

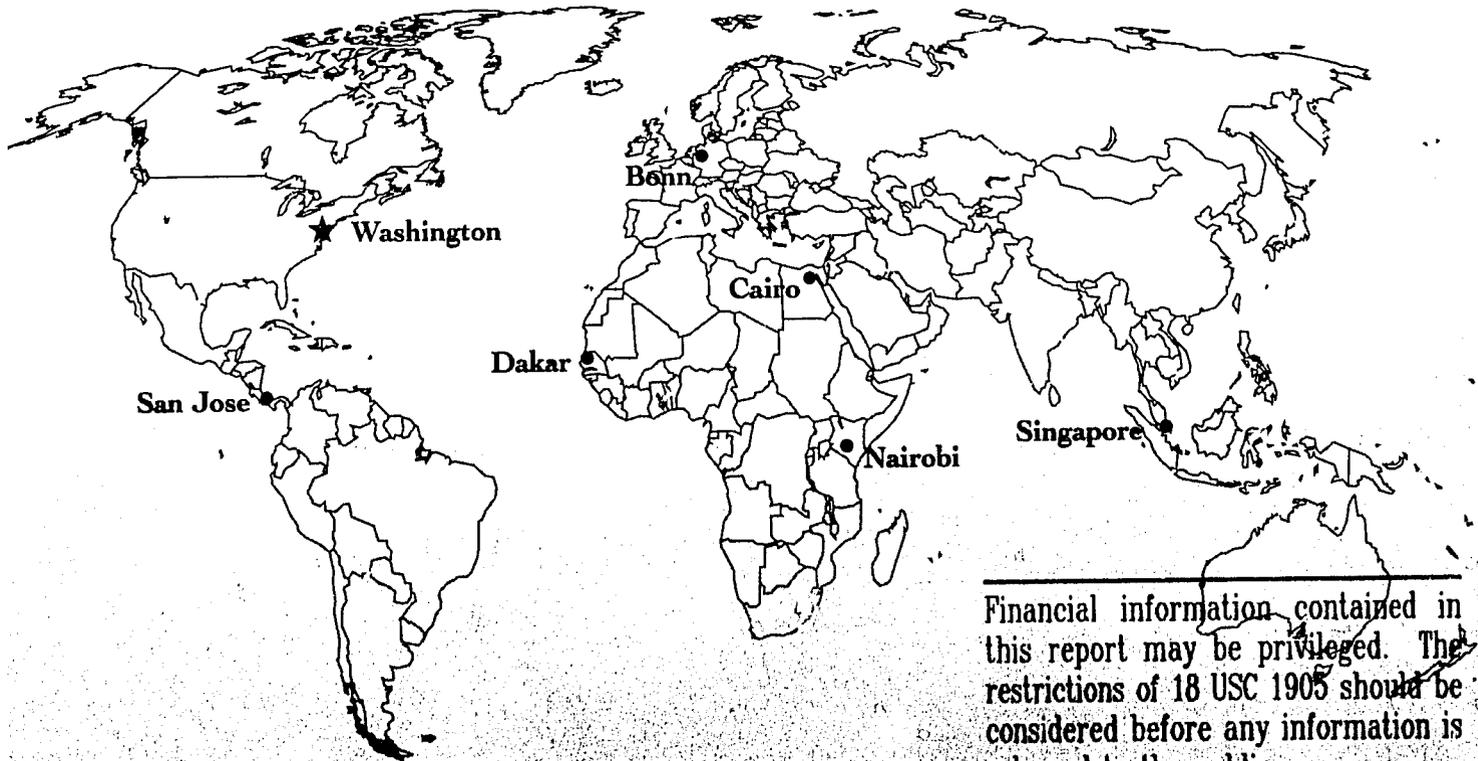
Regional Inspector General for Audit  
San Salvador, El Salvador

---

**Audit of USAID/Dominican Republic's  
Family Planning Services Expansion Project  
Managed by the  
Dominican Association for Family Welfare  
For the Period January 1, 1990 to September 30, 1993**

---

Audit Report No. 1-517-96-02-N  
November 24, 1995



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





**AGENCY FOR INTERNATIONAL DEVELOPMENT**  
OFFICE OF THE REGIONAL INSPECTOR GENERAL  
SAN SALVADOR, EL SALVADOR

Unit 3110  
APO AA 34023  
Telephone 298-1866  
FAX: (503) 228-5459

November 24, 1995

**MEMORANDUM**

**TO:** Director USAID/Dominican Republic, Marilyn Zak

**FROM:** RIG/A/San Salvador, Wayne J. Watson 

**SUBJECT:** Audit of USAID/Dominican Republic's Family Planning Services Expansion Project Managed by the Dominican Association for Family Welfare, for the Period January 1, 1990 to September 30, 1993

This report presents the results of a financial audit of the Family Planning Services Expansion Project, USAID/Dominican Republic Project No. 517-0229, managed by the Dominican Association for Family Welfare (PROFAMILIA), for the period January 1, 1990 to September 30, 1993. The audit was performed by the accounting firm of Horwath, Sotero Peralta & Associates.

The goal of the project was to improve the quality of life of Dominican families by increasing their access to voluntary family planning services, thus allowing them to lengthen birth intervals and reduce family size. Horwath, Sotero Peralta & Associates audited \$1,611,811 of USAID/Dominican Republic disbursements to the project during the audited period.

The objectives of the audit were to determine whether: (1) the fund accountability statement presents fairly, in all material respects, the financial situation of the project activities managed by PROFAMILIA for the period January 1, 1990 through September 30, 1993, and costs reported as incurred and reimbursed by USAID/Dominican Republic were allowable, allocable, and reasonable in accordance with agreement terms, and applicable laws and regulations, (2) the internal control structure of PROFAMILIA was adequate to manage its project activities, and (3) PROFAMILIA complied with agreement terms and applicable laws and regulations which may affect the project's goals and incurred costs. The scope of the audit included an examination of PROFAMILIA's activities and transactions to the extent considered necessary to issue a report thereon for the period audited.

*W*

Horwath, Sotero Peralta & Associates was of the opinion that the fund accountability statement presents fairly, in all material respects, the income and expenditures made under the project, for the period audited. However, the audit disclosed \$189,573 in questioned costs in the areas identified below.

With respect to PROFAMILIA's internal control structure, the auditors identified as a reportable weakness the fact that PROFAMILIA did not measure expenditures against budget line items. As a result, the auditors questioned \$46,431 in costs which exceeded the total budget for the project.

Regarding compliance with agreement terms and applicable laws and regulations, the auditors noted two material instances of noncompliance: (1) educational campaign costs totaling \$143,142 were questioned because the contracted educational campaign services were performed after the Project Assistance Completion Date (PACD), and (2) the amount of counterpart contributions was less than the amount budgeted for the audited period.

Although the PACD has expired, the recipient is being used for another USAID/Dominican Republic project. Therefore, we are including the following recommendations in the Office of Inspector General's audit recommendation follow-up system:

**Recommendation No. 1**

**We recommend that USAID/Dominican Republic: (a) resolve the questioned costs of \$189,573 identified in the audit report, and (b) recover from PROFAMILIA the amounts determined to be unallowable.**

**Recommendation No. 2**

**We recommend that USAID/Dominican Republic obtain evidence that PROFAMILIA has taken proper action to: (a) design and implement procedures that will ensure expenditures do not exceed project budget requirements, and (b) assure that only costs incurred before the Project Assistance Completion Date are charged to a project.**

Recommendation No. 1 will be considered resolved upon USAID/Dominican Republic's determination of the amount of recovery with respect to the questioned costs of \$189,573 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/Dominican Republic presents an acceptable 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.

