATENANGO	1520-2983	10-4-91	1017	INTECO			1,656,511.44	17,443,488.56
5/6/91	Herrajes y materiale varios	13-4-91	PER-III CHIMALTENANGO	1520-3430	24-4-91	713	INTECO		58,670.00	1,715,181.44	17,384,818.56

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FECHA	RENDÓN	ACTA	ALMACEN	VAUCHER	FECHA	CONTRA:	PROVEEDOR	DEBE	HABER	HABER	SALDO
						TO				ACUMULADO	
4/7/91	pararrayos y cortacircuitos	11-3-91	PER-III CHIMALTENANGO	1520-2985	2-4-91	575	UTECO		21,640.00	1,749,896.44	7,350,103.56
4/7/91	10000 contadores clase 100	15-05-91	PER-III CHIMALTENANGO	1520-4251	13-5-91	1017	INTECO		165,000.00	1,914,896.44	7,185,103.56
4/7/91	materiales electricos	20-5-91	PER-III CHIMALTENANGO	1520-4465	5-6-91	713	INTECO		45,431.50	1,960,327.94	7,139,672.06
4/7/91	materiales electricos	23-6-91	PER-III CHIMALTENANGO	1520-4965	1-7-91	713	INTECO		48,899.06	2,009,227.00	7,090,773.00
4/8/91	tablas acanaladas	8-6-91	PER-III QUETZALTENANGO	1520-5072	1-7-91	1187	INGASA		12,616.56	2,021,843.56	7,078,156.44
4/8/91	materiales electricos	7-7-91	PER-III CHIMAL..QUETZALT.	1520-6033	10-7-91	712	INTECO		54,350.87	2,076,194.43	7,023,805.57
4/8/92	Materiales Electricos	19-2-91	PER III CHIMALT.	2520-0316	15-10-91	713	INTECO		2,150.00	2,078,344.43	7,021,655.57
20/3/92	pick-up marca ford custom	38-1-92	PER III CENTRAL	2520-0533	10-10-91	1204	SARGENT INTERNATIONAL INC		91,692.00	2,170,036.43	6,929,963.57
20/3/92	pick-up marca ford custom	38-11-91	PER III CENTRAL	2520-0431	10-10-91	1190	SARGENT INTERNATIONAL INC		27,788.00	2,197,824.43	6,902,175.57
20/3/92	camioneta jeep cherokee	33-11-91	PER III CENTRAL	1520-5733	13-8-91	1190	SARGENT INTERNATIDANL, IN		11,640.00	2,209,464.43	6,890,535.57
20/3/92	camioneta jeep cherokee	33-11-91	PER III CENTRAL	2520-2013	13-8-91	1190	SARGENT INTERNATIDANL, IN		2,910.00	2,212,374.43	6,887,625.57
20/3/92	6 motocicletas marca Honda	42-02-92	PER III CENTRAL	25202638	5-3-92	2031	FAMONDA, S.A.		9,750.00	2,222,124.43	6,877,875.57
20/3/92	Furgones con Herramienta	102-92	ALMACEN CENTRAL GUATESUR	25201195	11-20-91	1205	PECO INTERNAT. ELECTRIC.		201,338.34	2,423,462.77	6,676,537.23
20/11/92	Equipo elect-mec. de subst.	005-92	ALMACEN CENTRAL GUATESUR	25200579	28-10-92	1214	EDISON HUBBARD CORP.		42,549.07	2,466,011.84	6,633,988.16
20/11/92	Intereses por mora			25200742	1-11-91	578	LEIZ		2.89	2,466,014.73	6,633,985.27
20/11/92	Equipo Electromecanico	7-92	ALMACEN CENTRAL GUATESUR	25201640	17-12-91	1214	EDISON HUBBARD CORP.		49,753.00	2,515,767.73	6,584,232.27
20/11/92	6 unids. dis. de resist. a tierra	44-3-92	PER III CENTRAL	25203150	13-1-92	1246	AMERICAN & CARIBBEAN		16,584.00	2,532,351.73	6,567,648.27
20/11/92	13 transformadores	20-92	ALMACEN CENTRAL GUATESUR	25203692	13-1-92	1246	AMERICAN & CARIBBEAN		54,435.00	2,586,786.73	6,513,213.27
20/11/92	12 Transformadores	14-92	ALMACEN CENTRAL GUATESUR	25202086	21-1-92	1214	EDISON HUBBARD CORP.		18,874.14	2,605,660.87	6,494,339.13
20/11/92	3 Transformadores	20-92	ALMACEN CENTRAL GUATESUR	25204342	19-5-92	1246	AMERICAN & CARIBBEAN		99,213.00	2,704,873.87	6,395,126.13
20/11/92	materiales Electricos	4-92,10-92	PER III CHIMALTENANGO	25205115	6-6-92	2111	PECO		256,861.99	2,961,735.86	6,138,264.14
20/11/92	Material Electrico	7-8-92	PER III QUETZALTENANGO	25206471	25-7-92	2115	INTECO		128,110.00	3,089,845.86	6,010,154.14
20/11/92	material Electrico	6-92	PER III CHIMALTENANGO	25206470	29-7-92	2116	UTECO		74,330.40	3,164,176.26	5,935,823.74
20/11/92	7 Tableros para Medicion	36-92	ALMACEN CENTRAL GUATESUR	25206472	31-7-92	1214	EDISON HUBBARD CORP.		113,097.00	3,277,273.26	5,822,726.74
20/11/92	Materiales Electrico	9-9-92	PER III QUETZALTENANGO	25206601	8-8-92	2115	INTECO		29,000.00	3,306,273.26	5,793,726.74
20/11/92	12 Hecluser	35-92	ALMACEN CENTRAL GUATESUR	25206473	8-8-92	1246	AMERICAN & CARIBBEAN		180,464.00	3,486,737.26	5,613,262.74

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APPENDIX I

3 OF 3

PROYECTO DE ELECTRIFICACION RURAL III
 CONVENIO DE DONACION No 520-0353

AGRUPACION DE REMOLONES DEL 1 DE ENERO DE 1991 AL 31 DE DICIEMBRE DE 1992

FECHA	REMOLO	ACTA	ALMACEN	VAUCHER	FECHA	CONTRA	PROVEEDOR	DEBE	HABER	HABER	SALDO
:	:	:	:	:	:	TO	:	:	ACUMULADO	:	:
02/11/92	Material Eléctrico	5-92	PER III CHIMALTENANGO	25205326	14-8-92	2116	UTECO		201,174.82	3,687,912.08	5,412,087.92
02/11/92	Materiales Eléctricos	48-92,14-11-9	PER III QUETZALTENANGO	25205527	14-8-92	2111	PECO		224,433.14	3,912,345.22	5,187,654.78

