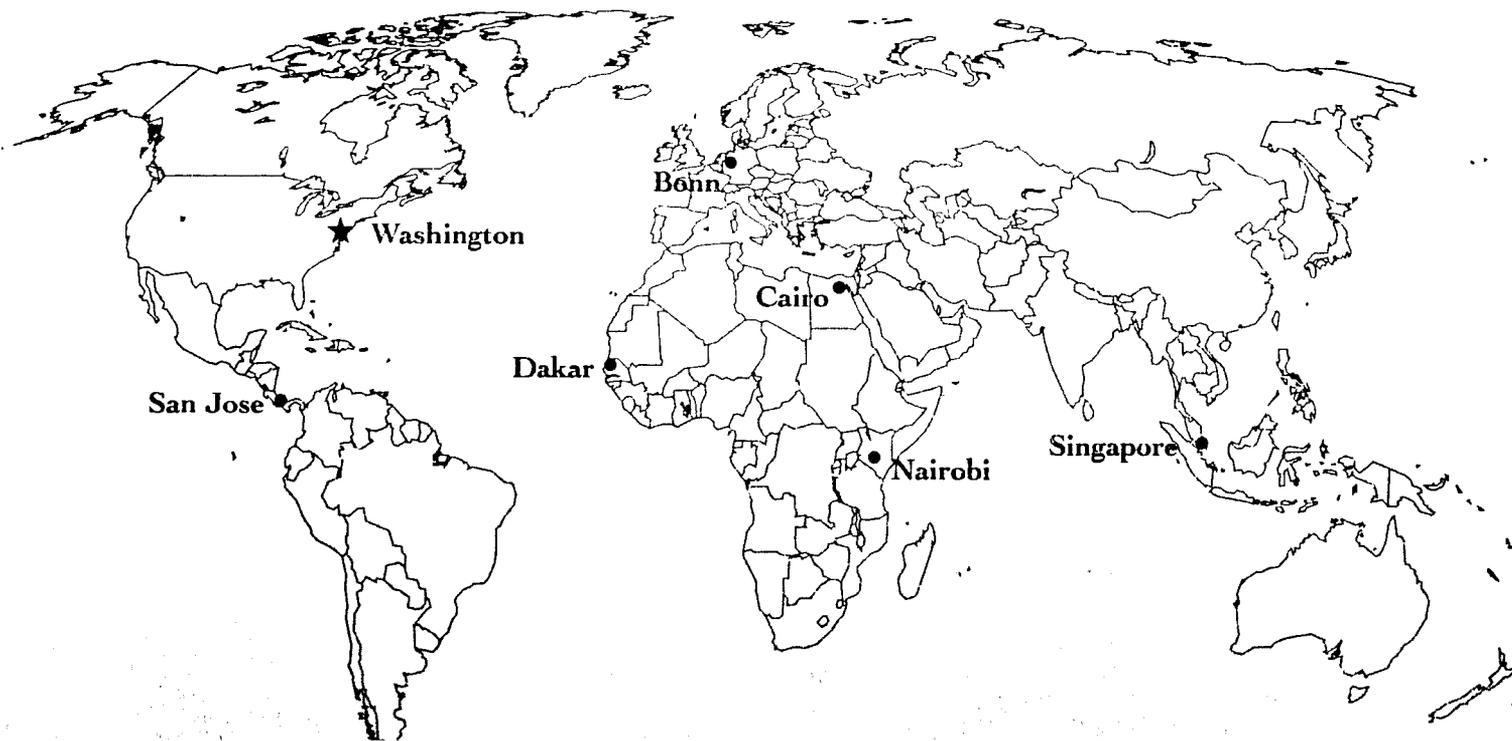


Regional Inspector General for Audit
San José, Costa Rica

**Audit of USAID/Peru's
Agricultural Technology Transformation Project
Activities Managed by the
Foundation for Agricultural Development
April 18, 1988 to June 30, 1991**

**Audit Report No. 1-527-95-18-N
September 18, 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.

INSPECTOR
GENERAL

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT



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

Unit 252
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September 18, 1995

MEMORANDUM

TO: Director USAID/Peru, George Wachtenheim

FROM: RIG/A/San Jose, *John B. Toward*
Wayne J. Watson

SUBJECT: Audit of USAID/Peru's Agricultural Technology Transformation Project Activities, Managed by the Foundation for Agricultural Development, April 18, 1988 to June 30, 1991

This report presents the results of a financial audit of Grant Agreement No. 527-0282-G-00-8198 managed by the Foundation for Agricultural Development (Foundation) for the period April 18, 1988 to June 30, 1991. The audit firm of KPMG-Oscar Caipo y Asociados prepared the report dated June 30, 1993.

The Foundation is a non-profit institution with the objective of promoting, enhancing, and improving the production and productivity of the agricultural sector. Through a bilateral agreement with the Government of Peru, the Agricultural Technology Transformation Project, USAID/Peru Project No. 527-0282 (Project) was implemented in order to assist certain Peruvian institutions in strengthening their capacity to coordinate activities and effectively participate in the development of improved agricultural technology and its dissemination to Peruvian farmers. Comprising a series of institutional development activities, the project engaged four institutions, one of which was the Foundation, to manage the project funds, as well as coordinate and implement the project.

The Foundation's responsibilities consist of Activity C of Component No. 1 which pertains to the generation of technology, Activities B and C of Component No. 2 which involves the transfer of technology, and Activities B and C of Component No. 3 which concerns human resources development. The Project is estimated to be completed December 31, 1993. During the period audited, the Foundation received USAID funds of \$6,567,602 of which it reported disbursements of \$6,138,615 under the Project.

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

KPMG-Oscar Caipo y Asociados were of the opinion that the fund accountability statement presents fairly, in all material respects, the Foundation's receipts and expenditures under the grant agreement, except for questioned costs of \$18,516 and unsupported costs of \$392,574. The questioned costs concerned sales taxes paid with Project funds. Unsupported costs consisted of transactions with inadequate documentation and an unreconciled difference between USAID/Peru's records and those of the Foundation.

Regarding the internal control structure, the auditors identified five material weakness. The auditors found that the Foundation: (1) utilized funds recovered from theft of vehicles without the authorization of USAID/Peru, (2) did not document the procedures followed in the hiring of personnel, (3) applied inconsistent policies for readjustments and increases of remuneration, (4) did not make periodic reconciliations with USAID/Peru, and (5) did not maintain a list of the contracts signed with personnel who worked on the project.

Regarding the Foundation's compliance with the terms of the agreements and applicable laws and regulations, the auditors identified three material instances of noncompliance. The auditors found that the Foundation did not: (1) deduct the payment of sales taxes from Project funds, adequately support expenditures, and reconcile its records with USAID/Peru, (2) maintain one bank account for Project funds, and (3) periodically send financial information to USAID/Peru.

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/Peru resolve the questionable costs of \$411,090 (\$18,516 questioned and \$392,574 unsupported) identified in the KPMG-Oscar Caipo y Asociados report dated June 30, 1993, and recover from the Foundation for Agricultural Development the amounts determined to be unallowable.

Recommendation No. 2

We recommend that USAID/Peru obtain evidence that the Foundation for Agricultural Development has established procedures that will ensure that: (1) funds recovered from thefts are utilized only with the authorization of USAID/Peru; (2) the procedures followed in the hiring of personnel are documented; (3) policies for readjustments and increases of remuneration are applied consistently; (4) periodic reconciliations with USAID/Peru are made; (5) a list of the contracts signed with personnel who worked on the project is maintained; (6) the payment of sales taxes from Project funds are deducted, expenditures are adequately supported, and its records are reconciled with USAID/Peru; (7) a separate bank account for Project funds is maintained; and (8) financial information is periodically sent to USAID/Peru.

Recommendation No. 1 will be considered resolved upon USAID/Peru'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/Peru presents an acceptable firm plan of action to correct the reported deficiencies and can be closed when it presents acceptable evidence that the required procedures have been established.

The report was discussed with representatives of the Foundation who generally agreed with the findings and recommendations included in the report. The Foundation's comments are included as Exhibit 1 to the KPMG-Oscar Caipo y Asociados report.

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

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

**Audit of USAID/Peru's
Agricultural Technology Transformation Project
Activities Managed by the
Foundation for Agricultural Development
April 18, 1988 to June 30, 1991**

**Audit Report No. 1-527-95-18-N
September 18, 1995**

**AUDIT OF THE AGRICULTURAL TECHNOLOGY
TRANSFORMATION PROJECT**

**ACTIVITIES MANAGED BY THE FOUNDATION
FOR AGRICULTURAL DEVELOPMENT UNDER
GRANT AGREEMENT No. 527-0282-G-00-8198**

**For the Period April 18, 1988
to June 30, 1991**

**AUDIT OF THE AGRICULTURAL TECHNOLOGY TRANSFORMATION PROJECT
ACTIVITIES MANAGED BY THE FOUNDATION FOR AGRICULTURAL
DEVELOPMENT UNDER GRANT AGREEMENT No. 527-0282-G-00-8198**

For the Period April 18, 1988 to June 30, 1991

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KPMG Oscar Caipo y Asociados

Av. República de Chile 388 - 7º piso
Apartado 3146 Lima 1, Perú

Teléfono 336130
Telefax 312893

July 12, 1994

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

Dear Mr. Gothard:

This report presents the results of our audit of the Agricultural Technology Transformation (ATT) Project activities managed by the Foundation for Agricultural Development (FUNDEAGRO) under grant agreement No. 527-0282-G-00-8198 for the period April 18, 1988 to June 30, 1991.