In addition to the recommendations above, ***we strongly suggest that USAID/Dominican Republic resolve the issue regarding the deficiency of \$49,814 in counterpart funds described above and take the necessary action to ensure that the funds required by the grant agreement were received and used for project purposes.***

The report was discussed with PROFAMILIA, who generally agreed with the findings included in the audit report except for the questioned costs of \$189,573. The comments of PROFAMILIA are included as the Appendix to the audit 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 Salvador, El Salvador**

**Audit of USAID/Dominican Republic's  
Family Planning Services Expansion Project  
Managed by the  
Dominican Association for Family Welfare  
For the Period January 1, 1990 to September 30, 1993**

**Audit Report No. 1-517-96-02-N  
November 24, 1995**



**FINANCIAL AUDIT  
FAMILY PLANNING SERVICES  
EXPANSION PROJECT  
USAID\DR PROJECT NO. 517-0229  
MANAGED BY PROFAMILIA**

**FINANCIAL AUDIT OF  
 FAMILY PLANNING SERVICES EXPANSION PROJECT  
 MANAGED BY DOMINICAN ASSOCIATION FOR FAMILY WELFARE  
 FOR THE PERIOD JANUARY 1, 1990, THROUGH SEPTEMBER 30, 1993**

*TABLE OF CONTENTS*

	<b>Page</b>
<b>Transmittal Letter and Summary</b>	
Background . . . . .	1
Audit objectives and scope . . . . .	3
Results of audit . . . . .	7
Management comments . . . . .	9
<b>Fund Accountability Statement</b>	
Independent Auditor's Report . . . . .	10
Fund accountability statement . . . . .	13
Notes to the fund accountability statement . . . . .	15
<b>Internal Control Structure</b>	
Independent auditor's report . . . . .	31
Findings . . . . .	34
<b>Compliance with Agreement Terms and Applicable Laws and Regulations</b>	
Independent auditor's report . . . . .	35
Findings . . . . .	37
<b>Summary of Report Recommendations . . . . .</b>	<b>41</b>
<b>APENDIX: Management comments letter</b>	

September 15, 1993

Mr. Coinage N. Gothard  
RIG/A/SJ  
800 Metros al Norte de la Embajada Americana  
Rohrmoser  
San José, Costa Rica

**HORWATH, SOTERO  
PERALTA & ASOCIADOS**

*Contadores Públicos Autorizados  
Consultores Gerenciales  
Miembros de Horwath International*

Av. Winston Churchill No. 71  
Edificio Lama, 2do. piso  
Apartado Postal 355-2  
Santo Domingo, República Dominicana

Telefono: (809) 541-5353  
Telefax: (809) 565-127

**Re: Financial Audit of the  
Family Planning Services Expansion Project  
USAID/Dominican Republic Project No. 517-0229**



Dear Mr. Gothard:

**THIS REPORT PRESENTS** the results of our financial audit of the Family Planning Services Expansion Project, USAID/Dominican Republic Project No. 517-0229, managed by the Dominican Association for Family Welfare, for the period January 1, 1990, through September 30, 1993.

**I. BACKGROUND**

On September 19, 1986, the Family Planning Services Expansion Project Agreement (517-0229), was signed between USAID/Dominican Republic (USAID/DR) and the Government of the Dominican Republic. The original project was financed by a US\$5 million USAID/DR grant and included US\$1.7 million in counterpart contributions. The project goal was to improve the quality of life of Dominican families by increasing their access to voluntary family planning services, thus allowing them to lengthen birth intervals and reduce family size.

The principal implementing agencies included the Secretariat of State for Public Health and Social Assistance's (SESPAS), National Council for Population and the Family (CONAPOFA), the Dominican Association for Family Welfare (PROFAMILIA), and the Population and Employment Division (DPE) within the GODR's National Planning Office (ONAPLAN). The GODR, through CONAPOFA, was expected to play a major role in implementing this project, which was to last 5 years, ending September 1991.

Shortly after the signing of the project agreement, it became apparent that CONAPOFA would not be able to play the key role envisioned for it due to CONAPOFA's inadequate management and controls. The Mission issued the Project Implementation Letter No. 16, dated May 3, 1989, withdrawing its support to CONAPOFA under the project.

1

In July 1990, USAID/DR changed the nature of the project when it approved amendments to the project agreement to transfer funds originally intended for CONAPOFA to other private and public sector entities. The amended project incorporated two new implementing agencies, the Dominican Association of Family Planning (ADOPLAFAM), and the Maternity Hospital Nuestra Señora de la Altagracia (MNSA), in addition to PROFAMILIA and ONAPLAN from the original project. The project amendment also added US\$450,000 to the original project budget of US\$5,000,000 for a new life-of-project total of US\$5,450,000 and extended the project assistance completion date (PACD) by nine months to June 30, 1992.

Under the amended project, delivery of family planning services became primarily the responsibility of the private, non-profit sector. Project activities became even more focused on the private, non-profit sector when the family planning program with the MNSA Maternity Hospital, financed through a buy-in to the Association for Voluntary Surgical Contraception (AVSC), was delayed for over a year.

During the two years following the withdrawal of USAID/DR support to the GODR, the private, non-profit sector played an increasing role in family planning service delivery. Both PROFAMILIA and ADOPLAFAM grew significantly to meet an increased demand for low-cost, accessible family planning services. During the life of the project, both institutions have developed innovative systems of associated clinics/doctor's offices as well as networks of community volunteer promoters and other distribution sites for community-based distribution of contraceptive methods.

Last project amendment dated June 29, 1992, allowed for the continuation of on-going project activities by extending the PACD fourteen months until August 31, 1993, and providing an additional US\$1,500,000 to ensure continuity in the service delivery, institutional development, and other activities financed under this project. The amended project should assist the implementing agencies to reduce the recurrent expenses of their programs and introduce alternative cost-recovery mechanisms to sustain services once financial assistance from USAID/DR is terminated.

Implementation Letter No. 38 extended the project assistance completion date (PACD) till September 30, 1993, though without providing any additional funding.

The allocation of funding as of March 1, 1993 is as follows:

<b>Implementing Agency</b>	<b>AID Funds</b>	<b>Counterpart Contribution</b>	<b>Total Funding</b>
PROFAMILIA	US\$ 2,382,000	US\$ 1,870,000	US\$ 4,252,000
ONAPLAN	98,000	200,000	298,000
ADOPLAFAM	300,000	200,000	500,000
MNSA	240,000	100,000	340,000
<b>TOTAL</b>	<b>US\$ 3,020,000</b>	<b>US\$ 2,370,000</b>	<b>US\$ 5,390,000</b>

The balance of USAID project funds of \$6,950,000 is allocated to Technical Assistance, Evaluation/Audits, Mission purchases of contraceptives, and activities such as the Demographical Health Survey (DHS) and the Information, Education and Communication (IEC) Campaign, which would benefit all institutions.

The project component handled by PROFAMILIA was audited by RIG/A/SJ in April 1990. Minor findings were addressed through a management letter to USAID/Dominican Republic.

---

## **II. AUDIT OBJECTIVES AND SCOPE**

The objective of this engagement is to conduct a financial close-out audit of the Family Planning Services Expansion Project, managed by the Dominican Association for Family Welfare (PROFAMILIA), for the period January 1, 1990, through September 30, 1993.

We performed the audit in accordance with generally accepted auditing standards and the *Government Auditing Standards* of the U.S. Comptroller General. Consequently, before commencing the field work, we evaluated PROFAMILIA's accounting records and documentation in order to determine if those accounting records and documentation were adequate to conduct an audit.

The audit work included such tests of the accounting records as we find necessary to determine whether:

- ▶ The fund accountability statement presents fairly, in all material respects, the financial situation of the project's activities managed by PROFAMILIA for the period January 1, 1990, through September 30, 1993, and costs reported as incurred and reimbursed by USAID/Dominican Republic (USAID/DR) during the period are allowable, allocable, and reasonable in accordance with agreement terms, and applicable laws and regulations.
- ▶ The internal control structure of PROFAMILIA is adequate to manage the project's operations.
- ▶ PROFAMILIA complied with agreement terms, and applicable laws and regulations which may affect the project's goals and incurred costs.

We have prepared the audit programs in light of the possibility of errors and irregularities having taken place. In this regard, we have followed the guidance contained in the Statements on Auditing Standards (SAS) 53 and 54 of the American Institute of Certified Public Accountants (AICPA); and during the audit's field work, we were alert to situations or transactions that could be indicative of fraud, abuse, and illegal expenditures and acts.