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*INVENTARIO DE
CHIMALTENANGO*

INVENTARIO DE MATERIALES
BODEGA CHIMALTENANGO
PROYECTO DE ELECTRIFICACION RURAL III
FONDOS AID, AL 31 DE DICIEMBRE DE 1,992

CODIGO BODEGA	M A T E R I A L	EXISTENCIA INICIAL	CANTIDAD EXISTENTE	COSTO UNITARIO	CCSTO TOTAL
** CONDUCTORES Y CABLES					
050115-5	Alambre solido de aluminio suave No. 6 AWG para amarre de conductores 90.7 Kgf de ruptura, de 0.036 kg/m de peso.	5660	4910	0.491230	2411.94
051309-3	Conductor ACSR No. 4 AWG, 6/1, 830 Kg.	42508	38208	0.913688	34910.19
051315-0	Conductor ACSR No. 2 AWG, 6/1, 1 265 kg.	272156	223174	1.405286	313623.30
056585-3	Conductor aereo duplex, cableamiento regular, compuesto de un conductor No.6 AWG, 7 hilos, de aluminio AA, aislamiento de polietileno y con mensajero neutro, de 7 hilos, de aluminio AA, No. 6 AWG.	218889	542282	1.597642	866372.50
057025-9	Conductor aereo triplex, cableamiento regular, compuesto de dos conductores No. 2 AWG, de 7 hilos, de aluminio AA, con aislamiento de polietileno y con mensajero neutro ACSR No. 2 AWG, 6/1.	34000	32902	5.256164	172938.31
057711-4	Conductor No. 1 AWG, de aluminio, 19 hilos, con aislamiento PVC, tipo THW, de 600 Voltios, (para conexion del secundario a lcs trasformadores) capacidad maxima de 25 KVA.	620	3263	4.379684	14290.91
061710-0	Conductor biplastico No. 2 x 14 AWG, de cobre solido, aislamiento de PVC, 600 voltios.	35000	171487	1.159794	198889.59
061711-8	Conductor biplastico No. 3 x 14 AWG, de cobre solido, aislamiento de PVC, 600 voltios.	25000	86555	1.913576	165629.57
063456-4	Conductor No. 2 AWG, de cobre desnudo, de 7 hilos, semidura 2.999 Lb.	4000	10943	5.657858	61913.94
067568-6	Conductor No. 10 AWG, tipo TW, cobre solido, aislamiento de PVC, 600 voltios, color negro.	20000	43791	1.003171	43929.86
067572-8	Conductor No. 10 AWG, tipo TW, cobre solido, aislamiento PVC, 600 voltios, color blanco.	0	25297	1.089569	27562.83
** Subtotal **					1902472.94
** ACCESORIOS PARA CONDUCTORES Y CABLES					
086274-8	Compuesto antioxidante para aluminio, botella de 8 onzas.	350	350	36.842486	12894.87
091754-2	Rollo de 66 pies de cinta electrica aislante contra humedad.	2000	1552	2.329815	3615.87
** Subtotal **					16510.74
** HERRAJES Y ACCESORIOS					
190501-7	Tablero una fase 2 hilos con flipon de 15 amperios 120 voltios.	14110	12462	28.885075	359965.80
265901-9	Cinta de acero inoxidable (Band-It), de 3/8" * 0.025" tipo 201 stainless steel(precio unitario por neutro).	4573	7973	3.003618	23947.85
265920-9	Hebilla, (Band-It Buckles) de acero inoxidable, de 3/8" del insiso 4.121.	7000	11858	0.608488	7215.45
** Subtotal **					391129.10
** AISLADORES Y ACCESORIOS					
271990-4	Espiga para punta de poste , de 18" de largo, agujero de 11/16" de diametro, separados 8", rosca de plomo de 1", para aislador ansi 55-4.	2000	1653	13.806387	22821.96
271994-6	Espiga para punta de poste de 24", agujeros de 5/8" de diametro, separados 8", rosca de plomo 1 3/8", para aislador ANSI 56-5 y ANSI 56-3.	1600	1389	29.798634	41390.30

PROYECTO DE ELECTRIFICACION RURAL III
FONDOS AID, AL 31 DE DICIEMBRE DE 1.992

CODIGO BODEGA	M A T E R I A L	EXISTENCIA INICIAL	CANTIDAD EXISTENTE	COSTO UNITARIO	COSTO TOTAL
** Subtotal **					64212.26 ✓
** HERRAJES Y ACCESORIOS					
272058-9	Mensula o separador para espiga de punta de poste, 8" de separacion entre agujeros.	600	442	16.975710	7503.26
** Subtotal **					7503.26 ✓
** AISLADORES Y ACCESORIOS					
272210-6	Estribo para aislador de carrete 3 3/8"x 4 1/2", pin de 5/8".	3000	21999	7.926699	174379.45
272223-9	Bastidor para 3 aisladores de carrete (servicio pesado), 6.67 lb. de peso, ancho del espaldar 3 1/4".	6000	5487	31.820860	174601.06
** Subtotal **					348980.51 ✓
** HERRAJES Y ACCESORIOS					
272358-3	Estribo para conector para linea viva (usese ademas un conector del inciso 4.24.).	700	1277	6.563562	8381.67
272914-3	Grapa de suspension para angulo, de acero forjado, diametros de cable de 0.60" - 0.12", 7,000 Lb. tipo CLEVIS.	599	1082	41.657745	45073.68
274159-3	Fijador de angulo para retenida con agujero de 11/16", ranura de 11/16" x 7/8", hierro hembra de 1/4" x 1 1/2".	7000	11896	12.013667	142914.58
274524-8	Grillete par anclaje, de acero forjado, galvanizado, con resistencia ultima de 24.000 lbs.	2300	3486	14.551305	50725.85
275028-9	Varilla para tierra, de cobre, con alma de acero de 5/8" x 8", tipo standard.	3000	5358	16.020018	85835.26
275057-8	Varilla para anclaje sencilla tipo thimbleys, de 5/8" x 7", de acero galvanizado.	7000	12153	25.450267	309297.09
276572-7	Guardacabo con accesorio clevis, galvanizado.	2000	2864	12.099948	34654.25
280368-2	perno de maquina, galvanizado, de 1/2" * 2 1/2".	500	1000	2.123810	2123.81
280434-2	Perno de maquina, galvanizado, de 5/8" * 10", rosca de 6".	18000	28097	3.270580	91893.49
280438-3	Perno de maquina, galvanizado, de 5/8" * 12", rosca de 8".	1000	1000	3.814064	3814.06
281055-4	Pernos de ojo de 5/8"	0	1500	9.667335	14501.00
281258-4	Perno de doble rosca, galvanizado, de 5/8" * 12", con 4 tuercas.	1200	2200	7.086596	15590.51
281268-3	Perno de doble rosca, galvanizado, de 5/8" * 18", con 4 tuercas.	1200	2090	8.189981	17117.06
284517-0	Arandela de acero galvanizado, de 2" x 2" x 1/8" agujero de 9/16".	500	997	2.701274	2693.17
284535-2	Arandela de acero galvanizado, de 2 1/4" x 2 1/4" x 3/16", agujero de 11/16".	24934	20323	0.784293	15939.19
284549-3	Arandela de acero galvanizado, de 3" x 3" x 1/4", agujero de 13/16".	6300	12300	2.142099	26347.82
287320-6	Tuerca de ojo, de acero galvanizado, para perno de 5/8".	500	1079	9.746534	10516.51
288285-0	Contratuerca para perno de 1/2" de diametro.	500	500	0.372520	186.25
288287-6	Contratuerca para perno de 5/8" de diametro.	135000	135000	0.424712	57336.12
** Subtotal **					934941.38 ✓
** ACCESORIOS PARA CONDUCTORES Y CABLES					
290409-2	Remate preformado para cable de acero galvanizado, de 1/4".	14500	23764	4.243831	100850.40
290436-5	Remate preformado para ACSR 6/1 y luminio AA, No. 6 AWG.	37000	64108	2.398329	153752.08
290439-9	Remate preformado para 6/1 y aluminio AA, No. 4 AWG.	1100	1300	2.125683	2763.39