BACKGROUND

On September 25, 1987, the Government of the United States of America through its Agency for International Development Mission to Peru (USAID/Peru) approved the Agricultural Technology Transformation (ATT) Project, USAID/Peru Project No. 527-0282, which provided to the Government of Peru (GOP), represented by its Ministry of Agriculture, a grant of US\$ 25,000,000. As its counterpart contribution to the project, the GOP agreed to provide an equivalent of US\$ 27,000,000 in local currency and contributions in kind. The project assistance completion date (PACD) was December 31, 1993.

The purpose of the project was to expand the scope and improve the quality and relevance of agricultural technology generated for agriculture, and of technology transfer services being provided to Peruvian farmers in order to increase rural incomes and reduce unit costs of agricultural production, while increasing agricultural productivity and yields.

Four institutions were responsible for the administration of project funds: The National Institute of Agricultural and Agro-Industrial Investigation (Instituto Nacional de Investigación Agropecuaria y Agroindustrial - INIAA) of the Ministry of Agriculture, the National Agrarian Organization (Organización Nacional Agraria - ONA), the National Foundation for the Agrarian Development (Fundación para el Desarrollo Agrario) together with the Molina National Agrarian University (FDA/UNALM), and the Foundation for Agricultural Development (Fundación para el Desarrollo del Agro - FUNDEAGRO). These institutions are incorporated into Peru's agricultural technology generation and transfer (ATGT) system. The project financial plan, as amended, for the four entities is shown below:



ATT PROJECT FINANCIAL PLAN

	In thousands of US\$				
	Bilateral Grant Amount			Counterpart (GOP)	Project Total
	In US\$	In local currency	Total		
INIAA	-	3,200	3,200	21,030	24,230
ONA	-	1,171	1,171	-	1,171
FDA/UNALM	-	200	200	1,250	1,450
FUNDEAGRO	-	9,910	9,910	-	9,910
TECHNICAL					
ASSISTANCE	5,861	-	5,861	-	5,861
OFFSHORE					
TRAINING	2,000	-	2,000	-	2,000
OFFSHORE					
PROCUREMENT	2,136	-	2,136	-	2,136
OTHERS	455	29	484	-	484
CONTINGENCY	38	-	38	4,720	4,758
TOTAL	10,490	14,510	25,000	27,000	52,000

Technical assistance, offshore training and offshore procurement were contracted directly by USAID/Peru with the North Carolina State University (NCSU). The project consists of three main components: Technology Generation, Technology Transfer, and Human Resources Development. The description of these components is as follows:

1. Technology Generation

The activities under this component are designed to improve the quality and relevance of research carried out by INIAA, as well as to increase research volume and expand research opportunities. The following are the activities under this component:

Activity A: Consolidation and integration of research programs.

Activity B: Strengthening of the administration and technical management of the ATGT system.

Activity C: Expanding research opportunities.

2. Transfer of Technology

This component serves a catalytic role for incentivising a greater participation by the public and private sectors in attaining an effective transfer of technology. The activities developed under this component are the following:

Activity A: Establishing a technology transfer specialist program.

Activity B: Stimulating private sector technology transfer activities.

Activity C: Stimulating the production and distribution system of improved seeds.

3. Human Resources Development

The adequate development of the ATGT system largely depends on the capacity of Peru's institutions of higher education in agriculture to train professionals with the required technical quality to operate an efficient and effective system. The activities under this component are concerned with the improvement of the quality of agricultural education at the post-graduate level and of the professionals working in the ATGT system. These activities are the following:

Activity A: UNALM administration and teaching program strengthening.

Activity B: Improvement of teaching and audio-visual materials for research, extension and teaching.

Activity C: Competitive graduate study fellowships and participant training.

FUNDEAGRO had the responsibility to implement the following of the above mentioned activities:

- (1) Component No. 1, Activity C
- (2) Component No. 2, Activities B and C, and
- (3) Component No. 3, Activities B and C.

As indicated in the ATT Project financial plan, the funds budgeted for FUNDEAGRO over the life of the ATT Project to accomplish these activities amounted to US\$ 9,909,900 and were to be executed in local currency.

On April 18, 1988, USAID/Peru and FUNDEAGRO signed grant agreement No. 527-0282-G-00-8198, which is a separate grant to FUNDEAGRO to implement its activities within the design of the overall ATT Project. Through amendment No. 4 of this grant, dated September 29, 1990, a total of US\$ 9,552,752 was committed. The illustrative budget for those funds and expected Government of Peru and private sector contributions are shown below:

FUNDEAGRO

**Illustrative Budget Under
Grant Agreement No. 527-0282-G-00-8198
for Activities through May 1, 1992
(per Grant Amendment No. 4, dated September 29, 1990)**

A. Implementation of ATT Project Activities	Amounts (Stated in thousands of US\$)		
	USAID Grant	GOP Counterpart	Private Complementary
1. Personnel	3,412	750	246
2. Capital Goods	272	700	130
3. Training	1,160	-	-
4. Grants	1,378	1,000	1,000
5. Goods and Services	<u>1,439</u>	<u>500</u>	<u>150</u>
Subtotal	7,661	2,950	1,526
B. FUNDEAGRO Implementation			
1. Personnel	709	-	-
2.- Goods	50	-	-
3.- Goods and Services	628	-	-
4.- Institutional Development	<u>505</u>	<u>-</u>	<u>-</u>
Subtotal	1,892	-	-
Total	9,553	2,950	1,526
	=====	=====	=====

AUDIT OBJECTIVES AND SCOPE

We were engaged to perform a financial audit of the Agricultural Technology Transformation Project activities managed by FUNDEAGRO under grant agreement No. 527-0282-G-00-8198, for the period April 18, 1988 to June 30, 1991.

Our audit was performed in accordance with generally accepted auditing standards and the Government Auditing Standards of the United States Comptroller General and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances to determine whether:

- The fund accountability statement presents fairly, in all material respects, the financial situation of the activities managed by FUNDEAGRO under grant agreement No. 527-0282-G-00-8198 as of June 30, 1991; and the costs reported as incurred and reimbursed by USAID/Peru during the period April 18, 1988 to June 30, 1991 are allowable, allocable and reasonable in accordance with the agreement terms and applicable laws and regulations.

- The internal control structure of FUNDEAGRO is adequate to manage its operations under the agreement.
- FUNDEAGRO complied with agreement terms and applicable laws and regulations which may affect the agreement's goals and incurred costs.

Additionally, we have been alert to situations or transactions that could be indicative of fraud, misuse, abuse and illegal expenditures and acts.

The scope of our work covered the following:

Fund Accountability Statement

- Reconciliation of funds received and liquidated by FUNDEAGRO as of June 30, 1991 with the accounting reports of USAID/Peru.
- Analysis of the discrepancies between actual expenses and budgeted amounts in order to identify and explain the main discrepancies.
- Verification that expense reports are duly supported with original documents and have been duly recorded according to their financial category and the documentation of the expenses incurred correspond to the period of liquidation. Also verification that expenses are related to the agreement goals and the operating plan.
- Review of the translation procedures into US dollars for local currency expenses.
- Bank confirmations as of June 30, 1991.
- Physical inspection of fixed assets acquired for the project with agreement funds and those directly acquired by North Carolina State University according to contract No. 527-0282-C-00-8168 of March 27, 1988 with USAID/Peru.
- Review of expenses incurred for personnel, commodities, training, grants, goods and services, and institutional development, verifying their adequate recording, the corresponding approvals, their supporting documentation, and their conformity with agreement terms.

Internal Control Structure

- Compliance tests, in order to assess the internal control structure established by FUNDEAGRO for the receipt and liquidation of advances of funds in local currency.
- Compliance tests, in order to assess the internal control structure established by FUNDEAGRO for the personnel area.
- Compliance tests, in order to assess the internal control structure established by FUNDEAGRO for the acquisition of local goods and services.

Compliance with Agreement Terms and Applicable Laws and Regulations

- Verification of the approval of transfers between budget components greater than 20 percent over the total budgeted by financial categories as required by the agreement.
- Verification of the existence of accounting records exclusively used for the agreement.
- Verification that expenses reported are allowable, allocable and reasonable for the agreement.
- Verification of the establishment by FUNDEAGRO of quarterly and annual programs for evaluating the agreement on the basis of the attainment of goals and objectives.
- Verification of the deposits made by FUNDEAGRO of funds received in a bank account exclusively used for the agreement.
- Verification of the existence and adequate recording of fixed assets acquired abroad by North Carolina State University.

AUDIT RESULTS

Fund Accountability Statement

The fund accountability statement was prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles. In our opinion, except for questionable costs of US\$ 411,090 as indicated in Notes 6(a), 6(b) and 6(c) to the fund accountability statement, and the as yet undetermined amount of questionable costs related to the use of US\$ 45,000 of insurance proceeds recovered from the theft of project vehicles, the fund accountability statement presents fairly, in all material respects, FUNDEAGRO's cash receipts and expenditures under grant agreement No. 527-0282-G-00-8198 for the period April 18, 1988 to June 30, 1991.

Internal Control Structure

In planning and performing our audit of the fund accountability statement, we considered the internal control structure of FUNDEAGRO for the purpose of expressing an opinion on the fund accountability statement.