We have taken the following steps in formulating the basis for our audit programs. These steps are not meant to be all inclusive or restrictive in nature, and we do not consider them as relief from the necessity of exercising due professional care and judgment. As the audit progresses, the steps will be modified as necessary to fit local conditions and specific project design, implementation procedures, and agreement provisions.

During field work, we examined the fund accountability statement, including the budgeted amounts by category and major items; the costs reported by PROFAMILIA as incurred during the period covered by the audit; and the revenues received from AID for the period January 1, 1990, through September 30, 1993.

The fund accountability statement presented in the report includes separate identification of revenues and costs applicable to the grant, but does not include counterpart contributions, nor direct procurement of vehicles, equipment, commodities, and technical assistance provided by USAID/DR to the project. However, the audit included steps and procedures to ascertain whether required counterpart contributions were provided in accordance with the agreement and to verify that direct USAID/DR procurement was accounted for and control procedures existed to safeguard such assets adequately.

The audit included evaluations of project implementation actions and accomplishments to determine that costs incurred are allowable, allocable, and reasonable under the agreement

terms. Additionally, we were alert to the possibility of errors, irregularities and illegal acts, as required by SAS 53 and 54 of the AICPA, and to identify areas where fraud, waste, abuse and mismanagement exist or could exist as a result of inadequate controls.

The scope of the engagement consisted of the following:

**A. Fund Accountability Statement**

1. To review direct and indirect costs reimbursed by USAID/DR, identifying and quantifying questionable costs; any costs which are not supported with adequate documentation or not in accordance with applicable agreement terms will be questioned and included as findings in the reports on internal control and compliance.
2. To review general ledgers and project ledgers to determine whether costs incurred were properly recorded, and reconciled direct costs reimbursed by USAID/DR to the project ledgers and to general ledgers.
3. To review the procedures used to control the funds, including their transfer to contracted financial institutions or other implementing units; and to ensure that all project funding provided by USAID/DR and by other sources have been received by USAID/DR, appropriately recorded in its accounting records, and periodically reconciled with information provided by such funding sources.
4. To determine whether advances of funds are justifiable in terms of the project and supported by proper documentation, including reconciliations of funds advanced, disbursed, and available.
5. To determine whether income and/or reimbursements representing recoveries of project costs, have been recorded as income or as credit to project cost accounts.
6. To review direct payments and purchases made by USAID/DR on behalf of the project to evaluate procedures used by PROFAMILIA, as applicable, to record and control the assets, commodities, and technical assistance received.
7. To determine whether salaries are reasonable and duly supported by appropriate payroll records. To determine if overtime is charged to the project and whether overtime is allowable under the terms of the agreement.

8. To assure that any cash remaining after the close of the project has been returned to USAID/Dominican Republic; and to review the status of any unliquidated advances to PROFAMILIA and/or reimbursements owed by USAID/Dominican Republic to PROFAMILIA.
9. To assure that at the close of the project all assets (inventories, fixed assets, commodities, etc.) procured with project funds have been disposed of in accordance with the terms of the agreement.
10. To include in the report a fund accountability statement which presents project costs incurred over the life of the project.

#### **B. Internal Control Structure**

The major internal controls evaluated included the adequacy of the accounting and information systems, procurement procedures and practices, bank account controls, fixed assets, controls on counterpart contributions, and controls to assure that charges to the project were reasonable and properly supported.

The evaluation of internal control structure addressed the following:

1. the policies and procedures that pertain to PROFAMILIA's ability to record, process, summarize, and report financial data consistent with the fund accountability statement, and that ensure compliance with agreement terms and applicable laws and regulations;
2. PROFAMILIA's procurement system as that system relates to project operations; and a determination whether the system follows sound commercial practices and meets USAID regulations (AID Handbook 13);
3. whether PROFAMILIA maintains separate bank accounts for project activities, and whether the controls on those bank accounts are adequate for project purposes;
4. whether PROFAMILIA has established policies for planning and evaluating project activities and accomplishments;
5. the input and output procedures for the electronic data processing system, if such a system is in place;

6. whether PROFAMILIA has taken adequate corrective action on prior audit report recommendations or any other evaluations as stated in Chapter 3 of the *Government Auditing Standards*.

**C. Compliance with Agreement Terms and Applicable Laws and Regulations.**

In order to determine whether PROFAMILIA complied with agreement terms, project implementation letters, and applicable laws and regulations, we designed steps to:

1. identify the agreement terms and pertinent laws and regulations, and determine which of those not observed could have a direct and material effect on the fund accountability statement;
2. assess the internal controls in place to assure compliance with agreement terms and laws and regulations;
3. design steps and procedures to test compliance with agreement terms and laws and regulations to provide reasonable assurance of detecting both intentional and unintentional instances of noncompliance that could have a material effect on the fund accountability statement;
4. determine if project funds have been expended for purposes not authorized or not in accordance with agreement terms. If so, we will identify these costs as questionable;
5. determine if the counterpart contribution and technical assistance as applicable, are obtained opportunely according to the agreement and to the project's needs. Quantify any shortcomings in this area.

---

### **III. RESULTS OF THE AUDIT**

#### **1. Auditor's Opinion**

We have audited the fund accountability statement of the Family Planning Services Expansion Project, managed by PROFAMILIA, for the period January 1, 1990, through September 30, 1993, and we have issued an unqualified opinion on the fund accountability statement. However, as a consequence of our substantive testing, we have identified questioned costs in the amounts of RD\$1,789,270 (equivalent to

US\$143,142) for publicity expenditures, and RD\$580,083 (equivalent to US\$46,431) for costs in excess of total budgeted amounts allowed for the life of the project.

## **2. Internal Control Structure**

Our testing, except for the finding summarized below, indicates that PROFAMILIA had sufficient capacity to capture accounting data accurately under the grant agreement.

- ▶ Expenditures were not measured against the budget line items authorized by the grant agreement. As a result, PROFAMILIA appears to have had costs in excess of the total budget for the life of the project in the amount of RD\$580,083 equivalent to US\$46,431.

## **3. Compliance with Agreement Terms and Applicable Laws and Regulations**

Except as described below, the results of our tests of compliance indicate that, PROFAMILIA complied, in all material, with the provisions referred in the compliance report. With regards to items not tested, nothing came to our attention that caused us to believe that PROFAMILIA had not complied, in all material, with those provisions.

- ▶ As mentioned in the above, expenditures for publicity were made after the Project Assistance Completion Date (PACD). These costs have been questioned and presented on the face of the fund accountability statement as such.
- ▶ The budget for the period January 1, 1990, through September 30, 1993 contemplates a counterpart contribution of "PROFAMILIA" to the project in the amount of RD\$8,128,430. However, during the mentioned period, "PROFAMILIA" will only contribute the sum of RD\$7,505,754, producing a deficit in the counterpart budgetary execution of RD\$622,676 (equivalent to US\$49,814).

#### **IV. PROFAMILIA'S MANAGEMENT COMMENTS**

This report was provided to PROFAMILIA and discussed in a final exit conference held on September 14, 1995. PROFAMILIA expressed agreement with the opinions on the fund accountability statement, internal control structure and compliance with agreement terms and applicable laws and regulations contained herein, except for the questioned costs in excess over the budgeted amount of RD\$580,083, and the advertising campaign cost incurred after the Project Assistance Completion Date (PACD) for the amount of RD\$1,789,270 (Please see the attached comments received from PROFAMILIA in their letter dated September 15, 1995)

Sincerely,



José Francisco Montás  
Partner

**INDEPENDENT AUDITOR'S REPORT  
FUND ACCOUNTABILITY STATEMENT**

**Family Planning Services Expansion Project  
USAID/DR Project No. 517-0229**

**Managed by  
Dominican Association for Family Welfare**

**For the period January 1, 1990,  
through September 30, 1993**

**HORWATH, SOTERO  
PERALTA & ASOCIADOS**

*Contadores Públicos Autorizados  
Consultores Gerenciales  
Miembros de Horwath International*

Av. Winston Churchill No. 71  
Edificio Lama, 2do. piso  
Apartado Postal 355-2  
Santo Domingo, República Dominicana

Telefono: (809) 541-5353  
Telefax: (809) 565-1279



**WE HAVE AUDITED** the fund accountability statement of the Family Planning Services Expansion Project, managed by the Dominican Association for Family Welfare (PROFAMILIA), for the period January 1, 1990, through September 30, 1993. The fund accountability statement is the responsibility of the management of PROFAMILIA. Our responsibility is to express an opinion on the fund accountability statement based on our audit.