01/25/93

INVENTARIO DE MATERIALES
BODEGA CHIMALTENANGO
PROYECTO DE ELECTRIFICACION RURAL III
FONDOS AID, AL 31 DE DICIEMBRE DE 1,992

CODIGO BODEGA	M A T E R I A L	EXISTENCIA INICIAL	CANTIDAD EXISTENTE	COSTO UNITARIO	COSTO TOTAL
290448-0	Remate preformado para ACSR 6/1 y aluminio AA, No. 2 AWG.	6000	7722	2.736800	21133.57
290464-7	Remate preformado para ACSR 6/1 y aluminio AA, No. 1/0 AWG.	300	600	4.616150	2769.69
290720-2	Empalme preformado para acsr No. 4 AWG, 6/1.	1000	1796	15.654582	28115.63
290725-1	Empalme preformado para ACSR No. 2 AWG, 6/1.	2000	3777	21.744130	82127.58
290728-5	Empalme preformado para acsr No. 1/0 AWG, 6/1.	1000	2000	32.218500	64437.00
291736-7	Protector preformado corto (Armor Rods) para ACSR No. 4 AWG, 6/1.	1600	2970	8.258663	24528.23
291737-5	Protector preformado largo (Armor Rods) para ACSR No. 4 AWG, 6/1.	1200	2200	10.301018	22662.24
291738-3	Protector preformado corto (Armor Rods) para ACSR No. 2 AWG, 6/1.	14000	27727	9.979068	276689.62
291739-1	Protector preformado largo (Armor Rods) para ACSR No. 2 AWG, 6/1.	300	800	14.133738	11306.99
291740-7	Protector preformado corto (Armor Rods) para ACSR No. 1/0 AWG, 6/1.	600	1200	16.392100	19670.52
291741-7	Protector preformado largo (Armor Rods) para ACSR No. 1/0 AWG, 6/1.	600	1200	20.255058	24306.07
** Subtotal **					835113.00✓
** HERRAJES Y ACCESORIOS					
292978-4	Conector para linea viva, todo proposito, calibres No. 6 AWG 2/0 AWG, derivaciones calibre No. 8 AWG - No. 1/0 AWG.	600	945	25.481831	24080.33
293381-0	Conector de perno partido para conductores ACSR No. 2 AWG str No. 8 AWG, sol, derivaciones No. 2 AWG str, No. 8 AWG cobre o aluminio.	37000	33198	3.793876	125949.10
293920-5	Conector de compresion de 7/8" para derivaciones subterraneeas en bajadas a tierra.	1638	992	2.757771	2735.71
294501-2	Conector de compresion universal para aluminio y cobre No. 4/4.	14999	13332	1.502201	20027.34
294502-0	Conector de compresion universal de 1 1/2" de largo para Cu, Al, ACSR, linea principal ACSR No. 3 AWG a No. 1/0 AWG, derivaciones ACSR No. 6 AWG a No. 2 AWG.	10000	9000	1.861599	16754.39
** Subtotal **					189546.87✓
** AISLADORES Y ACCESORIOS					
300615-2	Aislador de suspension de 10" x 5 3/4", clase 52-4 ANSI OJO-CLEVIS, 20 000 Lb., distancia de fuga 11.5 pulgadas. Arqueo en seco de 7 3/4 pulgadas.	3500	3446	60.929454	209962.90
300625-1	Aislador de suspension de 4 1/4" x 6 1/4", clase 52-9 ANSI. Ojo clevis, 10 000 Lb., distancia de fuga 7". Arque en seco de 4 pulgadas.	2500	1286	25.826064	33212.32
** Subtotal **					243175.22✓
** TRANSFORMADORES					
520317-9	Transformador de distribucion monofasica para 60 Hz., completamente autoprotegido, de enfriamiento natural, inmersion en aceite, para voltaje primario de 19.86 Kv., apto para bancos de 34.5 Kv., estrella con neutro a tierranivel basico de impulso de 125 Kv., con regulacion con taps de 2 x 2 1/2 % para mas o menos 5 %, con un solo borne vertical, voltaje del secundario de 120/240 V., apto para conexion del secundario en serie multiple o servicio con tres hilos, los bornes del primario como del secundario seran aptos para conexiones con cables de aluminio, capacidad de 10 KVA.	300	406	2425.205920	984633.60
** Subtotal **					984633.60✓

INVENTARIO DE MATERIALES
BODEGA CHIMALTENANGO
PROYECTO DE ELECTRIFICACION RURAL III
FONDOS AID, AL 31 DE DICIEMBRE DE 1,992