Our evaluation of the internal control structure was conducted by means of compliance and substantive tests and included the internal control systems in the following categories:

- Advances and liquidations of funds for disbursements in local currency.
- Personnel area.
- Acquisition of local goods and services.

The results of our study and evaluation of FUNDEAGRO's internal control structure disclosed the following reportable conditions, all of which we consider to be material weaknesses:

1. Funds received from theft of vehicles were utilized without the authorization of USAID/Peru.
2. The procedures followed for the hiring of personnel have not been documented.
3. Inconsistent policies are applied for readjustments and increases of remunerations.
4. No periodic reconciliations were made with USAID/Peru.
5. There is no list of contracts signed with personnel who worked for the project.

Compliance with Agreement Terms and Applicable Laws and Regulations

As part of obtaining reasonable assurance as to whether the fund accountability statement is free of material misstatement, we performed tests to determine whether FUNDEAGRO complied with agreement terms and applicable laws and regulations which may affect the agreement's goals and incurred costs.

The results of our tests of compliance disclosed the following material instances of noncompliance:

1. There were questioned and unsupported costs.
2. Noncompliance with the stipulation of using only one bank account exclusively set up for agreement funds.
3. Financial information is not periodically sent to USAID/Peru.

Except as described above, the results of our tests of compliance indicate that, with respect to items tested, FUNDEAGRO complied, in all material respects, with the agreement terms and applicable laws and regulations. With respect to items not tested, nothing came to our attention that caused us to believe that FUNDEAGRO had not complied, in all material respects, with those provisions.

MANAGEMENT COMMENTS

This report has been discussed with the officials of FUNDEAGRO. In general, FUNDEAGRO agrees with the information presented and their comments are summarized in Exhibit 1.

Countersigned by:



Oscar Caipo (Partner)
Peruvian Public Accountant
Registration N° 2782



**AUDIT OF THE AGRICULTURAL TECHNOLOGY TRANSFORMATION PROJECT
ACTIVITIES MANAGED BY THE FOUNDATION FOR AGRICULTURAL
DEVELOPMENT UNDER GRANT AGREEMENT No. 527-0282-G-00-8198**

**Report on the Fund Accountability Statement
for the period April 18, 1988 to June 30, 1991**

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying fund accountability statement of the Agricultural Technology Transformation Project activities managed by the Foundation for Agricultural Development under grant agreement No. 527-0282-G-00-8198 for the period April 18, 1988 to June 30, 1991. The fund accountability statement is the responsibility of the management of the Foundation for Agricultural Development. Our responsibility is to express an opinion on the fund accountability statement based on our audit.

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

We do not have an external quality control review by an unaffiliated audit organization as required by paragraph 46 of chapter 3 of Government Auditing Standards since no such quality review program is offered by professional organizations in Peru. We believe that this departure from the financial audit requirements of Government Auditing Standards is not material because we participate in the KPMG Peat Marwick worldwide internal quality control program which requires our Peru office to be subject, every three years, to an extensive quality control review by partners and managers from other KPMG Peat Marwick offices.

As described in Note 3(a) the fund accountability statement was prepared on the basis of cash receipts and disbursements which is a comprehensive basis of accounting other than generally accepted accounting principles.

As described in Notes 6(a), 6(b) and 6(c) to the fund accountability statement, our audit disclosed questioned costs of US\$ 18,516 and unsupported costs amounting to US\$ 392,574 which we consider questionable in accordance with the agreement's terms. Also, as explained in finding No. 1 of our Report on the Internal Control Structure there is an as yet undetermined amount of questionable costs related to the use of US\$ 45,000 of insurance proceeds recovered from the theft of project vehicles.

**AUDIT OF THE AGRICULTURAL TECHNOLOGY TRANSFORMATION PROJECT
ACTIVITIES MANAGED BY THE FOUNDATION FOR AGRICULTURAL
DEVELOPMENT UNDER GRANT AGREEMENT No. 527-0282-G-00-8198**

**Report on the Fund Accountability Statement
for the period April 18, 1988 to June 30, 1991**

INDEPENDENT AUDITORS' REPORT (Continuation)

In our opinion, except for the effects of the questionable costs as discussed in the preceding paragraph, the accompanying fund accountability statement presents fairly, in all material respects, the financial situation of the activities managed by the Foundation for Agricultural Development under grant agreement No. 527-0282-G-00-8198 for the period April 18, 1988 to June 30, 1991, in conformity with the accounting practices described in Note 3 to the fund accountability statement.

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

June 30, 1993

Countersigned by:

 Oscar Caipo y Asociados

Oscar Caipo (Partner)
Peruvian Public Accountant
Registration N° 2782

**AUDIT OF THE AGRICULTURAL TECHNOLOGY TRANSFORMATION PROJECT
ACTIVITIES MANAGED BY THE FOUNDATION FOR AGRICULTURAL
DEVELOPMENT UNDER GRANT AGREEMENT No. 527-0282-G-00-8198**

**Fund Accountability Statement
for the period April 18, 1988 to June 30, 1991**

(Stated In US Dollars)

<u>INCOME</u>	<u>Budget</u>	<u>Actual</u>	<u>Available</u>	<u>Questionable Costs</u> <u>(Note 6)</u>	
				<u>Questioned</u>	<u>Unsupported</u>
Funds provided by USAID/Peru	9,552,800	6,567,602	2,985,198	-	-
Total income	<u>9,552,800</u>	<u>6,567,602</u>	<u>2,985,198</u>	<u>-</u>	<u>-</u>
	=====	=====	=====	=====	=====
<u>EXPENSES</u>					
Implementation of ATT Project Activities					
Personnel	3,412,390	2,775,689	636,701	-	-
Capital Goods	271,830	180,408	91,422	1,210	3,886
Training	1,159,970	385,126	774,844	381	76,306
Grants	1,377,800	374,940	1,002,860	-	-
Goods and Services	1,439,410	1,308,836	130,574	9,600	16,826
	<u>7,661,400</u>	<u>5,024,999</u>	<u>2,636,401</u>	<u>11,191</u>	<u>97,018</u>
	-----	-----	-----	-----	-----
FUNDEAGRO Implementation					
Personnel	708,660	654,518	54,142	-	-
Capital Goods	50,240	51,396	(1,156)	158	8,768
Goods and Services	627,930	387,884	240,046	7,167	-
Institutional Development	504,570	19,818	484,752	-	-
	<u>1,891,400</u>	<u>1,113,616</u>	<u>777,784</u>	<u>7,325</u>	<u>8,768</u>
	-----	-----	-----	-----	-----
Total expenses	9,552,800	6,138,615	3,414,185	18,516	105,786
	-----	-----	-----	=====	-----
Balance	-	428,987	(428,987)		
	=====	=====	=====		
Balance:					
In bank		30,671			
Expense documents pending submission		111,528			
Unreconciled difference		<u>286,788</u>			<u>286,788</u>
		<u>428,987</u>			<u>392,574</u>
		=====			=====

See accompanying notes to the fund accountability statement.

**AUDIT OF THE AGRICULTURAL TECHNOLOGY TRANSFORMATION PROJECT
ACTIVITIES MANAGED BY THE FOUNDATION FOR AGRICULTURAL
DEVELOPMENT UNDER GRANT AGREEMENT No. 527-0282-G-00-8198**

**Notes to the Fund Accountability Statement
for the period April 18, 1988 to June 30, 1991**

(1) Nature of Activities

The Foundation for Agricultural Development (FUNDEAGRO) is a non-profit institution of private right created as a legal entity on February 7, 1988 with the objective of promoting, enhancing and improving the production and productivity of the agricultural sector.

On September 25, 1987, the Government of the United States of America, through its Agency for International Development Mission to Peru (USAID/Peru) entered into a bilateral agreement with the Government of Peru (GOP), represented by its Ministry of Agriculture, to develop the Agricultural Technology Transformation (ATT) Project in order to assist the Peruvian institutions belonging to the agricultural technology generation and transfer (ATGT) system in strengthening their capacity to coordinate activities and effectively participate in the development of improved agricultural technology and its dissemination to Peruvian farmers.

Basically, the ATT Project comprises a series of institutional development activities designed to create a national system for the creation and transfer of agricultural technology by means of the strengthening of its component parts and the inter-relationships between the participating institutions, as well as between these institutions and the farmers using the technology. In the agreement and the implementing letters of the ATT Project, USAID/Peru and the Government of Peru agreed to have four institutions sharing the main responsibility of managing the project funds, as well as the coordination and implementation of the project. These four institutions are: (1) the National Institute of Agricultural and Agro-Industrial Investigation (Instituto Nacional de Investigación Agropecuaria y Agroindustrial -INIAA) of the Ministry of Agriculture, (2) the National Agrarian Organization (Organización Nacional Agraria - ONA), (3) the National Foundation for the Agrarian Development (Fundación para el Desarrollo Agrario) together with the Molina National Agrarian University (FDA/UNALM), and (4) the Foundation for Agricultural Development (Fundación para el Desarrollo del Agro - FUNDEAGRO).

FUNDEAGRO is responsible for implementing the following activities within the overall ATT Project component and activity structure:

Component No. 1: Generation of Technology, Activity C: increase in research opportunities -- implement a competitive program of grants for research aimed at researchers or research teams with access to public and/or private research facilities.

Component No. 2: Transfer of Technology, Activity B: stimulating private sector technology transfer activities, and Activity C: stimulating the production and distribution system of improved seeds -- create an assistance program, on a competitive basis, for establishing and operating models of pilot enterprises for

technology transfer in order to help producer organizations in the strengthening of the services they provide to their affiliates, and create a program to enhance the production, distribution and certification system of improved seeds.