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

We did not have an external quality control review by an unaffiliated audit organization as required by paragraph 46 of chapter 3 of *Government Auditing Standards*, since no such quality review program is required by professional accounting organizations in the Dominican Republic. We believe that the effect of this departure from the financial audit requirements of "Government Audit Standards" is not material because we participate in the Horwath International worldwide quality control program, which requires each Horwath International firm (including Sotero Peralta & Associates) to submit every three years to an extensive quality control review by partners and managers from other Horwath International firms. The last quality review for Sotero Peralta & Associates was conducted in October 1993 by Canape, Nazer, Kopeck, & Asociados from Buenos Aires, Argentina.

**INDEPENDENT AUDITOR'S REPORT**  
**FUND ACCOUNTABILITY STATEMENT**  
*(Continued)*

As set forth more fully in Note 1a, the fund accountability statement was prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than a basis in accordance with generally accepted accounting principles.

USAID/DR gave authorization for an educational campaign entitled *Anticonceptivo Oral* for the period from July 15, 1993, through September 30, 1993. Although PROFAMILIA contracted for these advertising expenditures before the Project Assistance Completion Date (PACD), execution of the advertising campaign took place after the close of the project. Accordingly, such expenditures have been identified as questioned costs (see our report on Compliance with Agreement Terms and Applicable Laws and Regulations on page 28). However, PROFAMILIA has presented these costs in the fund accountability statement (FAS), and they offer no basis for qualifying our opinion on the FAS—and we have not qualified that opinion. Additionally, as mentioned in the paragraph above, the fund accountability statement is presented on the cash basis; and since the publicity expenditures for the publicity campaign were not reimbursed by USAID as of either the fund accountability statement date or the report date, the project's fund accountability statement shows a deficit fund balance in the amount of RD\$3,393,968.

Additionally, PROFAMILIA did not properly monitor its expenditures in relation to the budget lines established by the grant agreement and its amendments with USAID/DR. As a consequence, total costs exceeded total budget limitations in the amount of RD\$580,083 (equal to US\$46,431), and these have been identified as questioned costs on the face of the fund accountability statement. PROFAMILIA has properly included these costs in the fund accountability statement (FAS), and they offer no basis for qualifying our opinion on the FAS—and we have not qualified that opinion.

In our opinion, the fund accountability statement of the Family Planning Services Expansion Project, managed by the Dominican Association for Family Welfare, presents fairly, in all material respects, cash received, costs incurred and reimbursed, for the period January 1, 1990, through September 30, 1993, in accordance with the terms of the agreements and in conformity with the basis of accounting described in Note 1(a) to the fund accountability statement.

**INDEPENDENT AUDITOR'S REPORT  
FUND ACCOUNTABILITY STATEMENT**  
*(Continued)*

This report is intended for the use of the Dominican Association for Family Welfare and the United States Agency for International Development in the Dominican Republic. This restriction is not intended to limit the distribution of this report, which, upon issuance, is a matter of public record.

December 3, 1993

September 13, 1995 (for Note 16a)

*Houarth, Sotero Peralta & Asociados*

**FAMILY PLANNING SERVICES EXPANSION PROJECT  
USAID/DOMINICAN REPUBLIC PROJECT NO.517-0229  
MANAGED BY DOMINICAN ASSOCIATION FOR FAMILY WELFARE**

**FUND ACCOUNTABILITY STATEMENT  
FOR THE PERIOD JANUARY 1, 1990, THROUGH SEPTEMBER 30, 1993**

<i>Expressed in RD\$</i>	Project Execution	Questionable Costs	
		Ineligible (Note 14)	Unsupported
Beginning fund balance	-	N/A	N/A
<b>Income</b>			
Funds provided by USAID	RD\$ 18,551,946	NA	NA
<b>Expenditures</b>			
Training (Note 2)	540,594	-	-
Supplies (Note 3)	1,515,981	-	-
<b>Operational costs</b>	-	580,083 (Note 12b)	-
Personnel costs (Note 4)	11,468,308	-	-
Professional fees (Note 5)	2,467,289	-	-
Per diem (Note 6)	437,584	-	-
Communication	75,648	-	-
Transportation (Note 7)	345,017	-	-
Fuel	252,572	-	-
Office supplies (Note 8)	943,615	-	-
Vehicle maintenance (Note 9)	306,474	-	-
Office maintenance	286,336	-	-

(Continued)

- 195

**FAMILY PLANNING SERVICES EXPANSION PROJECT  
USAID/DOMINICAN REPUBLIC PROJECT NO.517-0229  
MANAGED BY DOMINICAN ASSOCIATION FOR FAMILY WELFARE**

**FUND ACCOUNTABILITY STATEMENT  
FOR THE PERIOD JANUARY 1, 1990, THROUGH SEPTEMBER 30, 1993**

<i>Expressed in RD\$</i>	<b>Project Execution</b>	<b>Questionable Costs Ineligible (Note 14)</b>	<b>Unsupported</b>
Equipment maintenance (Note 10)	467,367	-	-
Promotion and publicity (Note 11)	2,683,169	1,789,270	-
Vehicle insurance	143,125	-	(Note 11)
Miscellaneous	12,835	-	-
<b>Total operational costs</b>	<b>19,889,339</b>	<b>2,369,353</b>	-
<b>TOTAL EXPENDITURES (Note 12)</b>	<b>RD\$ 21,945,914</b>	<b>RD\$ 2,369,353</b>	-
<b>FUND BALANCE (DEFICIT) (Note 15)</b>	<b>RD\$ (3,393,968)</b>	<b>RD\$ 2,369,353</b>	<b>RD\$ -</b>

*See Notes to the Fund Accountability Statement*

---

**FAMILY PLANNING SERVICES EXPANSION PROJECT  
MANAGED BY DOMINICAN ASSOCIATION FOR FAMILY WELFARE**

---

**NOTES TO THE FUND ACCOUNTABILITY STATEMENT**

1. Summation of the Dominican Association for Family Welfare's significant accounting policies for the Family Planning Services Expansion Project is as follows:

a) The fund accountability statement has been prepared on the cash basis of accounting. Funding provided is recognized when received rather than when earned, and expenditures are recognized when paid rather than when obligations are incurred.

b) **Currency:**

The Family Planning Services Expansion Project's accounting records are maintained and the fund accountability statement expressed in Dominican pesos (RD\$).

The weighted average rates derived from the exchange rates used by PROFAMILIA for the purpose of translating from U.S dollar cash receipts and expenditures to dominican pesos to maintain the institution's books of account in pesos were as follow:

<b>Fas period</b>	<b>Weighted average (RD to US\$)</b>
Calendar year 1986	2.85
Calendar year 1987	3.51
Calendar year 1988	6.00
Calendar year 1989	6.28
Calendar year 1990	8.53
Calendar year 1991	12.53
Calendar year 1992	12.73
Calendar year 1993	12.50

---

**FAMILY PLANNING SERVICES EXPANSION PROJECT  
MANAGED BY DOMINICAN ASSOCIATION FOR FAMILY WELFARE**

---

**c) Grant Agreement:**

On September 19, 1986, the Family Planning Services Expansion Project Agreement (517-0229) was signed between USAID and the Government of the Dominican Republic. The original project was financed by a US\$5.0 million USAID grant and included US\$1.7 million in counterpart contributions. The project goal was to improve the quality of life of Dominican families by increasing their access to voluntary family planning services, thus allowing them to lengthen birth intervals and reduce family size.