CODIGO BODEGA	M A T E R I A L	EXISTENCIA INICIAL	CANTIDAD EXISTENTE	COSTO UNITARIO	COSTO TOTAL
** EQUIPO DE MEDICION					
530119-7	Medidor de KWH tipo sobreponer, monofasico, 120 V. 15 A, 2 hilos, 60 Hz, clase 100, con registro tipo ciclometrico, para interperie, con engranajes metalicos.	10000	4418	1.905835	361859.98
538398-9	Marchamos de seguridad, "Plastic Padlock Seal".	0	182	0.486258	88.50
** Subtotal **					361948.48
** EQUIPO DE PROTECCION					
550180-4	Cortacircuito de distribucion 15 kv, 100 A continuos, corte asimetrico minimo 10000 A, 95 kv. BIL, con soporte para cruceta de madera de 90 mm x 115 mm.	100	60	230.262900	13815.77
550181-2	Cortacircuito de distribucion 27 kv. 100 A nominales corte asimetrico minimo 8000 A, 150 kv BIL, con soporte para cruceta de madera de 90 mm x 115 mm.	100	78	288.525200	22504.97
555316-9	Pararrayos de distribucion tipo valvula de conexion directa para 27 kv, con soporte para cruceta de madera de 90 mm x 115 mm.	200	179	177.320150	31740.31
555321-9	Pararrayos de distribucion tipo valvula de conexion directa para 10 kv, con soporte para cruceta de madera de 90 mm x 115 mm.	200	167	111.458400	18613.55
** Subtotal **					86674.60
*** Total ***					6366841.96

*INVENTARIO DE
QUETZALTENANGO*

CODIGO BODEGA	M A T E R I A L	EXISTENCIA INICIAL	CANTIDAD EXISTENTE	COSTO UNITARIO	COSTO TOTAL
** PRODUCTOS METALURGICOS NO FERRICOS					
022543-3	Laminas galvanizadas calibre 28, de 32.5/8" de ancho por 12 pies de largo \$ 12216.56 x Q.5.01477 cambio del d'a.	1593	1593	39.716981	63269.15
** Subtotal **					63269.15
** CONDUCTORES Y CABLES					
050115-5	Alambre solido de aluminio suave No. 6 AWG para amarre de conductores 90.7 Kgf de ruptura, de 0.036 kg/m de peso.	16340	9595	0.491230	4713.35
051309-3	Conductor ACSR No. 4 AWG, 6/1, 830 Kg.	127492	109099	0.912005	99498.83
051315-0	Conductor ACSR No. 2 AWG, 6/1, 1 265 kg.	677844	833378	1.435322	1196165.78
051321-8	Conductor ACSR No. 1/0 AWG, 6/1, 1 940 kg.	60000	60000	2.212474	132748.44
051327-5	Conductor ACSR No. 3/0 AWG, 6/1, 3 030 Kg.	25000	25000	3.554547	88863.68
056585-3	Conductor aereo duplex, cableamiento regular, compuesto de un conductor No.6 AWG, 7 hilos, de aluminio AA, aislamiento de polietileno y con mensajero neutro, de 7 hilos, de aluminio AA, No. 6 AWG.	656111	726902	1.430420	1039775.16
057025-9	Conductor aereo triplex, cableamiento regular, compuesto de dos conductores No. 2 AWG, de 7 hilos, de aluminio AA, con aislamiento de polietileno y con mensajero neutro ACSR No. 2 AWG, 6/1.	102000	95774	5.256164	503403.85
057711-4	Conductor No. 1 AWG, de aluminio, 19 hilos, con aislamiento PVC, tipo THW, de 600 Voltios, (para conexion del secundario a los transformadores) capacidad maxima de 25 KVA.	2030	1707	2.873690	4905.39
061710-0	Conductor biplastico No. 2 x 14 AWG, de cobre solido, aislamiento de PVC, 600 voltios.	105000	80012	1.198602	95902.54
061711-8	Conductor biplastico No. 3 x 14 AWG, de cobre solido, aislamiento de PVC, 600 voltios.	75000	89271	1.669417	149030.53
063458-4	Conductor No. 2 AWG, de cobre desnudo, de 7 hilos, semidura 2.999 Lb.	10000	12204	5.262753	64226.64
067568-6	Conductor No. 10 AWG, tipo TW, cobre solido, aislamiento de PVC, 600 voltios, color negro.	30000	24334	0.884990	21535.35
067572-8	Conductor No. 10 AWG, tipo TW, cobre solido, aislamiento PVC, 600 voltios, color blanco.	50000	44614	0.884990	39482.94
073117-4	Cable de acero galvanizado clase "A" de alta resistencia, de 1/4", 4 750 Lb. de 7 hilos.	110000	106917	1.173941	125514.25
** Subtotal **					3565766.72
** ACCESORIOS PARA CONDUCTORES Y CABLES					
091754-2	Rollo de 66 pies de cinta electrica aislante contra humedad.	0	145	2.329817	337.82
** Subtotal **					337.82
** HERRAJES Y ACCESORIOS					
190501-7	Tablero una fase 2 hilos con flipon de 15 amperios 120 voltios.	0	8522	31.253683	266343.89
254706-5	Plafonera plastica para bombilla de 100 wats 125 voltios.	40000	71968	3.533502	254299.07
260115-1	Tornillo de 3/4" x 8.	48000	43159	0.054240	2340.94
260280-3	Tornillo 1 1/4" x 8.	32000	2521	0.059404	149.76