Component No. 3: Human Resources Development, Activity B: improvement of teaching and audio-visual materials for research, extension and teaching, and Activity C: competitive graduate study fellowships and participant training -- improve the operations of the National Agrarian University library and develop it as the nucleus of a national agricultural information system and create a competitive scholarship system to enable agricultural sector professionals to improve their academic levels through post-graduate training at the National Agrarian University and universities abroad as well as through short courses.

(2) Financing Sources for FUNDEAGRO's Activities Under the Project

FUNDEAGRO's activities under the ATT Project were to be financed by USAID/Peru grant agreement No. 527-0282-G-00-8198, dated April 18, 1988, as well as GOP counterpart and private sector complementary contributions. On June 1, 1990, amendment No. 3 to the grant agreement increased the total USAID funds obligated under the agreement by US\$ 1,300,000 to US\$ 6,300,000. The illustrative budget for amendment No. 3 also showed a GOP counterpart contribution equivalent to US\$ 2,950,000 and private complementary contributions equivalent to US\$ 1,526,000. The grant agreement funds were envisioned to finance FUNDEAGRO's activities under the project through November 1, 1990.

Additionally, on September 29, 1990, amendment No. 4 to the grant agreement increased the USAID funds obligated by an additional US\$ 3,252,752 for a total of US\$ 9,552,752. The additional funds were envisioned to be used during the period from November 1, 1990 to May 1, 1992. The illustrative budget for amendment No. 4 did not reflect an increase in either the GOP's or the private sector's contribution to agreement activities.

(3) Significant Accounting Practices

- (a) The fund accountability statement is prepared on the basis of cash receipts and disbursements which is a comprehensive basis of accounting other than generally accepted accounting principles.
- (b) Local currency costs were translated into US dollars based on the date on which the disbursements were made.

(4) Rounding of Budget Column

The "Budget" column of the fund accountability statement reflects the USAID funds obligated according to the illustrative budget accompanying grant agreement amendment No. 4, dated September 29, 1990. Due to rounding, the illustrative budget amount exceeds slightly the actual amount obligated as of that date (US\$ 9,552,800 per the budget versus US\$ 9,552,752 actual).

(5) Fixed Assets

As of June 30, 1991, FUNDEAGRO had executed US\$ 180,408 and US\$ 51,396 under the heading "Capital Goods" within the financial categories "Implementation of ATT Project Activities" and "FUNDEAGRO Implementation", respectively.

FUNDEAGRO additionally had the responsibility of distributing to other implementing entities of the ATT Project capital goods purchased abroad directly by North Carolina State University under contract No. 527-0282-C-00-8168 of March 27, 1988 with USAID/Peru. The ATT Project budget provided US\$ 2,136,000 for such offshore procurements. As these offshore procurements were arranged directly by USAID/Peru, the related budget and expenditure amounts are not included in the fund accountability statement.

(6) Questionable Costs

According to USAID procedures, costs charged to agreements must meet the following criteria in order to be allowable:

- (a) Be reasonable for the performance of the agreement. A cost is reasonable if, by its nature or amount, it does not exceed what would be incurred by a prudent person under the same circumstances.
- (b) Be allocable to the agreement. A cost is allocable in accordance with the relative benefit received.
- (c) Be adequately documented.

There are two categories of questionable costs: (1) questioned costs, which are those costs unallocable or unallowable in accordance with agreement terms and applicable laws and regulations, and (2) unsupported costs, which costs are not properly supported by adequate documentation or lacking the respective supporting documentation, are in excess of the budgeted items, or are considered unreasonable under the circumstances.

Below are shown questionable costs amounting to US\$ 411,090 representing questioned costs of US\$ 18,516 and unsupported costs of US\$ 392,574 which include unsupported costs of US\$ 286,788 arising from an unreconciled difference between the funds received from USAID/Peru less the expenses reported or pending submission by FUNDEAGRO, compared with the bank balances at June 30, 1991:

(a) Questioned Costs

The following costs have been questioned because they correspond to the general sales tax (IGV) included in the documents indicated.

<u>Month</u>	<u>Voucher</u>	<u>Payment Voucher</u>	<u>Supplier</u>	<u>Equivalent in US\$</u>
IMPLEMENTATION OF ATT PROJECT ACTIVITIES				
Capital Goods				
08-88	527-89-0209	213	Dusa S.A.	240
08-88	527-89-0209	239	Monte del Rey	140
08-88	527-89-0209	257	Edusa S.A.	106
04-89	527-89-3383	1372	Planning Est.S.A.	55
10-89	527-90-0846	2406	Datacont S.A.	229
11-89	527-90-1010	N/D	Industrias Tecniart S.A.	126
08-90	527-92-0856	45	Armetal EIRL	<u>314</u>
				1,210
Training				
11-90	527-92-1736	203	Brailard S.A.	<u>381</u>
				381
Goods and Services				
06-88	527-89-0234	003	Inversiones San Borja	26
06-88	527-89-0234	049	Inversiones San Borja	26
08-88	527-89-0209	236	CYB Comercial	32
08-88	527-89-0209	238	Cia.Peruana de Teléfonos	8
08-88	527-89-0209	243	CYB Comercial	18
08-88	527-89-0209	245	Edusa S.A.	85
08-88	527-89-0209	267	CYB Comercial	7
08-88	527-89-0209	275	Monte del Rey	10
08-88	527-89-0209	300	Alberto Escalante	27
12-88	527-89-2402	777	Edigraf	367
12-88	527-89-2402	853	Seprosa	36
09-88	527-89-0915	328	Inversiones San Borja	89
10-88	527-89-1038	488	Inversiones San Borja	85
10-88	527-89-1038	488	Inversiones San Borja	23
11-88	527-89-1503	606	Inversiones San Borja	82
01-89	527-89-2403	893	Inversiones San Borja	80
02-89	527-89-2560	993	Inversiones San Borja	105
03-89	527-89-2997	1138	Inversiones San Borja	137
04-89	527-89-3383	1402	Monte del Rey	58
04-89	527-89-3383	1260	Distribuidora Nomura	79
04-89	527-89-3383	1267	Imprenta Lagos	153
04-89	527-89-3383	1277-A	Inversiones San Borja	183
06-89	527-89-3972	1647	Inversiones San Borja	258
07-89	527-90-0274	1852	Inversiones San Borja	236
07-89	527-90-0274	1852	Inversiones San Borja	85
08-89	527-90-0045	1958	Inversiones San Borja	168
10-89	527-90-0846	2284	El Pacifico Cía. de Seguros	192

<u>Month</u>	<u>Voucher</u>	<u>Payment Voucher</u>	<u>Supplier</u>	<u>Equivalent in US\$</u>
10-89	527-90-0846	2121	Inversiones San Borja	175
10-89	527-90-0846	2287	Oswaldo Bartra	130
10-89	527-90-0846	2292	Importadora Rodríguez	52
10-89	527-90-0846	2293	Apoyo S.A.	60
10-89	527-90-0846	2305	AVP Impresiones	43
10-89	527-90-0846	2316	Imprenta Lagos	149
10-89	527-90-0846	2350	El Pacifico Cía. de Seguros	164
10-89	527-90-0846	2396	Geo Continental S.A.	249
10-88	527-90-0846	2312	Inversiones San Borja	198
11-89	527-90-1010	90	Grafitecna	459
11-89	527-90-1010	036	Inversiones San Borja	218
12-89	527-91-0488	118	Inversiones San Borja	60
02-90	527-91-0490	17	Sermage SR.Ltda	51
02-90	527-91-0490	009	Inversiones San Borja	85
02-90	527-91-0490	093	Inversiones San Borja	104
03-90	527-91-0491	012	Inversiones San Borja	118
04-90	527-92-1301	039	Inversiones San Borja	6
05-90	527-92-1093	143	Inversiones San Borja	34
06-90	527-92-1302	022	Inversiones San Borja	13
07-90	527-92-1303	006	Inversiones San Borja	815
08-90	527-92-0856	90	Importadora Rodríguez	334
08-90	527-92-0856	155	Inversiones San Borja	1,596
09-90	527-92-1735	049	Inversiones San Borja	183
08-90	527-92-0856	167	Monte Del Rey	78
08-90	527-92-0856	073	Inversiones San Borja	384
10-90	527-92-1502	146	Inversiones San Borja	749
11-90	527-92-1736	026	Inversiones San Borja	185
12-90	527-92-1737	153	Diario El Comercio	37
12-90	527-92-1737	012	Inversiones San Borja	216
				<u>9.600</u>

FUNDEAGRO IMPLEMENTATION

Capital Goods

08-88	527-89-0209	239	Monte Del Rey	26
08-88	527-89-0209	229	Los Nogales	30
04-89	527-89-3383	1361	Servivent	76
04-89	527-89-3383	1372	Planning Est. S.A.	26
				<u>158</u>

Goods and Services

06-88	527-89-0234	003	Inversiones San Borja	27
06-88	527-89-0234	049	Inversiones San Borja	27
08-88	527-89-0209	243	CYB Comercial	41
08-88	527-89-0209	273	Imprenta Lagos	6

(b) Unsupported Costs Based on Specific Documents

The following costs have been considered unsupported because the supporting information was not located or was not adequate.