In July 1990, USAID changed the nature of the project, approving amendments for the transfer of funds originally intended for an organization known as CONAPOFA to other private and public sector entities. The amended project incorporated two new implementing agencies, the Dominican Association of Family Planning (ADOPLAFAM) and the Maternity Hospital Nuestra Señora de la Altagracia (MNSA).

The final project amendment, dated June 29, 1992, allowed for the continuation of the project by extending the PACD for fourteen months until August 31, 1993, and by providing an additional US\$1,500,000 in funding. By means of Project Implementation Letter No. 38, the Project Assistance Completion Date (PACD) was moved back to September 30, 1993 and no additional funding was provided.

---

**FAMILY PLANNING SERVICES EXPANSION PROJECT  
MANAGED BY DOMINICAN ASSOCIATION FOR FAMILY WELFARE**

---

2. Training —

For the period January 1, 1990, through September 30, 1993, the expenditures for Training were as follows:

Item	Amount
Professional fees	RD\$ 81,075
Per diem	370,061
Transportation	37,203
Fuel	14,790
Materials	29,265
Miscellaneous	8,200
<b>TOTAL</b>	<b>RD\$ 540,594</b>

3. Supplies —

For the period January 1, 1990, through September 30, 1993, expenditures for supplies were as follows:

Item	Amount
Printing of educational materials	RD\$ 642,489
Medicines	75,503
Laboratory material	151,679
Clinic material	635,720
Others	10,590
<b>TOTAL</b>	<b>RD\$ 1,515,981</b>

**FAMILY PLANNING SERVICES EXPANSION PROJECT  
MANAGED BY DOMINICAN ASSOCIATION FOR FAMILY WELFARE**

4. Personnel Costs —

For the period January 1, 1990, through September 30, 1993, personnel costs were as follows:

Item	Amount
Clinic, Doctor Evangelina Rodríguez	RD\$ 3,436,878
Clinic, Doctor Rosa Cisnero	2,458,206
Community distribution de condoms, northern zone	1,989,521
Community distribution de condoms, southern zone	2,503,312
Associate clinics	196,981
Institutional development	614,570
Preventive health measures	93,264
Training provided to community personnel	136,401
Marketing for birth control	39,375
<b>TOTAL</b>	<b>RD\$ 11,468,308</b>

+ *These clinics are part of PROFAMILIA's facilities structured to provide advisory planning services to families in Santo Domingo and Santiago.*

**FAMILY PLANNING SERVICES EXPANSION PROJECT  
MANAGED BY DOMINICAN ASSOCIATION FOR FAMILY WELFARE**

5. Professional fees —

For the period January 1, 1990, through September 30, 1993, expenditures for professional fees, were as follows:

Item	Amount
Clinic, Doctor Evangelina Rodríguez	RD\$ 1,130,064
Clinic, Doctor Rosa Cisnero	1,079,115
Community distribution of birth control devices, northern zone	61,180
Community distribution of birth control devices, souther zone	128,510
Associate clinics	42,340
Institution for the study of population and development	14,000
Institutional development	12,080
<b>TOTAL</b>	<b>RD\$ 2,467,289</b>

6. Per diem —

For the period January 1, 1990, through September 30, 1993, expenditures for per diem were as follows:

Item	Amount
Clinic, Doctor Evangelina Rodríguez	RD\$ 2,208
Clinic, Doctor Rosa Cisnero	4,013
Community distribution of birth control devices, northern zone	115,082
Community distribution of birth control devices, souther zone	316,281
<b>TOTAL</b>	<b>RD\$ 437,584</b>

---

**FAMILY PLANNING SERVICES EXPANSION PROJECT  
MANAGED BY DOMINICAN ASSOCIATION FOR FAMILY WELFARE**

---

7. Transportation —

For the period January 1, 1990, through September 30, 1993, expenditures for transportation were as follows:

<b>Item</b>	<b>Amount</b>
Clinic, Doctor Evangelina Rodríguez	RD\$ 4,518
Clinic, Doctor Rosa Cisnero	12,857
Community distribution of birth control devices, northern zone	183,746
Community distribution of birth control devices, southern zone	137,218
Media campaign for program communication	6,678
<b>TOTAL</b>	<b>RD\$ 345,017</b>

**FAMILY PLANNING SERVICES EXPANSION PROJECT  
MANAGED BY DOMINICAN ASSOCIATION FOR FAMILY WELFARE**

8. Office supplies —

For the period January 1, 1990, through September 30, 1993, expenditures for office supplies were as follows:

Item	Amount
Clinic, Doctor Evangelina Rodríguez	RD\$ 196,779
Clinic, Doctor Rosa Cisnero	253,439
Community distribution of birth control devices, northern zone	233,694
Community distribution of birth control devices, southern zone	211,981
Associate clinics	12,661
Institutional development	29,208
Study of unfulfilled demand	2,583
Salud productiva	3,270
<b>TOTAL</b>	<b>RD\$ 943,615</b>

9. Vehicle maintenance —

For the period January 1, 1990, through September 30, 1993, expenditures for vehicle maintenance were as follows:

Item	Amount
Clinic, Doctor Evangelina Rodríguez	RD\$ 40
Clinic, Doctor Rosa Cisnero	45,768
Community distribution of birth control devices, Northern zone	125,987
Community distribution of birth control devices, Southern zone	134,679
<b>TOTAL</b>	<b>RD\$ 306,474</b>

---

**FAMILY PLANNING SERVICES EXPANSION PROJECT  
MANAGED BY DOMINICAN ASSOCIATION FOR FAMILY WELFARE**

---

10. Equipment maintenance —

For the period January 1, 1990, through September 30, 1993, expenditures for equipment maintenance were as follows:

<b>Item</b>	<b>Amount</b>
Clinic, Doctor Evangelina Rodríguez	RD\$ 281,893
Clinic, Doctor Rosa Cisnero	154,091
Community distribution of condoms, Northern zone	1,294
Institutional development	30,089
<b>TOTAL</b>	<b>RD\$ 467,367</b>

---

**FAMILY PLANNING SERVICES EXPANSION PROJECT  
MANAGED BY DOMINICAN ASSOCIATION FOR FAMILY WELFARE**

---

11. Promotion and publicity —

For the period January 1, 1990, through September 30, 1993, expenditures under the category of promotion and publicity were as follows:

Item	Amount
Social marketing of condoms	RD\$ 791,750
Media campaign for communication	1,891,419
<b>TOTAL</b>	<b>RD\$ 2,683,169</b>

**FAMILY PLANNING SERVICES EXPANSION PROJECT  
MANAGED BY DOMINICAN ASSOCIATION FOR FAMILY WELFARE**

12. Execution of the Project Budget —

A. The budget has been divided into its execution prior to the audit period and for the audit period itself.

<b>USAID/DR GRANT TO PROFAMILIA</b>						
<b>Item</b>	<b>January 1, 1987, through December 31, 1989</b>			<b>January 1, 1990 through September 30, 1993</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
Training	RD\$ 52,506	RD\$ 28,946	RD\$ 23,560	RD\$ 881,320	RD\$ 540,594	RD\$ 340,726
Supplies	783,845	524,277	259,568	1,825,131	1,515,981	309,150
Operational cost	4,251,423	3,048,010	1,203,413	17,172,839	19,889,339	(2,716,500)
<b>TOTAL</b>	<b>RD\$5,087,774</b>	<b>RD\$3,601,233</b>	<b>RD\$1,486,541</b>	<b>RD\$19,879,290</b>	<b>RD\$21,945,914</b>	<b>RD\$(2,066,624)</b>

B. Total budget execution for the life of the project, was as follows:

<b>PROFAMILIA Execution of Project Budget</b>			
<b>Item</b>	<b>January 1, 1987, through September 30, 1993</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
Training	RD\$ 933,826	RD\$ 569,540	RD\$364,286
Supplies	2,608,976	2,040,258	568,718
Operational costs†	21,424,262	22,937,349	(1,513,087)
<b>TOTAL</b>	<b>RD\$24,967,064</b>	<b>RD\$25,547,147</b>	<b>(RD\$ 580,083)</b>

† The grant agreement allows a 15% increase in expenditures over the ceiling amount of a budget line item, provided that total expenditures for the project do not exceed the overall budget. Whereas the negative variance of RD\$1,513,087 is within the 15% percent increase allowed for Operational Costs ( $RD\$21,424,262 \times 15\% = RD\$3,213,639$ ), total expenditures for the project exceed total budget in the amount of RD\$580,083 (equal to US\$46,431). These expenditures in excess of budget constitute questioned costs.