BODEGA QUEZALTENANGO Y HOENJELEZANGU
 PROYECTO DE ELECTRIFICACION RURAL III
 FONDOS AID, AL 31 DE DICIEMBRE DE 1992

CODIGO BODEGA	M A T E R I A L	EXISTENCIA INICIAL	CANTIDAD EXISTENTE	COSTO UNITARIO	COSTO TOTAL
265901-9	Cinta de acero inoxidable (Band-It), de 3/8" * 0.025" tipo 201 stainless steel (precio unitario por neutro).	0	582	2.853346	1660.65
265920-9	Hebilla, (Band-It Buckles) de acero inoxidable, de 3/8" del insiso 4.121.	0	1496	0.596131	891.81
** Subtotal **					525686.12 ✓
** AISLADORES Y ACCESORIOS					
271990-4	Espiga para punta de poste , de 18" de largo, agujero de 11/16" de diametro, separados 8", rosca de plomo de 1", para aislador ansi 55-4.	0	2924	13.798764	40347.59
271994-8	Espiga para punta de poste de 24", agujeros de 5/8" de diametro, separados 8", rosca de plomo 1 3/8", para aislador ANSI 56-5 y ANSI 56-3.	0	2592	29.849303	77369.39
** Subtotal **					117716.98 ✓
** HERRAJES Y ACCESORIOS					
272058-9	Mensula o separador para espiga de punta de poste, 8" de separacion entre agujeros.	0	692	16.997983	11762.60
** Subtotal **					11762.60 ✓
** AISLADORES Y ACCESORIOS					
272210-6	Estribo para aislador de carrete 3 3/8"x 4 1/2". pin de 5/8".	0	1069	7.926716	8473.66
272223-9	Bastidor para 3 aisladores de carrete (servicio pesado), 6.67 lb. de peso, ancho del espaldar 3 1/4".	0	380	31.820857	12091.93
** Subtotal **					20565.59 ✓
** HERRAJES Y ACCESORIOS					
272511-7	Grapas de acero con aislante plastico 1/2".	500000	428840	0.085221	36546.17
272914-3	Grapa de suspension para angulo, de acero forjado, diametros de cable de 0.60" - 0.12", 7,000 Lb. tipo CLEVIS.	0	66	44.675939	2948.61
274159-3	Fijador de angulo para retenida con agujero de 11/16", ranura de 11/16" x 7/8", hierro hembra de 1/4" x 1 1/2".	0	650	12.013662	7808.88
274181-7	Ganchos de hierro maleable, con tornillo de 0.192" * 3 3/8 para madera (Mc Master) para acometidas.	20000	16410	1.185247	19121.70
274524-8	Grillete par anclaje, de acero forjado, galvanizado, con resistencia ultima de 24,000 lbs.	0	636	15.646086	9950.91
275028-9	Varilla para tierra. de cobre, con alma de acero de 5/8" x 8", tipo standard.	0	382	17.365525	6633.63
275057-8	Varilla para anclaje sencilla tipo thimbleye, de 5/8" x 7", de acero galvanizado.	0	159	25.591547	4069.06
276572-7	Guardacabo con accesorio clevis, galvanizado.	0	625	12.969696	8106.06
280434-2	Perno de maquina, galvanizado, de 5/8" * 10", rosca de 6".	0	3001	3.270583	9815.02
280438-3	Perno de maquina, galvanizado, de 5/8" * 12", rosca de 6".	0	372	3.814064	1418.83
281055-4	Pernos de ojo de 5/8"	0	348	9.667335	3364.23
281258-4	Perno de doble rosca, galvanizado, de 5/8" * 12", con 4 tuercas.	0	200	7.445267	1489.05
281268-3	Perno de doble rosca, galvanizado, de 5/8" * 18", con 4 tuercas.	0	233	7.931349	1948.00
284535-2	Arandela de acero galvanizado, de 2 1/4" x 2 1/4" x 3/16", agujero de 11/16".	0	22678	0.784606	17793.29
284549-3	Arandela de acero galvanizado, de 3" x 3" x 1/4", agujero de 13/16".	0	1000	2.186737	2186.74

CODIGO BODEGA	M A T E R I A L	EXISTENCIA INICIAL	CANTIDAD EXISTENTE	COSTO UNITARIO	COSTO TOTAL
287320-6	Tuerca de ojo, de acero galvanizado, para perno de 5/8".	0	2	11.032538	22.07
** Subtotal **					133122.27 ✓
** ACCESORIOS PARA CONDUCTORES Y CABLES					
290409-2	Remate preformado para cable de acero galvanizado, de 1/4".	0	973	3.872957	3768.39
290436-5	Remate preformado para ACSR 6/1 y luminio AA, No. 6 AWG.	0	2093	2.387257	4996.53
290439-9	Remate preformado para 6/1 y aluminio AA, No. 4 AWG.	0	857	2.170725	1860.31
290448-0	Remate preformado para ACSR 6/1 y aluminio AA, No. 2 AWG.	0	508	2.736806	1390.30
290720-2	Empalme preformado para acsr No. 4 AWG, 6/1.	0	200	17.295490	3459.10
290725-1	Empalme preformado para ACSR No. 2 AWG, 6/1.	0	121	23.691750	2866.70
291736-7	Protector preformado corto (Armor Rods) para ACSR No. 4 AWG, 6/1.	0	158	8.443054	1334.00
291737-5	Protector preformado largo (Armor Rods) para ACSR No. 4 AWG, 6/1.	0	200	10.336358	2057.27
291739-1	Protector preformado largo (Armor Rods) para ACSR No. 2 AWG, 6/1.	0	20	12.536667	250.73
** Subtotal **					21993.33 ✓
** HERRAJES Y ACCESORIOS					
292978-4	Conector para linea viva, todo proposito, calibres No. 6 AWG 2/0 AWG, derivaciones calibre No. 8 AWG - No. 1/0 AWG.	0	27	27.050683	730.37
293381-0	Conector de perno partido para conductores ACSR No. 2 AWG str No. 8 AWG, sol. derivaciones No. 2 AWG str. No. 8 AWG cobre o aluminio.	0	8919	3.772450	33646.48
293920-5	Conector de compresion de 7/8" para derivaciones subterranas en bajadas a tierra.	0	2338	2.845069	6651.77
294501-2	Conector de compresion universal para aluminio y cobre No. 4/4.	0	15940	1.544713	24622.73
294502-0	Conector de compresion universal de 1 1/2" de largo para Cu, Al, ACSR, linea principal ACSR No. 3 AWG a No. 1/0 AWG, derivaciones ACSR No. 6 AWG a No. 2 AWG.	0	10864	1.934632	21017.84
** Subtotal **					86669.19 ✓
** AISLADORES Y ACCESORIOS					
300115-3	Aislador de espiga 13.2 Kv., clase 55-4 ANSI, de porcelana 3 000 Lb., Radio free, distancia de fuga 9". Arque en seco de 5".	2000	3551	13.756959	48850.96
300126-0	Aislador de espiga 34.5 Kv., clase 56-3 ANSI, de porcelana, 3 000 Lb., Radio free, distancia de fuga 21". Arqueo en seco de 9 1/2".	1510	2878	88.391627	254391.10
300615-2	Aislador de suspension de 10" x 5 3/4". clase 52-4 ANSI OJO-CLEVIS, 20 000 Lb., distancia de fuga 11.5 pulgadas. Arqueo en seco de 7 3/4 pulgadas.	0	5711	68.120000	389033.32
300625-1	Aislador de suspension de 4 1/4" x 6 1/4", clase 52-9 ANSI, Ojo clevis, 10 000 Lb., distancia de fuga 7". Arque en seco de 4 pulgadas.	0	5222	30.191883	157662.01
301119-4	Aislador de carrete clase 53-2 ANSI, de porcelana blanca, 3 000 Lb., 3" de alto, 3 1/8" de diametro, agujero de 11/16".	9000	15714	3.705851	58233.74
301120-2	Aislador de carrete clase 53-2 ANSI, de porcelana cafe. 3 000 Lb., 3" de alto, 3 1/8" de diametro, agujero de 11/16".	12000	19213	3.722216	71514.94
** Subtotal **					979686.08 ✓
** EQUIPO DE MEDICION					
316427-4	Caja socket rectangular, de aluminio, tipo SU-60, rango de 20 A, salidas roscadas de 1", circuito e 3 fases, 4 hilos, con 13 terminales.	0	217	35.362685	7673.70