<u>Month</u>	<u>Voucher</u>	<u>Payment Voucher</u>	<u>Supplier</u>	<u>Equivalent in US\$</u>
IMPLEMENTATION OF ATT PROJECT ACTIVITIES				
Capital Goods				
04-89	527-89-3383	N/D	D' Madera	963
10-89	527-90-0846	2397	Datacont	<u>2,923</u>
				<u>3,886</u>
Training				
11-89	527-90-1010	021	Lima Tours S.A.	365
12-90	527-92-1737	198	FDA/UNALM	74,493
11-90	527-92-1736	203	FDA	<u>1,448</u>
				<u>76,306</u>
Goods and Services				
11-89	527-90-1010	006	Lima Tours S.A.	2,630
11-89	527-90-1010	044	Lima Tours S.A.	7,364
08-90	527-92-0856	159	Garden Tours S.A.	2,225
10-90	527-92-1508	051	Creditur S.A.	1,668
10-90	527-92-1508	103	Garden Tours S.A.	314
10-90	527-92-1508	103	Garden Tours S.A.	43
10-90	527-92-1508	108	Creditur S.A.	537
10-90	527-92-1508	108	Creditur S.A.	1,432
10-90	527-92-1508	134	Garden Tours S.A.	372
10-90	527-92-1508	171	Garden Tours S.A.	<u>241</u>
				<u>16,826</u>
FUNDEAGRO IMPLEMENTATION				
Goods and Services				
10-89	527-90-0846	2397	Datacont	<u>8,768</u>
				<u>8,768</u>
Total unsupported costs based on specific documents				105,786 =====

(c) Unsupported Costs Based on Unreconciled Difference

There are unsupported costs amounting to US\$ 286,788 resulting from the unreconciled difference between funds received from USAID/Peru less the actual and pending liquidations of fund advances compared with the bank balances as of June 30, 1991, as follows:

	<u>Stated in US\$</u>
Funds advanced by USAID/Peru	6,567,602
Liquidations approved by USAID/Peru	<u>(6,138,615)</u>
Advanced funds remaining to be liquidated	428,987
Balance as of June 30, 1991 according to bank statements	(30,671)
Documents pending submission to USAID/Peru	
as of June 30, 1991 to liquidate advances	<u>(111,528)</u>
Difference	286,788
	=====

**AUDIT OF THE AGRICULTURAL TECHNOLOGY TRANSFORMATION PROJECT
ACTIVITIES MANAGED BY THE FOUNDATION FOR AGRICULTURAL
DEVELOPMENT UNDER GRANT AGREEMENT No. 527-0282-G-00-8198**

**Report on the Internal Control Structure
for the period April 18, 1988 to June 30, 1991**

INDEPENDENT AUDITORS' REPORT

We have audited the fund accountability statement of the Agricultural Technology Transformation (ATT) Project activities managed by the Foundation for Agricultural Development (FUNDEAGRO) under grant agreement No. 527-0282-G-00-8198 for the period April 18, 1988 to June 30, 1991, and have issued our report thereon dated June 30, 1993.

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

In planning and performing our audit of the fund accountability statement of the Agricultural Technology Transformation Project activities managed by the Foundation for Agricultural Development under grant agreement No. 527-0282-G-00-8198 for the period April 18, 1988 to June 30, 1991, we considered the internal control structure of the Foundation for Agricultural Development in order to determine our auditing procedures for the purpose of expressing our opinion on the fund accountability statement and not to provide assurance on the internal control structure.

The management of the Foundation for Agricultural Development is responsible for establishing and maintaining an internal control structure to manage its operations under the ATT 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 to permit the preparation of the fund accountability statement in conformity with the accounting practices described in Note 3 to the fund accountability statement.

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

**AUDIT OF THE AGRICULTURAL TECHNOLOGY TRANSFORMATION PROJECT
ACTIVITIES MANAGED BY THE FOUNDATION FOR AGRICULTURAL
DEVELOPMENT UNDER GRANT AGREEMENT No. 527-0282-G-00-8198**

**Report on the Internal Control Structure
for the period April 18, 1988 to June 30, 1991**

INDEPENDENT AUDITORS' REPORT (Continuation)

For the purposes of this report, we have classified the significant internal control structure policies and procedures into the following categories: (1) receipt and liquidation of fund advances, (2) personnel area, and (3) acquisition of local goods and services.

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

We have 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 and the Government Auditing Standards of the United States Comptroller General. 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 ability of the institution to record, process, summarize, and report financial data consistent with the assertions of management in the fund accountability statement. The reportable conditions noted are described in finding Nos. 1 to 5 on the following pages.

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

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

**AUDIT OF THE AGRICULTURAL TECHNOLOGY TRANSFORMATION PROJECT
ACTIVITIES MANAGED BY THE FOUNDATION FOR AGRICULTURAL
DEVELOPMENT UNDER GRANT AGREEMENT No. 527-0282-G-00-8198**

**Report on the Internal Control Structure
for the period April 18, 1988 to June 30, 1991**

INDEPENDENT AUDITORS' REPORT (Continuation)

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

June 30, 1993

Countersigned by:

 Oscar Caipo y Asociados

Oscar Caipo (Partner)
Peruvian Public Accountant
Registration N° 2782

**AUDIT OF THE AGRICULTURAL TECHNOLOGY TRANSFORMATION PROJECT
ACTIVITIES MANAGED BY THE FOUNDATION FOR AGRICULTURAL
DEVELOPMENT UNDER GRANT AGREEMENT No. 527-0282-G-00-8198**

**Report on the Internal Control Structure
for the period April 18, 1988 to June 30, 1991**

Findings

**1. FUNDS RECOVERED FROM THEFT OF VEHICLES WERE UTILIZED
WITHOUT THE AUTHORIZATION OF USAID/PERU**

Condition

Four vehicles purchased directly by the ATT Project's technical assistance contractor, North Carolina State University, and assigned to FUNDEAGRO for use in executing its activities under the agreement were stolen from FUNDEAGRO personnel while they were at work. Said vehicles were insured so FUNDEAGRO obtained, after negotiations with the insurance company, the corresponding indemnity for two of these vehicles.

Reference

<u>Vehicle</u>	<u>No.</u>	<u>Type</u>	<u>Date of theft</u>	<u>Date indemnity received</u>
Nissan 4 x 4	TG-4608	Station Wagon, grey 1991 model	11.Dec.91	03.Jun.92
Nissan 4 x 4	TG-5340	Station Wagon, metallic silver, 1991 model	10.Feb.92	03.Jun.92
Nissan 4 x 4	TG-4421	Station Wagon, grey, 1991 model	14.Jun.92	Pending (*)
Nissan 4 x 4	TG-4421	Station Wagon, silver blue, 1991 model	14.Jan.93	Pending (*)

(*) As of the date of our audit, the entity was still engaged in negotiations for the corresponding reimbursement.

With regard to the amounts received for the two vehicles indemnified, we noted that on June 3, 1992 FUNDEAGRO received US\$ 20,000 and US\$ 25,000, respectively, for the two vehicles. A sum of US\$ 11,096 was deducted from said amounts by the insurance company for invoices pending payment by FUNDEAGRO. These invoices were for insurance premiums covering FUNDEAGRO as a whole and would not be fully allocable to the agreement. The

remaining net amount of US\$ 33,904 was utilized by FUNDEAGRO for expenses apparently not related to the project. For example, US\$ 10,000 was paid as professional fees to a person that had provided services under an agreement not related to the project and US\$ 17,736 was paid for a power generator that was budgeted to be purchased with Public Law 480 funds in a later year.

Criteria

Project funds may only be used for project activities. Any other use is an unallowable cost. In this regard, the standard provisions attached to FUNDEAGRO's agreement with USAID/Peru require that if the grantee uses the property for purposes other than those of the grant, or sells the property (which we consider to be a similar situation to receiving the insurance proceeds from the theft of property) then A.I.D. is to be reimbursed.

The agreement standard provisions also require the grantee to request approval for any revisions to the grant budget. Therefore, prior authorization from USAID/Peru would appear to be necessary to spend the extra-budgetary resources obtained through the insurance indemnities.

Cause

FUNDEAGRO management used these funds without a prior documented authorization by North Carolina State University or USAID/Peru.

Effect

The insurance proceeds not applied to agreement activities are not eligible expenses for the agreement and should therefore be reimbursed. Any remaining insurance proceeds found to be spent for agreement purposes but without USAID/Peru's authorization are unsupported costs since they were spent outside the approved budget for the agreement.

Recommendation

We recommend that FUNDEAGRO:

- (1) reimburse USAID/Peru with interest for the insurance proceeds received as a result of the theft of the stolen project vehicles to the extent that such proceeds were not spent on agreement activities and request USAID/Peru authorization for any remaining proceeds that were spent for agreement activities but without USAID/Peru's prior authorization.
- (2) analyze what portion of the US\$ 11,096 from the insurance proceeds which were spent on FUNDEAGRO's organization-wide insurance coverage should be allocated to the agreement and reimburse USAID/Peru for the nonallocable amount.
- (3) in the case of the thefts pending indemnity, initiate legal action to obtain the indemnities and do not spend the funds without specific prior approval from USAID/Peru.

2. THE PROCEDURES FOLLOWED FOR THE HIRING OF PERSONNEL HAVE NOT BEEN DOCUMENTED

Condition

We have not found any documentation evidencing that FUNDEAGRO followed the procedures established by USAID/Peru for the hiring of personnel working in the ATT Project.