13. Execution of the counterpart funding budget:

Item	January 1, 1987, through September 30, 1993		
	Budget	Actual	Variance
<b>Government of the Dominican Republic</b>			
Supplies	RD\$ 303,091	RD\$ 141,803	161,288
Operational costs	1,902,909	2,064,074	(161,165)
<b>TOTAL</b>	<b>2,206,000</b>	<b>2,205,877</b>	<b>123</b>
<b>Dominican Association for Family Welfare</b>			
Training	RD\$ 246,163	RD\$ 279,564	RD\$( 33,401)
Supplies	791,677	791,677	0
Operational costs	7,090,590	6,434,513	656,077
<b>TOTAL</b>	<b>RD\$8,128,430</b>	<b>RD\$7,505,754</b>	<b>RD\$ 622,676</b>

† The budget for the period January 1, 1990 through September 30, 1993, contemplates a counterpart contribution of PROFAMILIA to the project for the amount of RD\$8,128,430. However, during the mentioned period, PROFAMILIA only contributed the sum of RD\$7,505,754, producing a deficit in the budgetary execution of RD\$622,676.

14. Questionable Costs - a summary of questionable costs is detailed below:

a). QUESTIONED COSTS

- 1) PROFAMILIA had not received the services of an education campaign entitled "Anticonceptivo Oral" as of the Project Assistance Completion Date (PACD) of September 30, 1993 amounting to RD\$1,789,270 (equal US\$143,142). Although the related expenditures were charged to the project prior to the PACD, PROFAMILIA, because of logistical considerations, could not bring the publicity campaign into effect until the contractual closing of the project.

From the questioned amount of RD\$1,789,240, PROFAMILIA had paid for the publicity campaign the amount of RD\$215,000 in July, 1993. The difference of RD\$1,574,800 was paid after September 30, 1993, as follow:

DATE	PAID AMOUNT
1 9 9 3	
November, 11	RD\$58,000
December, 12	44,000
<b>Sub-total</b>	100,000
1 9 9 4	
March, 1	716,610
March, 10	234,672
March, 11	183,750
April, 15	40,000
April, 15	299,208
<b>Sub-total</b>	1,474,240
<b>TOTAL</b>	<b>RD\$1,574,240</b>

- 2) PROFAMILIA's total expenditures for the project exceed the project's overall budget ceiling in amount of RD\$580,083, equal to US\$46,431 (see Note 12B on page 25).

b). **UNSUPPORTED COSTS:**

Our tests revealed no unsupported costs.

15. **Deficit balance-**

PROFAMILIA operates its accounting on the cash basis. Since expenditures for the publicity campaign have not been reimbursed by USAID (see Note 14.A.1.), PROFAMILIA has not recognized revenues to cover these expenditures. Consequently, the project's fund accountability statement shows a deficit fund balance in the amount of RD\$3,393,968, as of the fund accountability statement date.

Below is the reconciliation between the fund accountability statement and the amount requested by PROFAMILIA for reimbursement from USAID\DR as of September 30, 1993.

Amount requested by PROFAMILIA for  
reimbursement from USAID\DR as of  
September 30, 1993

RD\$3,485,814\*

**Less:**

Recommended adjustments booked for  
publicity expenses (net)

91,846\*\*

---

Adjusted amount to be requested for  
reimbursement to USAID/DR as of  
September 30, 1993

RD\$3,393,968

---

\* Correspond to the amount requested by PROFAMILIA to USAID\Dominican Republic after the 30<sup>th</sup> of September, 1993.

\*\* These adjustments correspond to other publicity expenses recorded inappropriately as expenses of the educational campaign named "Anticonceptivo Oral".

**16. Subsequent event-**

**a) Conciliation between the fund accountability statement and the amount requested by PROFAMILIA:**

We are presenting the reconciliation between the amount reimbursed to PROFAMILIA by USAID\Dominican Republic and the excess cost over the incomes presented in the fund accountability statement:

Amount received by PROFAMILIA for reimbursement from USAID\DR in February 2, 1994	RD\$3,485,814
Fund balance (deficit) (see page 14)	3,393,968
<hr/>	
Amount to be returned to USAID\Dominican Republic	RD\$91,846
Plus publicity and training budgeted expenses, not incurred by PROFAMILIA	185,695*
<hr/>	
<b>Total amount to be returned to USAID/DR</b>	<b>RD\$277,541</b>
<hr/>	

\* During the final exit meeting on September 13, 1995, PROFAMILIA agreed to refund USAID/DR the amount of RD\$185,695 for publicity and training budgeted expenses which were not spent by PROFAMILIA.

**b) Questioned cost of publicity campaign:**

Questioned cost presented in the fund accountability statement in connection with the publicity campaign for RD\$1,789,270 (US\$143,142), was approved by USAID/DR as per the Executive Letter No.37 dated the 19th of July, 1993. The Oral Contraceptive Educational Campaign includes the production of four T. V. commercials and radio commercial, as well as the cost incurred to advertise them through these means.

Additionally, the publicity campaign contemplated the production of the following color brochures: (a) an educational brochures for promoters of PROFAMILIA and (b) an informational brochure for gynecologist about the campaigns. On the 3rd of February, 1994, USAID/DR reimbursed PROFAMILIA for those expenditures.

While following up on this matter, a Bill for Collection was issued by the Controller's Office on September 12, 1994, in the amount of RD\$1,211,202 (US\$94,110), based on estimates of contractual items not completed. For several months USAID/DR met with PROFAMILIA to discuss this matter and finally in December 1994, PROFAMILIA reached an agreement with Taller Creativo (the company that had handled the publicity campaign) to complete pending services without additional cost on the part of USAID/DR or PROFAMILIA.

On May 26, 1995, PROFAMILIA submitted to USAID/DR documentation in connection with the completion of pending services from Taller Creativo under the publicity campaign, and requested the cancellation of the Bill for Collection.

Although USAID/DR approves documentation received from PROFAMILIA and cancels the Bill for Collection we will continue questioning the cost for the advertising expenditures in the amount of RD\$1,789,270, related to the Oral Contraceptive Educational Campaign, since services were received by PROFAMILIA after September 30, 1993 (PACD).

**INDEPENDENT AUDITOR'S REPORT  
ON THE STRUCTURE OF INTERNAL CONTROL**

**Family Planning Services Expansion Project  
USAID/DR Project No. 517-0229**

**Managed by  
Dominican Association for Family Welfare**

**For the Period January 1, 1990,  
through September 30, 1993**

**HORWATH, SOTERO  
PERALTA & ASOCIADOS**

*Contadores Públicos Autorizados  
Consultores Gerenciales  
Miembros de Horwath International*

Av. Winston Churchill No. 71  
Edificio Lama, 2do. piso  
Apartado Postal 355-2  
Santo Domingo, República Dominicana

Telefono: (809) 541-5353  
Telefax: (809) 565-1279



**WE HAVE AUDITED** the fund accountability statement of the Family Planning Services Expansion Project, managed by the Dominican Association for Family Welfare, for the period January 1, 1990, through September 30, 1993; and have issued our report thereon dated December 3, 1993.

We conducted our audit in accordance with generally accepted auditing standards and "Government Auditing Standards", issued by the Comptroller General of the United States. Those standards require we plan and perform the audit to obtain reasonable assurance that the fund accountability statement is free of material misstatement.