BODEGA QUEZALILIENANGO I BOENUELIENANGO
 PROYECTO DE ELECTRIFICACION RURAL III
 FONDOS AID. AL 31 DE DICIEMBRE DE 1992

CODIGO BODEGA	M A T E R I A L	EXISTENCIA INICIAL	CANTIDAD EXISTENTE	COSTO UNITARIO	COSTO TOTAL
** Subtotal **					7673.70 ✓
** EQUIPO DE PROTECCION					
316466-2	Tomacorrientes dobles de sobreponer	0	28027	5.956596	166945.52
** Subtotal **					166945.52 ✓
** TRANSFORMADORES					
520314-6	Transformador de distribucion monofasica, para 60 Hz., completamente autoprotegido, enfriamiento natural, inmersion en aceite, para voltaje primario de 7.62 Kv., apto para banco de 13.2 Kv., estrella con neutro a tierra. nivel basico de impulso de 95 Kv., regulacion con taps de 2 x 2 x 1/2 % para mas o menos 5% en total, con un solo borde vertical. voltaje secundario de 120/240 voltios, apto para conexion del secundario en serie multiple o servicion con tres hilos. Los bornestanto del primario como del secundario seran aptos para conexiones con cable de aluminio, capacidad de 10 KVA.	300	377	2107.647600	794583.15
520317-9	Transformador de distribucion monofasica para 60 Hz., completamente autoprotegido, de enfriamiento natural, inmersion en aceite, para voltaje primario de 19.86 Kv., apto para bancos de 34.5 Kv., estrella con neutro a tierra nivel basico de impulso de 125 Kv., con regulacion con taps de 2 x 2 1/2 % para mas o menos 5 %, con un solo borne vertical. voltaje del secundario de 120/240 V., apto para conexion del secundario en serie multiple o servicio con tres hilos, los bornes del primario como del secundario seran aptos para conexiones con cables de aluminio, capacidad de 10 KVA.	0	38	2322.718421	88263.30
** Subtotal **					882846.45 ✓
** EQUIPO DE MEDICION					
530119-7	Medidor de KWH tipo sobreponer, monofasico, 120 V, 15 A, 2 hilos, 60 Hz, clase 100, con registro tipo ciclotmetrico, para interperie, con engranajes metalicos.	0	3192	81.905833	261443.42
530125-4	Medidor de KWH tipo socket, monofasico, 240 v, 15 A, 3 hilos, 60 Hz. clase 100 con registro tipo manecilla, con engranajes metalicos.	0	204	211.264286	43097.91
538398-9	Marchamos de seguridad, "Plastic Padlock Seal".	40000	105644	0.455759	48148.20
** Subtotal **					352689.54 ✓
** EQUIPO DE PROTECCION					
550180-4	Cortacircuito de distribucion 15 kv. 100 A continuos. corte asimetrico minimo 10000 A, 95 kv. BIL, con soporte para cruceta de madera de 90 mm x 115 mm.	0	115	209.951710	24144.45
550181-2	Cortacircuito de distribucion 27 kv. 100 A nominales corte asimetrico minimo 8000 A. 150 kv BIL, con soporte para cruceta de madera de 90 mm x 115 mm.	0	106	305.412018	32373.67
554602-3	Apagadores sencillos de sobreponer	0	56950	7.014828	399494.45
555316-9	Pararrayos de distribucion tipo valvula de conexion directa para 27 kv, con soporte para cruceta de madera de 90 mm	0	108	354.179388	38251.37

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APPENDIX II
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INVENTARIO DE MATERIALES
BODEGA QUETZALTENANGO Y HUEHUETENANGO
PROYECTO DE ELECTRIFICACION RURAL III
FONDOS AID, AL 31 DE DICIEMBRE DE 1992

CODIGO BODEGA	M A T E R I A L	EXISTENCIA INICIAL	CANTIDAD EXISTENTE	COSTO UNITARIO	COSTO TOTAL
555321-9	x 115 mm. Pararrayos de distribucion tipo valvula de conexion directa para 10 kv, con soporte para cruceta de madera de 90 mm x 115 mm.	0	166	135.139810	22433.21
** Subtotal **					516697.16 ✓
*** Total ***					7453428.20 ✓

*INVENTARIO DE
MAZATENANGO*

INVENTARIO DE MATERIALES
 BODEGA MAZATENANGO
 PROYECTO DE ELECTRIFICACION RURAL III
 FONDOS AID, AL 31/12/92

CODIGO BODEGA	M A T E R I A L	EXISTENCIA INICIAL	CANTIDAD EXISTENTE	COSTO UNITARIO	COSTO TOTAL
** HERRAJES Y ACCESORIOS					
190501-7	Tablero una fase 2 hilos con flipon de 15 amperios 120 voltios.	5890	4890	29.181830	142699.15
** Subtotal **					142699.15 ✓
** EQUIPO DE MEDICION					
316427-4	Caja socket rectangular, de aluminio, tipo SU-60, rango de 20 A, salidas roscadas de 1", circuito e 3 fases, 4 hilos, con 13 terminales.	600	247	35.362700	8734.59
530125-4	Medidor de KWH tipo socket, monofasico, 240 v, 15 A, 3 hilos, 60 Hz., clase 100 con registro tipo manecilla, con engranajes metalicos.	600	247	211.264283	52182.28
** Subtotal **					60916.86 ✓
*** Total ***					203616.01 ✓