Criteria

The procedures established by USAID/Peru for the hiring of personnel must be followed and documented. These procedures are:

- Submission to USAID/Peru of the terms of reference of the job for its approval.
- Public selection process for the job.
- The selection committee will evaluate the applicants and select at least three finalists.
- Interview of the finalists and assign scores.
- The results of the selection process are sent to USAID/Peru, indicating the finalists and recommending a candidate for approval.

Cause

The situation described above is due to FUNDEAGRO not following, or at least not documenting that it followed, the procedures established by USAID/Peru for the hiring of personnel.

Effect

As a result of the above, we could not determine whether the persons working on the project were evaluated prior to their hiring and meet the requirements of the positions for which they were hired.

Recommendation

We recommend that FUNDEAGRO document its application of the procedures established by USAID/Peru for the hiring of personnel.

3. INCONSISTENT POLICIES ARE APPLIED FOR READJUSTMENTS AND INCREASES OF REMUNERATIONS

Condition

During our evaluation of the personnel area, we noted that FUNDEAGRO had not applied its remunerations policy in a consistent manner as evidenced by the following:

- a) There are cases of personnel who were not considered for the increases nor readjustments of remuneration in certain periods.
- b) There are cases of employees who received increases and/or readjustments in their remuneration in a significantly higher percentage than those granted to the rest of the employees.

Criteria

The remunerations policies issued by FUNDEAGRO should be applied equally to all personnel.

Cause

Management did not consistently apply the criteria established in FUNDEAGRO's policies on remunerations.

Effect

As a result of the above, we were unable to determine whether the readjustments and/or increases of remunerations granted by FUNDEAGRO had reasonable basis.

Recommendation

We recommend that FUNDEAGRO apply its policy on remunerations in an equal and consistent manner and document in the files for all of its employees the criteria applied in giving or failing to give increases and/or readjustments in remunerations.

4. NO PERIODIC RECONCILIATIONS WERE MADE WITH USAID/PERU

Condition

There is no evidence that FUNDEAGRO periodically reconciled its accounting records with those of USAID/Peru during the audited period. FUNDEAGRO prepared only one reconciliation with USAID/Peru for advances and expenses at December 31, 1992.

Criteria

A sound internal control policy requires periodic reconciliations of the grantee's records with the grantor's for funds received, spent and available.

Cause

FUNDEAGRO did not establish a policy that periodic reconciliations should be made with USAID/Peru records.

Effect

The lack of periodic reconciliations with USAID/Peru records would not permit the timely identification and/or correction of any discrepancies that could exist.

Recommendation

Since the ATT Project is now completed, we recommend that FUNDEAGRO make a timely final reconciliation of its accounting records with those of USAID/Peru.

5. THERE IS NO LIST OF THE CONTRACTS SIGNED WITH PERSONNEL WHO WORKED ON THE PROJECT

Condition

While making the assessment of the personnel area, we noted that there was no detailed list of the contracts signed with personnel who worked on the ATT Project over its life.

Criteria

A sound internal control policy requires the establishment of control over the subscription of contracts, and even more so when it is considered that FUNDEAGRO is the agency in charge of the selection, hiring and assignment of local advisors and support personnel for the ATT Project.

Cause

FUNDEAGRO did not issue instructions to its staff to maintain a data base to control all personnel who worked for the ATT Project on contract.

Effect

Additional effort, by both FUNDEAGRO and any reviewer, would be required to make verifications of the clauses and specifications of personnel contracts.

Recommendation

We recommend that FUNDEAGRO prepare a detailed list of contracts with the personnel who worked for the ATT Project, including at least the following information:

- Contract code or number.
- Name of the person contracted.
- Period covered under the contract.

**AUDIT OF THE AGRICULTURAL TECHNOLOGY TRANSFORMATION PROJECT
ACTIVITIES MANAGED BY THE FOUNDATION FOR AGRICULTURAL
DEVELOPMENT UNDER GRANT AGREEMENT No. 527-0282-G-00-8198**

**Report on Compliance with Agreement Terms
and Applicable Laws and Regulations
for the period April 18, 1988 to June 30, 1991****INDEPENDENT AUDITORS' REPORT**

We have audited the fund accountability statement of the Agricultural Technology Transformation (ATT) Project activities managed by the Foundation for Agricultural Development (FUNDEAGRO) under grant agreement No. 527-0282-G-00-8198 for the period April 18, 1988 to June 30, 1991 and have issued our report thereon dated June 30, 1993.

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

Compliance with agreement terms and laws and regulations applicable to the activities managed by the Foundation for Agricultural Development under grant agreement No. 527-0282-G-00-8198 is the responsibility of FUNDEAGRO's management. As part of obtaining reasonable assurance as to whether the fund accountability statement is free of material misstatement, we performed tests of compliance with significant agreement terms and applicable laws and regulations which may affect the agreement's goals and incurred costs. However, the objective of our audit of the fund accountability statement was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

Material instances of noncompliance are failures to follow requirements or violations of prohibitions contained in statutes, regulations, contracts or grants that cause us to conclude that the aggregation of the misstatements resulting from those failures or violations is material to the fund accountability statement. The results of our tests of compliance disclosed the material instances of noncompliance discussed in finding Nos. 1 through 3 in the following pages.

We considered these material instances of noncompliance in forming our opinion on whether the Foundation for Agricultural Development's fund accountability statement for the activities that it managed under grant agreement No. 527-0282-G-00-8198 for the period April 18, 1988 to June 30, 1991 is presented fairly, in all material respects, in conformity with the basis of accounting described in Note 3 to the fund accountability statement, and this report does not affect our report dated June 30, 1993 on that fund accountability statement.

**AUDIT OF THE AGRICULTURAL TECHNOLOGY TRANSFORMATION PROJECT
ACTIVITIES MANAGED BY THE FOUNDATION FOR AGRICULTURAL
DEVELOPMENT UNDER GRANT AGREEMENT No. 527-0282-G-00-8198**

**Report on Compliance with Agreement Terms
and Applicable Laws and Regulations
for the period April 18, 1988 to June 30, 1991**

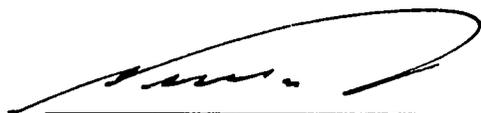
INDEPENDENT AUDITORS' REPORTS (Continuation)

Except as described above, the results of our tests of compliance indicate that, with respect to items tested, the Foundation for Agricultural Development 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 the Foundation for Agricultural Development had not complied, in all material respects, with those provisions.

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

June 30, 1993

Countersigned by:



Oscar Caipo (Partner)
Peruvian Public Accountant
Registration N° 2782

**AUDIT OF THE AGRICULTURAL TECHNOLOGY TRANSFORMATION PROJECT
ACTIVITIES MANAGED BY THE FOUNDATION FOR AGRICULTURAL
DEVELOPMENT UNDER GRANT AGREEMENT No. 527-0282-G-00-8198**

**Report on Compliance with Agreement Terms
and Applicable Laws and Regulations
for the period April 18, 1988 to June 30, 1991**

Findings

1. THERE WERE QUESTIONED AND UNSUPPORTED COSTS

Condition

As detailed below, in our review of expenses we identified questionable costs of US\$ 411,090. Additionally, there was a further undetermined amount of questionable costs related to the use of a US\$ 45,000 insurance indemnity.

- a) There are questioned costs equivalent to US\$ 18,516 corresponding to payments of the general sales tax recorded in the fund accountability statement. (See Note 6(a) to the fund accountability statement.)
- b) There are unsupported costs amounting to US\$ 392,574 corresponding to (1) specific transactions for which the supporting information was not located or was not adequate (US\$ 105,786), and (2) to an unreconciled difference between the balance in the banks and net income and expenses as of June 30, 1991 (US\$ 286,788). (See Notes 6(b) and 6(c) to the fund accountability statement.)
- c) There is an undetermined amount of questionable costs related to US\$ 45,000 of insurance proceeds recovered from the theft of project vehicles. A portion of these proceeds were used for unallocable insurance premiums of the overall institution and for expenses not related to the project. Additionally, FUNDEAGRO did not receive USAID/Peru's prior authorization to spend any of these funds. (See finding No. 1 of our Report on the Internal Control Structure.)

Criteria

- a) In conformity with Section B.4 of Exhibit 2 of the bilateral agreement subscribed for the ATT Project, grants or donations will be exempt from any duties or taxes levied under current Peruvian laws.

We further understand that it is USAID/Peru's policy under the guidelines of Office of Management and Budget Circular A-122 (which is applicable to grant agreement No. 527-0282-G-00-8198) to require that taxes which a nongovernmental entity cannot avoid paying be paid from the entity's cash counterpart contribution rather than from U.S. Government funds.

- b) (1) In conformity with the standard provisions of grant agreement No. 527-0282-G-00-8198, FUNDEAGRO is required to keep the supporting documentation for expenses for a period of three years from the date of termination of the agreement.
- (2) The cash advances from USAID/Peru less the approved liquidation amounts and transactions pending submission for liquidation should equal the cash balance in the banks. The entity must provide an explanation fully supported with documentation for the discrepancies encountered.
- c) Prior approval from USAID/Peru is required before spending the extra-budgetary resources resulting from the insurance indemnity. Also, the expenditures are allocable to the agreement only in relation to the portion of the overall expenditures directly required for the agreement and no expenditures are authorized for purposes not related to the agreement.