In planning and performing our audit of the fund accountability statement of the Family Planning Services Expansion Project, managed by the Dominican Association for Family Welfare (PROFAMILIA), for the period January 1, 1990, through September 30, 1993, we considered its internal control structure in order 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 Dominican Association for Family Welfare is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that the assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the fund accountability statement in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that

## **INDEPENDENT AUDITOR'S REPORT ON THE STRUCTURE OF INTERNAL CONTROL**

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:

- ▶ Internal control relative to the expenditure process for the purchase of office supplies and equipment, and the payment of medical fees and other services.
- ▶ Internal control relative to the payment of personnel costs.
- ▶ The accounting system and the procedures and reports concerned with the planning and execution of project activities.
- ▶ Internal control relative to the receipt of cash donations.
- ▶ Internal control relative to the management of project bank accounts.
- ▶ Internal control relative to the electronic data processing system.

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

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

PROFAMILIA did not properly monitor its expenditures in relation to the budget lines established by the grant agreement and its amendments with USAID/DR. As a consequence, total costs exceeded total budget limitations in the amount of RD\$580,083, and these have been identified as questioned costs on the face of the fund accountability statement.

## **INDEPENDENT AUDITOR'S REPORT ON THE STRUCTURE OF INTERNAL CONTROL**

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 none of the reportable conditions described above is a material weakness.

This report is intended for the information of the Dominican Association for Family Welfare and the United States Agency for International Development in the Dominican Republic. However, upon acceptance by the USAID office of the Inspector General, this report is a matter of public record and its distribution is not limited.

December 3, 1993



---

**FAMILY PLANNING SERVICES EXPANSION PROJECT  
MANAGED BY DOMINICAN ASSOCIATION FOR FAMILY WELFARE**

---

**FINDING ONE – Expenditures Not Measured against Budget Line Items and in Total**

**Condition**

PROFAMILIA did not properly monitor its expenditures in relation to the budget lines established by the grant agreement and its amendments with USAID/DR.

**Criteria**

The grant agreement requires that PROFAMILIA operate according to budgets established in the agreement and its various amendments. Such operation should assist project implementation by providing structure (and so, close control) over the use of funding contributed by USAID/DR.

**Cause**

According to management, operational costs exceeded their budgeted amount because of the expenditures incurred as a consequence of the unexpected assumption of responsibility for implementing the marketing campaign entitled Anticonceptivo Oral (see Note 12b on page 25).

**Effect**

Total costs exceeded total budget limitations in the amount of RD\$580,083, and these have been identified as questioned costs on the face of the fund accountability statement.

**Recommendations**

We recommend that, in future projects, PROFAMILIA develop and implement a procedure whereby the organization's management measures expenditures against the established budget and demonstrates that measurement on a quarterly basis to USAID/DR. With respect to the Family Planning Services Expansion Project itself, we recommend that USAID/DR consider issuing a bill of collection in the amount of RD\$580,083, for expenditures in excess of the budget amount set forth in the grant agreement and its amendments.

**INDEPENDENT AUDITOR'S REPORT  
COMPLIANCE WITH AGREEMENT TERMS  
AND APPLICABLE LAWS AND REGULATIONS**

**Family Planning Services Expansion Project  
USAID/DR Project No. 517-0229**

**Managed by  
Dominican Association for Family Welfare**

**For the Period January 1, 1990,  
through September 30, 1993**

**HORWATH, SOTERO  
PERALTA & ASOCIADOS**

*Contadores Públicos Autorizados  
Consultores Gerenciales  
Miembros de Horwath International*

Av. Winston Churchill No. 71  
Edificio Lama, 2do. piso  
Apartado Postal 355-2  
Santo Domingo, República Dominicana

Telefono: (809) 541-5353  
Telefax: (809) 565-1279



**WE HAVE AUDITED** the fund accountability statement of the Family Planning Services Expansion Project, USAID/DR Project No.517-0229, managed by the Dominican Association for Family Welfare (PROFAMILIA), for the period January 1, 1990, through September 30, 1993; and have issued our report thereon dated December 3, 1993.

We conducted our audit in accordance with generally accepted auditing standards and "Government Auditing Standards" issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain reasonable assurance that the fund accountability statement is free from material misstatement.

Compliance with agreement terms and laws and regulations applicable to the Family Planning Services Expansion Project grant is the responsibility of PROFAMILIA's management. As part of obtaining reasonable assurance that the fund accountability statement is free of material misstatement, we performed tests of compliance with the terms of the contractual agreement and applicable laws and regulations. However, the objectives 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. We also performed tests of PROFAMILIA compliance with certain provisions of agreement terms and laws and regulations applicable to the provision of counterpart contributions.

Material instances of noncompliance are failures to follow requirements or violations of agreement terms and laws and regulations that cause us to conclude that the aggregation of misstatements resulting from those failures or violations is material to the fund accountability statement. The results of our tests of compliance disclosed the following material instances of noncompliance and questionable costs in PROFAMILIA fund accountability statement for the period January 1, 1990 through September 30, 1993.

**INDEPENDENT AUDITOR'S REPORT  
COMPLIANCE WITH AGREEMENT TERMS  
AND APPLICABLE LAWS AND REGULATIONS**

*(Continued)*

- ▶ PROFAMILIA recorded in its books of account expenditures in the amount of RD\$1,789,279 for the educational campaign entitled *Anticonceptivo Oral*. USAID/DR gave authorization for these campaign expenditures for the period from July 15, 1993, through September 30, 1993. Although PROFAMILIA contracted for these expenditures prior to the Project Assistance Completion Date, the advertising campaign was not executed until after the close of the project. Accordingly, we have identified costs in the amount of RD\$1,789,270 questionable, and have presented these costs as such on the face of the fund accountability statement.
  
- ▶ The budget for the period January 1, 1990, through September 30, 1993 contemplates a counterpart contribution of PROFAMILIA to the project for the amount of RD\$8,128,430. However, during mentioned period, PROFAMILIA will only contributed the sum of RD\$7,505,754, producing a deficit in the budgetary execution to RD\$622,676.

We considered these material instances of noncompliance in forming our opinion on whether PROFAMILIA, for the period January 1, 1990 through September 30, 1993 fund accountability statement is presented fairly, in all material respects, in conformity with the generally accepted accounting principles and this report does not affect our report dated on December 3, 1993.

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

This report is intended for the use of the Dominican Association for Family Welfare, and the United States Agency for International Development in the Dominican Republic. However upon acceptance by USAID office of the Inspector General this report is a matter of public record and its distribution is not limited.

December 3, 1993

*Hernando Sotero Peralta & Asociados*

---

**FAMILY PLANNING SERVICES EXPANSION PROJECT  
MANAGED BY DOMINICAN ASSOCIATION FOR FAMILY WELFARE**

---

**FINDING ONE – Expenditures for Publicity Realized after  
Project Assistance Completion Date**

**Condition**

PROFAMILIA recorded in its books of account an expenditure in the amount of RD\$1,789,270 for an educational campaign entitled *Anticonceptivo Oral*. The amount set aside for this campaign was approved for the period July 15, 1993 through September 30, 1993. However, PROFAMILIA did not actually receive the publicity duly contracted for until after September 30, 1993, the completion date of the project (see Note 14 a 1).

**Criteria**

Section 3.3 of the grant agreement requires that PROFAMILIA receive publicity services contracted for before the Project Assistance Completion Date (PACD).

**Cause**

In July 1993, USAID/DR approved expenditures for the educational campaign. However, as a practical matter, PROFAMILIA found that such notification of approval was not sufficient “lead time” in which to plan, contract for, and then execute the campaign.

**Effect**

The inclusion of these campaign expenditures in the fund accountability statement produced a substantial increase in the amount to be reimbursed by USAID/DR to PROFAMILIA after September 30, 1993.