**EQUIPMENT AND SUPPLIES PROVIDED BY USAID/G-CAP
TO THE RURAL ELECTRIFICATION PROJECT III (PER-
III), USAID/G-CAP PROJECT No. 520-0353, MANAGED
BY THE NATIONAL INSTITUTE OF ELECTRIFICATION
(INDE) AS AT DECEMBER 31, 1992**

**RESULTS OF THE PHYSICAL INVENTORIES
TAKEN AT PROJECT'S WAREHOUSES IN
NOVEMBER 1993 AND JANUARY 1994
(expressed in U. S. dollars)
(See Note 6 to the Equipment/Supplies
Accountability Statement)**

November 1993

Warehouses in Quetzaltenango (Huehuetenango)

<u>Minute of Receipt</u>	<u>Physical Inventory</u>	<u>Kardex Records</u>	<u>Diffe- rence</u>	<u>Unit Cost</u>	<u>Total</u>
05-02-91					
Transformadores 10 kva	258	269	11	415.08	4,566
07-08-92					
Aisladores de carrete	17,250	17,050	200	0.74	148
Aisladores de porcelana	1,900	3,214	1,314	2.75	3,613
Aisladores de porcelana	2,479	2,810	331	17.81	5,895
Aisladores de carrete	11,428	11,408	20	0.74	15
Aisladores de carrete	8,640	8,655	15	0.74	11
Aisladores de porcelana	1,521	1,563	42	17.81	748
4-12-92					
Cable conductor ACR 4	146,026	145,638	388	0.18	70
Cable conductor ACR 2	176,395	420,333	243,938	0.28	68,303
Cable conductor ACR 1/0	44,457	60,355	15,898	0.44	6,995
Cable conductor # 3/0	24,930	25,080	150	0.70	105
Cable conductor # 6	264,019	295,572	31,553	0.26	8,203
Alambre conductor # 10	9,840	10,976	1,136	0.17	193
Alambre conductor # 10	29,868	31,257	1,389	0.17	236
9-9-92					
Aisladores suspensión	9,544	9,198	346	5.80	<u>2,007</u>
Total warehouse Quetzaltenango (Huehuetenango)					<u>US\$101,108</u>

Warehouse in Mazatenango

<u>Minute of Receipt</u>	<u>Physical Inventory</u>	<u>Kardex Records</u>	<u>Difference</u>	<u>Unit Cost</u>	<u>Total</u>
19-0501-7 Tableros con flipón	3,534	4,805	1,271	5.75	<u>7,308</u>

January 1994

Warehouse in Chimaltenango

<u>Minute of Receipt</u>	<u>Physical Inventory</u>	<u>Kardex Records</u>	<u>Difference</u>	<u>Unit Cost</u>	<u>Total</u>
04-92 Conductor de cobre # 2 Conductor # 10	13,912 46,133	10,470 44,076	3,442 2,057	1.12 0.20	3,855 411
07-12-90 Conductor biplástico Conductor de aluminio	172,895 96,664	167,004 96,296	5,891 368	0.23 1.03	1,355 379
15-05-91 Contadores Nansen	203	133	70	16.50	1,155
06-12-90 Conductor de aluminio	14,629	11,390	3,239	0.28	907
05-92 Conectores compresión Conector línea viva Perno máquina (C 8810) Perno rosca (C 8868) Perno de ojo (C 29960) Remate preformado 2 Remate preformado 1/4 Estribo carrete 4 1/4 Separador 10 1/2 Estribo (C 4425) Arandela (C 6817) Cintas acero (C 203) Arandela (C 6813)	9,495 803 28,292 2,027 1,306 4,232 23,015 19,839 390 1,313 14,031 7,840 17,851	8,997 808 27,351 1,955 1,312 2,469 21,748 19,801 393 1,220 12,291 7,831 (a)	498 5 941 72 6 1,763 1,267 38 3 93 1,740 9 17,851	0.21 4.78 0.59 1.63 1.88 0.46 0.90 1.54 3.28 1.31 0.40 18.47 0.15	105 24 555 117 11 811 1,140 59 10 122 696 166 <u>2,678</u>
Total warehouse in Chimaltenango					<u>US\$14,556</u>
Total differences at the warehouses (*)					<u>US\$122,972</u>

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- (a) The kardex subsidiary records for this item were not supplied to the auditors
- (*) These differences were reported to the project's management in a separate letter for their investigation, and as a result of such reporting the following actions have been adopted, so far:
- INDE's executive president ordered that a full physical inventory of warehouse stocks be taken during 1994 and to this end additional employees were contracted.
 - Under instructions of project management, selective test counts will be periodically performed throughout the year for the prompt identification and investigation of any differences noted between the physical counts and the underlying subsidiary records.
 - Project's management has compiled some documentation that attempts to clear the differences noted at the Quetzaltenango and Huehuetenango warehouses, while the documentation that covers the differences noted at the Chimaltenango warehouse is still pending compilation.

EQUIPMENT AND SUPPLIES PROVIDED BY USAID/G-CAP
TO THE RURAL ELECTRIFICATION PROJECT III (PER-
III), USAID/G-CAP PROJECT No. 520-0353, MANAGED
BY THE NATIONAL INSTITUTE OF ELECTRIFICATION
(INDE) AS AT DECEMBER 31, 1992

MANAGEMENT COMMENTS

(Free translation of management comments on the draft audit report)

Guatemala, May 18, 1994

Messrs.
Price Waterhouse, S. A.
P. O. Box 868
Guatemala City

Gentlemen:

This notice presents our explanations to the draft audit report on the PER III's equipment and supplies, corresponding to USAID/G-CAP Project No. 520-0353 at December 31, 1992, prepared by your company and discussed on April 7, 1994.

Furthermore, we request that any explanation that does not meet your requirements be included in the report as a finding noted by INDE to said report.

Yours truly

Ing. Carlos Jose Figueroa V. (stamp)
Executive Director

Approved

Ing. Edgar Pereira (stamp)
Works Manager

Enclosures: as above

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SUMMARY OF EXPLANATIONS

Following is a summary of the memorandum of explanations provided by the National Electrification Institute (INDE), on the audit report. The original memorandum covered all matters previously included in our draft report. The numbers of the paragraphs below identify only those matters still pending clarification as per our final report:

- 2) As a result of the work performed, the following is stated in paragraph 1, "Equipment/Supplies accountability statements" page 5, "Internal Control Structure," page 6, and other comments in pages 7, 9, 10, 19, 22 and 23:

"INDE did not take any physical inventories of its PER III's electrical materials whose total amount of US\$2,647,790 is reflected in the equipment/supplies accountability statement at December 31, 1992."