Cause

- a) The amounts for the payments of general sales tax were not excluded from the liquidations of expenses submitted to USAID/Peru.
- b) (1) Adequate supporting documentation for the above-mentioned expenses could not be located.
- (2) From the discrepancy in the reconciliation amounting to US\$ 286,788, approximately US\$ 139,411 were identified which apparently corresponded to expenses previously disapproved by USAID/Peru. We were not able to identify a plausible explanation for the remaining US\$ 147,377 shortfall.
- c) FUNDEAGRO did not receive prior authorization from USAID/Peru to spend the insurance proceeds from the theft of the project vehicles and used at least some of the funds for unallowable expenses.

Effect

The funds spent for unallowable costs will need to be reimbursed to USAID/Peru. Also, if further appropriate documentation cannot be located, then the unsupported costs will also need to be reimbursed.

Recommendation

We recommend that FUNDEAGRO refund to USAID/Peru (1) the costs for payments of the general sales tax amounting to US\$ 18,516, (2) that portion of the unsupported US\$105,786 for which adequate supporting documentation cannot be located, (3) the US\$ 286,788 unreconciled cash shortfall in its bank balances, and (4) whatever portion of the US\$ 45,000 in insurance indemnities for stolen project vehicles which is determined to be unallocable to the agreement, not spent for agreement purposes, or for which USAID/Peru does not give its after-the-fact authorization for spending the funds for the purposes to which they were applied.

2. NONCOMPLIANCE WITH THE STIPULATION OF USING ONLY ONE BANK ACCOUNT EXCLUSIVELY SET UP FOR THE AGREEMENT FUNDS

Condition

FUNDEAGRO used three bank accounts in local currency to control agreement funds.

Reference:

<u>Account No.</u>	<u>Bank</u>	<u>Dates</u>	
		<u>Opening</u>	<u>Cancellation</u>
001-090261	Banco Agrario	May.12.88	Mar.14.91
10-1-097019	Banco Latino	Sep.23.88	Current
123-934585-901	Banco de Comercio	Sep.28.90	Current

As of June 30, 1991, the balances according to bank statements are as follows:

<u>Account No.</u>	<u>Bank</u>	<u>Balance in nuevos soles</u>	<u>Amount in US\$</u>
10-1-097019	Banco Latino	525	691
123-934585-01	Banco de Comercio	<u>22,785</u>	<u>29,980</u>
		23,310	30,671 (*)
		=====	=====

(*) Available in banks as of June 30, 1991

Additionally, we noted the following:

- During the verification of the discrepancy between the funds received from USAID/Peru less costs incurred with bank balances, as detailed in Note 6(c) to the fund accountability statement, we obtained the following results:

	<u>In US\$</u>
Computed balance as of June 30, 1991 according to cash advances received and approved liquidations	428,987
Balance as of June 30, 1991 according to bank statements	(30,671)
Liquidation transactions pending submission as of June 30, 1991	<u>(111,528)</u>
Unreconciled difference	286,788
	=====

- Only the account opened with Banco Agrario bears the name of the ATT Project (FUNDEAGRO-PROYECTO AID 527-0282). In the two other instances the accounts were opened in the name of FUNDEAGRO.

- During the months August, 1989 to August, 1990, remittances from USAID/Peru were deposited partly with Banco Agrario and partly with the Banco Latino. In October, 1990, a remittance was deposited by parts in the three banks.
- In the bank accounts with Banco Latino and Banco de Comercio we noted a series of transactions originating charges and payments. We obtained a sample for these transactions and requested from FUNDEAGRO their respective documentation. In the case of the Banco Latino transactions, FUNDEAGRO did not provide us with any documented information and in the case of the Banco de Comercio we noted these were transactions that required a follow up of their origin in order to be able to verify whether they were transactions corresponding to the agreement.

Criteria

Bilateral agreement implementation letter No. 4 of March 9, 1988 stipulates that the control of grant funds must be made utilizing only one bank account exclusively set up for the project.

Additionally, on September 29, 1990, amendment No. 4 to grant agreement No. 527-0282-G-00-8198 stipulated that prior to any disbursement of funds provided under that amendment that FUNDEAGRO would present evidence in writing that it will maintain a separate bank account and that the agreement funds will not be mixed with the other funds of FUNDEAGRO.

Cause

FUNDEAGRO did not issue instructions to its staff to use only one bank account exclusively for the agreement.

Effect

The situation described above implies an additional effort must be made by both FUNDEAGRO and any reviewer to verify whether the funds provided by USAID/Peru were used exclusively for the agreement. If FUNDEAGRO utilizes more than one bank account, and these accounts are used for other than agreement activities, the potential for errors or misuse of funds is increased.

Recommendation

We recommend that FUNDEAGRO maintain a separate bank account to manage the USAID/Peru funds provided under the agreement.

3. FINANCIAL INFORMATION IS NOT PERIODICALLY SENT TO USAID/PERU

Condition

We noted that FUNDEAGRO does not send financial information to USAID/Peru in a periodic manner.

Criteria

In accordance with grant agreement No. 527-0282-G-00-8198 amendment No. 4, of September 29, 1990, Exhibit A, Section D, "Report and Evaluation", the implementing agency must submit quarterly a complete set of unaudited financial statements within thirty days following the end of each quarter.

Cause

FUNDEAGRO management did not issue the corresponding instructions for sending its quarterly financial statements to USAID/Peru.

Effect

Noncompliance with grant agreement No. 527-0282-G-00-8198 amendment No. 4 respecting the submission of unaudited quarterly financial statements.

Recommendation

We recommend that FUNDEAGRO adopt the necessary internal controls to comply with all clauses of the grant agreement and its amendments.

**AUDIT OF THE AGRICULTURAL TECHNOLOGY TRANSFORMATION PROJECT
ACTIVITIES MANAGED BY THE FOUNDATION FOR AGRICULTURAL
DEVELOPMENT UNDER GRANT AGREEMENT No. 527-0282-G-00-8198**

List of Report Recommendations

Internal Control Structure

1. FUNDS RECOVERED FROM THEFT OF VEHICLES WERE UTILIZED WITHOUT THE AUTHORIZATION OF USAID/PERU

We recommend that FUNDEAGRO:

- (1) reimburse USAID/Peru with interest for the insurance proceeds received as a result of the theft of the stolen project vehicles to the extent that such proceeds were not spent on agreement activities and request USAID/Peru authorization for any remaining proceeds that were spent for agreement activities but without USAID/Peru's prior authorization.
- (2) analyze what portion of the US\$ 11,096 from the insurance proceeds which were spent on FUNDEAGRO's organization-wide insurance coverage should be allocated to the agreement and reimburse USAID/Peru for the nonallocable amount.
- (3) in the case of the thefts pending indemnity, initiate legal action to obtain the indemnities and do not spend the funds without specific prior approval from USAID/Peru.

2. THE PROCEDURES FOLLOWED FOR THE HIRING OF PERSONNEL HAVE NOT BEEN DOCUMENTED

We recommend that FUNDEAGRO document its application of the procedures established by USAID/Peru for the hiring of personnel.

3. INCONSISTENT POLICIES ARE APPLIED FOR READJUSTMENTS AND INCREASES OF REMUNERATIONS

We recommend that FUNDEAGRO apply its policy on remunerations in an equal and consistent manner and document in the files for all of its employees the criteria applied in giving or failing to give increases and/or readjustments in remunerations.

4. NO PERIODIC RECONCILIATIONS WERE MADE WITH USAID/PERU

Since the ATT Project is now completed, we recommend that FUNDEAGRO make a timely final reconciliation of its accounting records with those of USAID/Peru.

5. THERE IS NO LIST OF THE CONTRACTS SIGNED WITH PERSONNEL WHO WORKED ON THE PROJECT

We recommend FUNDEAGRO prepare a detailed list of contracts with the personnel who worked for the ATT Project, including at least the following information:

- Contract code or number.
- Name of the person contracted.
- Period covered under the contract.

Compliance with Agreement Terms and Applicable Laws and Regulations

1. THERE WERE QUESTIONED AND UNSUPPORTED COSTS

We recommend that FUNDEAGRO refund to USAID/Peru (1) the costs for payments of the general sales tax amounting to US\$ 18,516, (2) that portion of the unsupported US\$105,786 for which adequate supporting documentation cannot be located, (3) the US\$ 286,788 unreconciled cash shortfall in its bank balances, and (4) whatever portion of the US\$ 45,000 in insurance indemnities for stolen project vehicles which is determined to be unallocable to the agreement, not spent for agreement purposes, or for which USAID/Peru does not give its after-the-fact authorization for spending the funds for the purposes to which they were applied.

2. NONCOMPLIANCE WITH THE STIPULATION OF USING ONLY ONE BANK ACCOUNT EXCLUSIVELY SET UP FOR THE AGREEMENT FUNDS

We recommend that FUNDEAGRO maintain a separate bank account to manage the USAID/Peru funds provided under the agreement.

3. FINANCIAL INFORMATION IS NOT PERIODICALLY SENT TO USAID/PERU

We recommend that FUNDEAGRO adopt the necessary internal controls to comply with all clauses of the grant agreement and its amendments.