**Recommendations**

We recommend that, in future projects, PROFAMILIA make certain either to complete all project activity prior to the PACD or to seek extension from USAID/DR for those goods and services which circumstances dictate must be procured or executed after the project’s termination date. With respect to the Family Planning Services Expansion Project itself, we recommend that USAID/DR consider issuing a bill of collection in the amount of

---

**FAMILY PLANNING SERVICES EXPANSION PROJECT  
MANAGED BY DOMINICAN ASSOCIATION FOR FAMILY WELFARE**

---

**RD\$1,789,270 for expenditures for the *anticonceptivo oral* publicity campaign run after the Project Assistance Completion Date.**

---

**FAMILY PLANNING SERVICES EXPANSION PROJECT  
MANAGED BY DOMINICAN ASSOCIATION FOR FAMILY WELFARE**

---

**FINDING TWO-BUDGETARY EXECUTION OF THE COUNTERPART  
CONTRIBUTION OF PROFAMILIA TO THE PROJECT.**

---

**Condition:**

The budget for the period January 1, 1990, through September 30, 1993 contemplates a counterpart contribution of PROFAMILIA to the project for the amount of RD\$8,128,430. However, during the mentioned period, PROFAMILIA only contributed the sum of RD\$7,505,754, producing a deficit in the budgetary execution of RD\$622,676 (equivalent to US\$49,814).

**Criteria:**

PROFAMILIA should have contributed the counterpart funds included in the budget in the amount of RD\$8,128,430, as approved by USAID/Dominican Republic, by means of the execution letter No.33, dated December 28, 1992.

**Cause:**

PROFAMILIA points out that the main reasons for the variation in the statement of operational costs expressed in Dominican pesos are the following:

1. The payment for the service of electricity in favor of the clinics under PROFAMILIA operation, was considered in the 1993 budget; however, since these clinics belong to the Dominican Government, the electricity bill was not charged to PROFAMILIA.
2. The extension and rebuilding of one clinic was not carried out because of delay in the approval of designs and budgets.

---

**FAMILY PLANNING SERVICES EXPANSION PROJECT  
MANAGED BY DOMINICAN ASSOCIATION FOR FAMILY WELFARE**

---

**Effect:**

The condition described above contributed to the noncompliance with the grant agreement and with the budget approved by USAID/DR.

**Recommendation:**

We suggest that in the execution of future projects "PROFAMILIA" fulfill its commitment with the contemplated budget approved by USAID/Dominican Republic in order to achieve the objectives and goals proposed during the execution of the project.

---

**FAMILY PLANNING SERVICES EXPANSION PROJECT  
MANAGED BY DOMINICAN ASSOCIATION FOR FAMILY WELFARE**

---

**SUMMARY OF REPORT RECOMMENDATIONS**

---

**STRUCTURE OF INTERNAL CONTROL**

**1. Recommendation:**

We recommend that, in future projects, PROFAMILIA develop and implement a procedure whereby the organization's management measures expenditures against the established budget and demonstrates that measurement on a quarterly basis to USAID/DR. With respect to the Family Planning Services Expansion Project itself, we recommend that USAID/DR consider issuing a bill of collection in the amount of RD\$580,083, for expenditures in excess of the budget amount set forth in the grant agreement and its amendments.

**COMPLIANCE WITH AGREEMENT TERMS AND APPLICABLE LAWS  
AND REGULATIONS**

**1. Recommendation:**

We recommend that, in future projects, PROFAMILIA make certain either to complete all project activity prior to the PACD or to seek extension from USAID/DR for those goods and services which circumstances dictate must be procured or executed after the project's termination date. With respect to the Family Planning Services Expansion Project itself, we recommend that USAID/DR consider issuing a bill of collection in the amount of RD\$1,789,270 for expenditures for the *anticonceptivo oral* publicity campaign run after the Project Assistance Completion Date.

**2. Recommendation:**

We suggest that in the execution of future projects "PROFAMILIA" fulfil its commitment with the contemplated budget and approved by USAID\Dominican Republic in order to achieve the objectives and goals proposed during the execution of the project.



**Asociación Dominicana Pro Bienestar de la Familia, Inc.**

Fundada el 14 de Marzo de 1968

Socorro Sanchez No. 64, Zona 1, Apartado Postal 1053  
Santo Domingo, D. N., REPUBLICA DOMINICANA, Cable: DOMBIEFA  
Teléfonos: 682-9611/689-0141/689-4209/689-4307/688-1203  
Fax (809) 686-8276

**15 SEP 1995**

**689**

Señor  
**LIC. JOSE FRANCISCO MONTAS**  
Socio  
**HORWATH, SOTERO, PERALTA & ASOCIADOS**  
Santo Domingo, D. N.

**Distinguido Señor Montás:**

Después de haber leído los resultados de la auditoría del Proyecto de Expansión de los Servicios de Planificación Familiar No. 517-0229, financiado por USAID/República Dominicana y administrado por nuestra institución durante el período del 1ro. de enero 1990 al 30 de septiembre del 1993, le comunicamos que estamos de acuerdo en lo que en ella se expresa a excepción de los costos cuestionados, los cuales deseamos aclarar:

El sobregiro presupuestario de RD\$580,083 de la nota 12 b, es el resultado de no haberse indexado al presupuesto original los fondos aprobados por AID, para que PROFAMILIA manejara las actividades de MSA, por lo que no estaba incluido en nuestro plan de acción del año 1993; por lo tanto, el sobregiro que se presenta en este informe no es real.

El costo cuestionado por los servicios de la campaña publicitaria, después de la fecha de terminación de las actividades del proyecto, es un hecho del que todas las instituciones involucradas (AID, Development Associates, PROFAMILIA) estaban concientes, ya que el tiempo entre la aprobación de la campaña y la finalización del proyecto No. 517-0229 era muy corto para cumplir con todas las fases que una campaña de esa naturaleza requiere.

Se procedió a contratar a El Taller Creativo para manejar la campaña. Este presentó sus propuestas de comerciales, las cuales fueron discutidas en reunión con Development Associates el 16 de marzo de 1993, aprobadas -en principio- con una serie de cambios que hicieron necesario que la agencia publicitaria desarrollara una nueva idea.

Esta nueva idea fue discutida en junio 1993 entre el personal de PROFAMILIA, AID, Development Associates y El Taller Creativo, autorizándose a la publicitaria a desarrollarla.

42-

Sr.  
Lic. José F. Montás  
Página 2

Una serie de problemas e inconvenientes en la productora, además del hecho de que Barceló estaba elaborando unos 32 comerciales y tenía copadas prácticamente todas las facilidades, hicieron que el pre-test del primer comercial se efectuara a mediados de septiembre. Se procedió a hacer los cambios recomendados en el pre-test y se lanzó al aire el 18 de octubre del 1993.

Se evidenció entonces que los tres restantes comerciales no estarían para pre-test hasta diciembre de ese año, discutiéndose esta situación con la oficial de proyecto de la AID que colaboraba con nosotros y, de común acuerdo, se decidió continuar con el desarrollo de la campaña de uno de los comerciales ya aprobados.

En las reuniones que se celebraron sobre el tema, se demostró que los fondos de la campaña fueron invertidos en el proyecto y con absoluta honestidad, como es norma de nuestra institución y que los cambios en las estrategias obedecieron a situaciones coyunturales conocidas y de común acuerdo con todas las instancias involucradas.

Sin embargo, y ante el requerimiento de la AID, PROAMILIA logró en negociaciones con El Taller Creativo conseguir tiempo de medios en la televisión y radio para pasar los tres comerciales restantes, así como producir los materiales educativos que se habían previsto como parte de la campaña publicitaria.

Todas estas acciones satisficieron los requerimientos de la AID, por lo que en fecha 19 de julio de 1995 USAID procedió a cancelar su factura No. 92111 por valor de RD\$1,211.202, que originalmente nos hiciera en base a los costos mencionados.

Todo lo anteriormente expuesto explica claramente las razones por las cuales no estamos de acuerdo con los costos cuestionados, presentados en el informe de auditoría.

Agradeciendo toda su atención a este asunto, se despide

Muy atentamente,

Licda. Magaly Caran de Alvarez  
Directora Ejecutiva

La Familia, Inc.



MCA/tls.