With respect to this assertion we inform you that:

- Among others, the obligations of INDE's warehousemen include year end physical counts of the inventories in the warehouse under their responsibility (see Annex 1).
- In view of the accounting condition of the entity's several warehouses, management issued Order No. 025-94 whereby the contracting of staff is authorized for taking physical inventories of the materials, supplies, accessories and others, located in the entity's depots and warehouses, when project's management requested that PER III's warehouses be covered in a short time by the action program (see Annex 3).
- With respect to the assertion contained in page 5 and paragraph 2 of the equipment/supplies accountability statement (pages 9 and 10), annex 4 thereto was accompanied by documentation which explains the differences noted at the Mazatenango and Quetzaltenango warehouses. The documentation pertaining to the Chimaltenango warehouse is still pending receipt.
- Concerning the annual physical inventories for 1992, I accompany herewith copy of the one taken at the Mazatenango warehouse (Annex 5).

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- 3) In the last paragraph of page 5 and pages 10 and 14 it is stated that both the records and the accounting documentation related to the equipment are in disarray and that it was not possible to break the item down by component.
 - Management has prepared a complete schedule of the AID donated fixed assets, accompanied by the required data for updating the inventories scheduled to be taken by INDE (see annex 6).
- 4) With respect to the statements made under paragraph "D," page 6, and pages 7 and 8, paragraph 4, page 28, we inform that Annex 7 contains a copy of the notice dated April 21, 1994 issued by Mr. Michael D. Alban, Project Officer, where a schedule of the disbursements made by USAID/G-CAP for grant 520-0353 is contained. This type of information will be requested from USAID/G-CAP every month, as recommended by the audit in page 28.
- 8) In pages 7 and 33 it is stated that "the construction of the substation at Quezaltepeque and the improvement of El Progreso substation were not opportunely completed."
 - In this respect, it should be explained that the delay in completing the works is ascribed to the company CYASA, as this company was contracted by INDE for their undertaking and it encountered problems during their execution. Up to the present date, the receiving committee has received the works temporarily and not in final form, since Thursday July 2, 1992, for reasons of noncompliance with the contract (Annex 15).
- 9) In pages 7, 30 and 31 it is stated that INDE has not completed the Annual Survey on Community Contributions to the Project.
 - Concerning this survey on Community Contributions, it should be reported that the person in charge of this activity (Chief of the Consumer Services Department) resigned his position while he was reviewing the survey requested by AID per PIL No. 55. This survey has been already submitted on January 7, 1994 and at present is under review by new employees and it is expected that such a review will be finished in May.
- 10) In pages 7 and 20 it is stated "that the grant is inadequately valued in the accounting records and that a financial accounting manual is not in place."

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- With respect to this situation, INDE's Accounting Department was requested to adopt the necessary steps for clearing the difference resulting from the inadequate valuation in INDE's own accounting records, a note from the Accounting Department clearing the matter is accompanied herewith (Annex 16), however concerning paragraph 3 of this explanatory note it should be noted that PER III's management has delivered all the data requested by the Accounting Department, including the internal records. You are also informed that INDE's structure provides for financial accounting procedures accompanied by a set of manuals for handling the entity's assets and materials.

12) With respect to the accounting recording of the "SCHEDULES OF COUNTERPART CONTRIBUTIONS" shown in page 16, please be informed that we have the full documentation for its recording by INDE's accounting department, so that it is easily identified.

13) Concerning the input and output procedures of data processing, mentioned in pages 6, 19, 23, 24 and 25 where it is stated that these procedures are not adequate, we explain as follows:

13.1 PER III has in place a computer center, headed by Mr. Mario Castellanos Aucar, and assisted by Fernando Cristal, an expert in computation, who are technically capable for discharging their duties, as it can be demonstrated at any moment. Besides that, we are supported by INDE's Technical-Scientific Computer Center (Annex 17).

13.2 We do not know what is your basis for stating that "a reliable safety function over the data and its management is not in place". It would be rather constructive that your remarks be more clear and concrete.

13.3 The original software package comprises DBase III Plus, Fortran, Lotus 1, 2, 3, Quatro Prolan, Word Perfect 5.1 and 6.0, an antivirus package (CPAV), and consequently we do not know why the report does deny this.

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- 13.4 Concerning the application of the Inventories Control System for the Warehouses, designed by INDE's employees, it is stated that a manual is lacking for such purposes, but its application is so easy that it has been considered that the periodical explanations given to the employees who designed the system at INDE make it unnecessary the preparation of a manual; however, this manual will be implemented in order to comply with the recommendation.
- 13.5 The assertion that "a retrieval plan in case of disaster is not in place" is not true. We have on file a back-up information and programs system that is updated every month.
- 13.6 The applications that are deemed to be incomplete are in that condition because they are in their implementation stage, although we have the necessary technical support for their completion.
- 13.7 All PER III's computer units have their antivirus software, as it can be attested at any moment.
- 14) Concerning the internal control over the financial (budget/accounting) systems and the project programs that need reinforcement for USAID/G-CAP purposes, page 20, we enclose copy of notice 0-579-155-94, dated April 24, 1994, whereby ingeniero Edgar Robert Pereira, Works Manager, is informed on the observations made by the internal auditors which INDE's Accounting Department should clear. This was already explained in point 10 and in Annex 16.
- 15) In the first paragraph of page 21 of the report it is stated that there are several written instructions on control aspects that are not part of a formal plan. In this respect it should be explained that those written instructions are issued by initiative of the Project's management and in some other occasions by recommendations of previous external audits, and that they are duly followed up by the units responsible for adopting the pertinent action.
- 16) In the second paragraph of page 21 it is stated that "the unit has not in place a vehicles preventive maintenance program." In this respect, we inform that all INDE's Regional Systems have their own mechanic shop with adequate staff for implementing preventive maintenance services to the institution's vehicles. There is also in place a transportation procedures manual for INDE, which contains instructions for the vehicles maintenance (Annex 18), and which is supervised by PER III itself.

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- 17) In the third paragraph of page 21 and 28 it is stated that documentation and records should be maintained in order to demonstrate the disbursements made and the receipt and use of the materials and services acquired with project funds. Concerning this point, PER III's management has this information duly filed and which includes vouchers, invoices, minutes on the receipt of equipment and materials, etc., as there is also in place an analysis of the quarterly use of the project's electrical material (Annex 19).

On the strength of the foregoing, we believe that the report prepared by your Firm should be modified according to the explanations supplied.