**AUDIT OF THE AGRICULTURAL TECHNOLOGY TRANSFORMATION PROJECT
ACTIVITIES MANAGED BY THE FOUNDATION FOR AGRICULTURAL
DEVELOPMENT UNDER GRANT AGREEMENT No. 527-0282-G-00-8198**

Management Comments
as of June 30, 1991

ACCORDING TO FUNDEAGRO'S LETTER DATED DECEMBER 6, 1993

Internal Control Structure

**1. FUNDS RECOVERED FROM THEFT OF VEHICLES WERE UTILIZED
WITHOUT THE AUTHORIZATION OF USAID/PERU**

Once the indemnity for the theft of two vehicles was recovered, and while AID issued the corresponding authorization for its utilization, FUNDEAGRO kept the amount of the indemnity as an intangible in a specific account, having received a verbal authorization from the PTTA Coordinator to utilize it for the acquisition of other assets as well as the offer to document this decision upon receiving the favorable opinion in writing from the AID-Quite Office Contracting Officer. However, before receiving this confirmation, the ATT Manager, Mr. Audón Trujillo Jr., was replaced, thus this commitment was not carried out.

At a later date, FUNDEAGRO established a seed Endowment (Fondo Semilla) to fulfill the need of capitalizing resources and planning a fund obtention program to support institutional development and the better fulfillment of its mission as a private Foundation. These funds from the indemnity were allocated to said Fund, which was used for the purchase of new institutional premises for the Foundation, AID being cognizant of this purchase.

Following the Auditors' recommendation, we are writing to AID to adequately document and formalize the provenance and utilization of these funds.

**2. THE PROCEDURES FOLLOWED FOR THE HIRING OF PERSONNEL
HAVE NOT BEEN DOCUMENTED**

The procedures for the hiring of personnel have been duly regulated as a part of the Manual of Administrative Procedures, prepared by Price Waterhouse and approved by AID. At present, these procedures are strictly complied with.

As regard your observation, we can mention that the files contain as a minimum three résumés for each position, while the selection for each of these positions, after prior review, was carried out by a Committee which included Dr. Dale Bandy and Dr. Fred Mann, of North Carolina State University, ATT External Advisors, representing the AID Mission. The results of this selection were submitted to FUNDEAGRO Management Board for their approval, as it is recorded in the Minute Book, in order to facilitate the prompt implementation and initiation of the TAT Project in 1988.

3. INCONSISTENT POLICIES ARE APPLIED FOR THE READJUSTMENT AND INCREASES OF REMUNERATIONS

The Manual de Procedimientos Administrativos (Manual of Administrative Procedures) approved for FUNDEAGRO includes specific details on remuneration policies and their consequent application for the readjustment or increase of salaries which at present are strictly followed.

In the cases reported about certain personnel who was not considered for the readjustment or increase of remunerations in certain periods, it must be mentioned that the then Executive Direction, after an evaluation of the performance of functions, decided that certain personnel would not be included in the readjustment of salaries because of not having met the minimum performance standards required to deserve such increase. In the cases of employees who did receive incentives or readjustments in percentages higher than those granted to other employees, this fact was caused by the opposite situation, that is, workers who had shown aptitude and competence of the job and, therefore, were deserving of a financial stimulus for adequately improving their salaries to reach acceptable market levels.

4. NO PERIODIC RECONCILIATIONS WERE MADE WITH USAID/PERU

It is true that during the first years of the execution of the ATT Project no periodic conciliations were made with USAID/Peru, this situation was corrected in April of this year, with a joint work to conciliate advances and expenses reported as of December 31, 1992, which has been used as a starting point for the verification of our accounting records and on the basis of which we are conducting the final closing of accounts. In the course of the actions for the closing of the ATT Project, a definitive conciliation will be made with USAID/Peru records, as recommended by the Auditors.

5. THERE IS NO LIST OF THE CONTRACTS SIGNED WITH PERSONNEL WHO WORKED FOR THE PROJECT

During the first two years of the execution of the ATT Project, FUNDEAGRO did not possess a computerized data base, which was only implemented in 1990; this having been the reason why the first contracts subscribed by the entity were not included in the information records. However, because of the Auditors' recommendations, these controls have been reordered and a detailed list has been prepared of personnel contracts with sufficient data required by the Auditing Firm. We consider that these processes will correct this finding.

Report on Compliance with Agreement and Applicable Laws and Regulations

1. There were Questioned and Unsupported Costs

Out of total of US\$ 6,567,602 handled by FUNDEAGRO from September, 1988 to June, 1991, the following questioned costs have been reported:

- US\$ 18,516 for the General Sales Tax.
- US\$ 286,788 for differences or discrepancies in bank reconciliations.

- US\$ 105,786 for expenses not appropriately documented.

In the first case, we must mention that FUNDEAGRO, in compliance with the terms of Circular OMB A-122 and because of its condition as a non-profitable private institution, with PVO Registration at the AID main office in Washington, is not capable of covering IGV (General Sales Tax) cost. Therefore, we will start negotiations with AID for its acceptance since, as we have remarked, FUNDEAGRO does not generate counterpart funds, nor does it receive from other sources funds destined for such purpose.

In the second case, it is important to mention that from 1988 to 1990, FUNDEAGRO did not receive local counterpart funds, despite the budget structure of the Agreement having considered these resources since the Project initiation. Yet, in the Country's General Budget for 1991 the Budget corresponding to the Instituto Nacional de Investigación Agraria Agroindustrial (INIAA) included the necessary counterpart resources destined via FUNDEAGRO to the execution of the ATT Project activities. After various negotiations, the Inter-Agency Agreement FUNDEAGRO-INIAA was signed only in May, 1991, the first disbursement having been received at the end of said month.

Since the terms of the Agreement and the Budget authorized to cover costs from January 1, to December 31, 1991 and with prior AID authorization, a reclassification of expenses was carried out; inasmuch as all expenses incurred during the first months of the year had been covered with AID Grant resources and liquidated with the AID Comptroller's Office because of lack of PL 480 resources during this period. In order to undertake this reclassification, we had to remove from AID all the documentation submitted as Liquidation of Expenses to select retroactively until January 1^o, 1991 all such costs that could be attributed to PL-480 resources; consequently, the accumulated value of these expenses from the AID accounts had to be monetarily reimbursed to the bank account opened to this effect with the Banco de Comercio, with AID resources.

The discrepancy in bank conciliations amounting to US\$ 286,788 corresponds to these transfers of balances versus reclassified documentation, which have been duly explained to the Auditors. Undoubtedly, this work of reclassification and ordering of accounts to obtain the maximum use of the PL-480 resources generated a double accounting and administrative work that had effects on the progress of our financial control systems which we are at present improving due to the closing of the ATT Project accounts.

2. NONCOMPLIANCE WITH THE STIPULATION OF USING ONLY ONE BANK ACCOUNT EXCLUSIVELY SET UP FOR THE AGREEMENTS

It is true that, at a certain moment, FUNDEAGRO had to open another account of the main account opened with Banco Agrario, in order to use the magnetic intermediation and automatic systems facilities provided by the Banco Latino, a much more modern bank in which the salaries for the personnel hired in the main office were deposited to avoid their having to come to downtown Lima. The reimbursements of the rotating funds opened in each of the Seeds Departmental Committees and the Technology Transfer Enterprises in the provinces were also deposited with the Banco Latino.

At a later date and in order to optimize the handling of the funds, we closed our account with the Banco Agrario. It must be mentioned that this bank had been closed by the Government because of its not being able to adapt to modern bank efficiency trends.

Starting from 1990 and with prior knowledge of USAID/Peru FUNDEAGRO opened the main bank account for the AID Grant with the Banco de Comercio; later we closed our bank account with the Banco Latino, annulling it for all its effects.

The Auditors' observation that from 1989 to 1990 the remittance handed by USAID/Peru were deposited in parts with the Banco Agrario and the Banco Latino and that in October, 1990 the deposit was made in parts in the three banks is explained if we consider that the then legal currency of Peru was the Inti (I/s), later replaced by the Inti Million (I/M.), which such a severe devaluation in respect of the US dollar that had so many digits that forced USAID-Mexico to divide the disbursements in 10 or more cheques, since these cheques usually arrived late to meet our commitments, we were forced to deposit them in parts so as to avoid the delay that would have been caused by making a global deposit with the Banco Agrario and request its transfer later to the Banco Latino account and to the Banco de Comercio account which was opened in October, 1990.

With regard to the Banco Latino and Banco de Comercio transactions that originated some analysis complication for the Auditors, we have taken due notice of their recommendations and, at present, there is no break account mixing different operations not corresponding to a particular Project.

3. FINANCIAL INFORMATION IS NOT PERIODICALLY SENT TO USAID/PERU

In conformity with the Amendment subscribed at the end of 1990, FUNDEAGRO was recommended to forward quarterly its unaudited Financial Statements to AID.

However, due to the process of adjustments, reclassification of accounts, personnel restructuring because of a lack of financial resources and adequacy of existing informatic systems to the new computerized accounting system ("Sistema de Administración Integral"), installed in FUNDEAGRO in 1992, it was not possible to comply with this recommendation. It must be indicated that this situation did not affect the compliance with our obligation of timely reporting the Budgetary Execution Statements showing in detail and at the level of Specific Items and Financial categories, the progress of the costs incurred by sub-projects and activities included in the Quarterly Progress Reports which, according to current standards, have been sent to AID through the Implementation Manager's Office and the ATT Project Secretariat.

Additionally, we have taken due notice of the Auditors' recommendation so as to strictly comply in the future with the clauses indicated in the Grant Agreements and/or Amendments to be subscribed by USAID/Peru and FUNDEAGRO